

# The Business Environment in Okinawa

## Effects of Novel Coronavirus (COVID-19) Outbreak

The novel coronavirus (COVID-19) outbreak is having a serious impact on Okinawa's economy with businesses being suspended in the tourism sector, which is the major industry of Okinawa Prefecture, and events being cancelled and postponed. The Okigin Group has also had to partially reduce the scale of its operations in order to prevent the spread of the virus, placing top priority on the safety of its customers and employees. We will implement all possible safety measures for our employees so that they can continue to provide customers with services that they can use with peace of mind. We will promptly announce the impact on our profits and losses as soon as it becomes clear.

### Effects on the market environment

Financial industry

Risk of increased allowances due to changes in terms and conditions as a result of the spread of COVID-19

Tourism industry etc.

Risk of profit decline due to prolonged business suspension

### Effects on the Group

Financial industry

Risk has not materialized at this point.

Tourism industry etc.

We will actively provide support based on government policies.

## Environment Surrounding the Group

### External environment

#### Opportunities

- One of the few prefectures with a growing population (the only prefecture with a natural increase in population)
- Warm subtropical climate (which supports winter tourism)
- Receives the largest number of cruise ships in Japan.

#### Threats

- Growing and lingering effects of COVID-19
- Intensified competition due to entry from other industries (such as FinTech)
- Over banking, Other banks' expansion into the prefecture

### Internal environment

#### Strengths

- The only comprehensive financial service group in the prefecture to owns a securities subsidiary.
- High capital ratio compared to other banks in the prefecture
- Stable increase in major customers

#### Weaknesses

- Low ratio of fees and commissions compared to other banks (There is a room for improvement.)
- The ratio of real estate in loans at a regional bank is high (There is a room for development in business feasibility evaluation).

# Competitive Advantage of Okinawa's Ideal Location

With major Asian cities within range of 4 hours, located in the heart of East Asia



Source: Okinawa Prefecture Asian Economic Strategy Initiative

## 2018 Ranking of freight volume by airport

Rank	Airport	Freight volume (t)	
		Annual	Daily average
1	Narita International Airport	2,221,334	6,086
2	Tokyo International Airport	1,271,143	3,483
3	Kansai International Airport	828,662	2,271
4	<b>Naha Airport</b>	<b>340,880</b>	<b>934</b>
5	Fukuoka Airport	250,798	688
6	Chubu Centrair International Airport	214,434	588
7	New Chitose Airport	195,381	536
8	Osaka International Airport	127,957	351
9	Kagoshima Airport	28,961	80
10	Komatsu Airport	18,856	52

Source: Ministry of Land, Infrastructure, Transport and Tourism, Report on Management Conditions at Airports

# Profile of Okinawa Prefecture

Rate of change in population

Rank	Prefecture	Rate of change (%)
1	Tokyo	7.1
2	Okinawa	3.9
3	Saitama	2.7
4	Kanagawa	2.4
5	Aichi	2.1
6	Shiga	1.1
7	Chiba	0.8
8	Osaka	-0.4
9	Fukuoka	-0.7
10	Kyoto	-3.1
National average		-2.2

Source: Statistics Bureau, Ministry of Internal Affairs and Communications of Japan, Population Estimates

Rate of natural increase/decrease in population

Rank	Prefecture	Index (%)
1	Okinawa	2.0
2	Tokyo	-1.1
3	Aichi	-1.3
4	Shiga	-1.6
5	Kanagawa	-2.0
6	Saitama	-2.5
7	Fukuoka	-2.6
8	Chiba	-3.0
9	Osaka	-3.1
10	Hyogo	-3.6
National average		-3.8

Source: Statistics Bureau, Ministry of Internal Affairs and Communications of Japan, Population Estimates

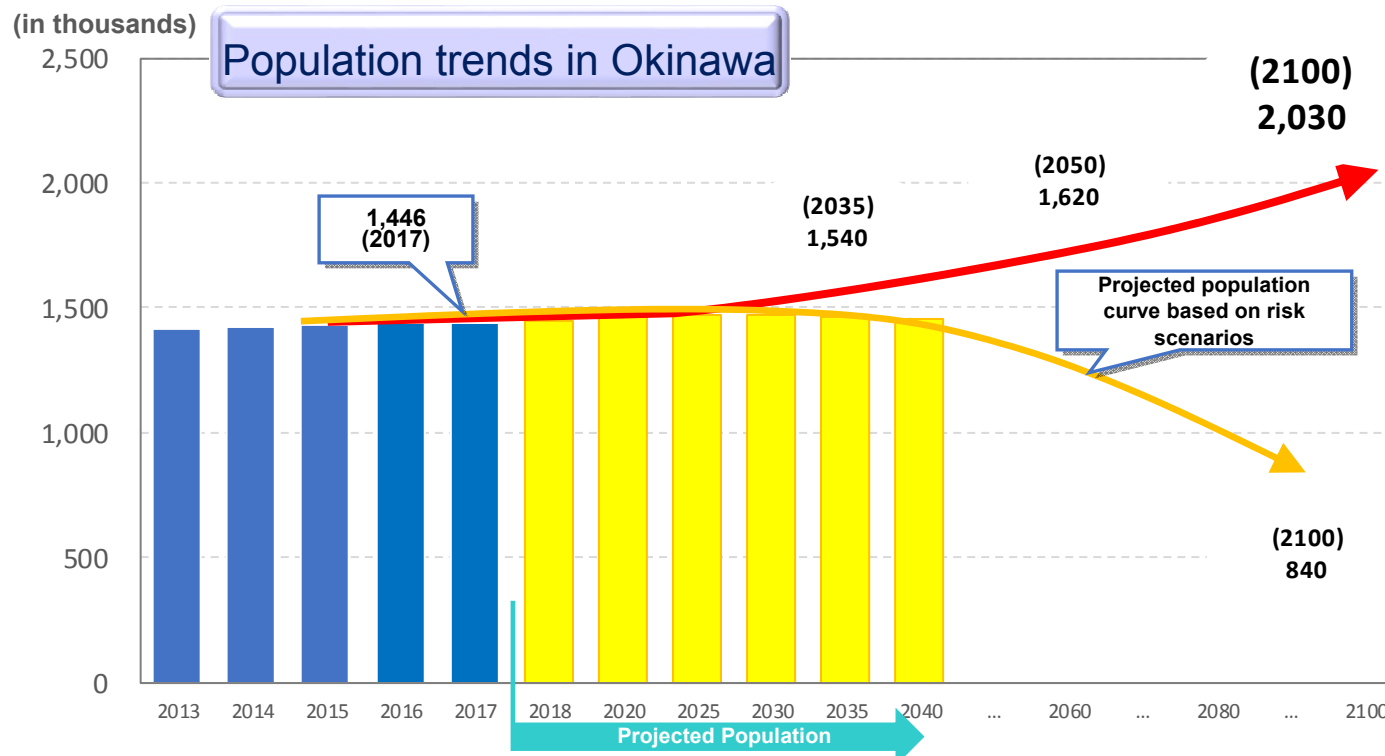
Regional brand survey

Rank	Prefecture	Attractiveness (Points)
1	Hokkaido	61.0
2	Kyoto	50.2
3	Tokyo	43.8
4	Okinawa	40.4
5	Kanagawa	34.5
6	Osaka	32.9
7	Nara	30.0
8	Fukuoka	29.6
9	Ishikawa	25.4
10	Nagano	24.8

Source: Brand Research Institute, Inc., Regional Brand Survey 2019

# Population of Okinawa (Future Prospects)

The population of Okinawa is expected to take a downward turn in and after 2030  
Population is on the increase at this stage, but active steps towards population growth are being taken now



**Efforts to facilitate natural increase in population**

Creation of a society that allows people to marry, give birth to and raise children without undue worries

- Elimination of childcare waiting list
- Promotion of "health and longevity in Okinawa" campaign

**Efforts to enhance growth of society**

Creation of a dynamic society that is open to society

- Job creation and securing diverse human resources
- Increasing tourists and visitors

**Aims to revitalize isolated islands and depopulated regions**

Creation of a society that delivers well-balanced and sustainable population growth

- Improvement of conditions for long-term residence
- Industrial development by demonstrating attractive regional characteristics

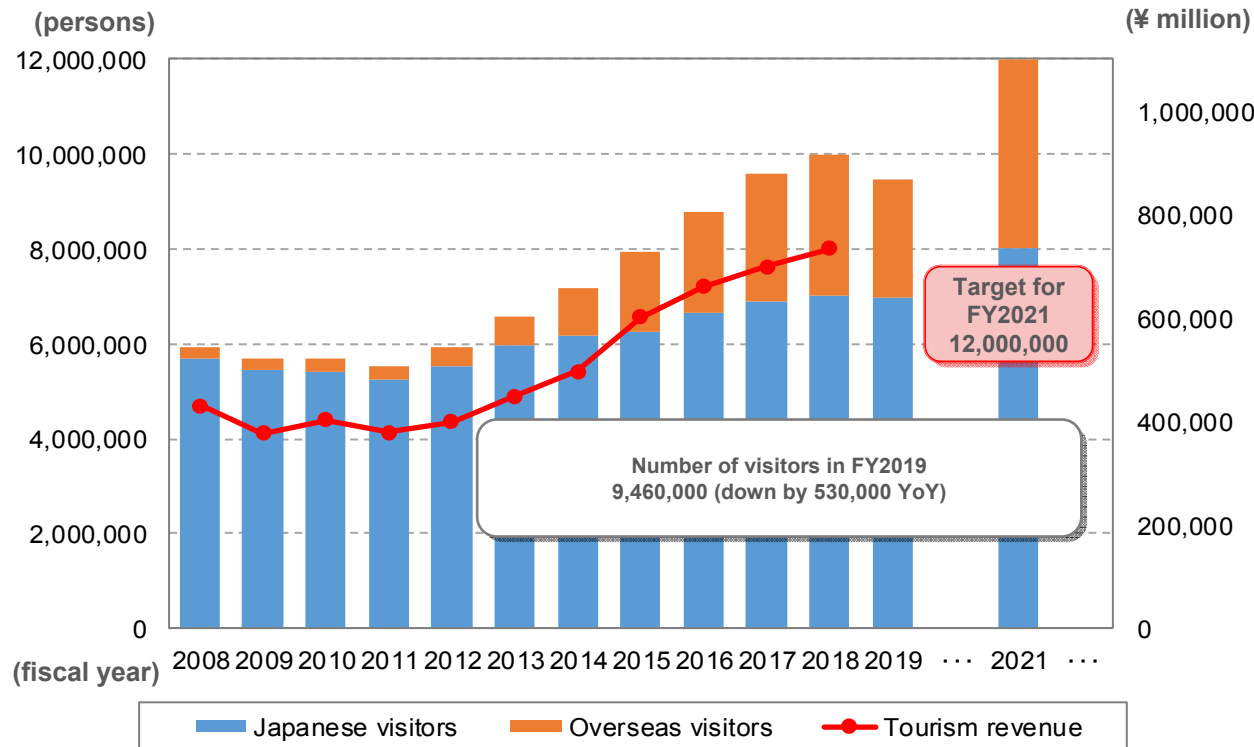
Projected future population: National Institute of Population and Social Security Research

(in thousands)	2015	2020	2025	2030	2035	2040
Okinawa	1,434	1,460	1,468	1,470	1,466	1,452
Japan	127,095	125,325	122,544	119,125	115,216	110,919

# Number of Visitors to Okinawa

Number of tourists visiting Okinawa in FY2019 was 9.46 million. Effects of the COVID-19 outbreak. The number of overseas tourists was 2.49 million (down 17.0% YoY).

## Trends in the number of visitors and tourism revenues



Source: "Tourism Overview," Okinawa Prefecture



Number of visitors to Ocean Expo Park  
4.93 million

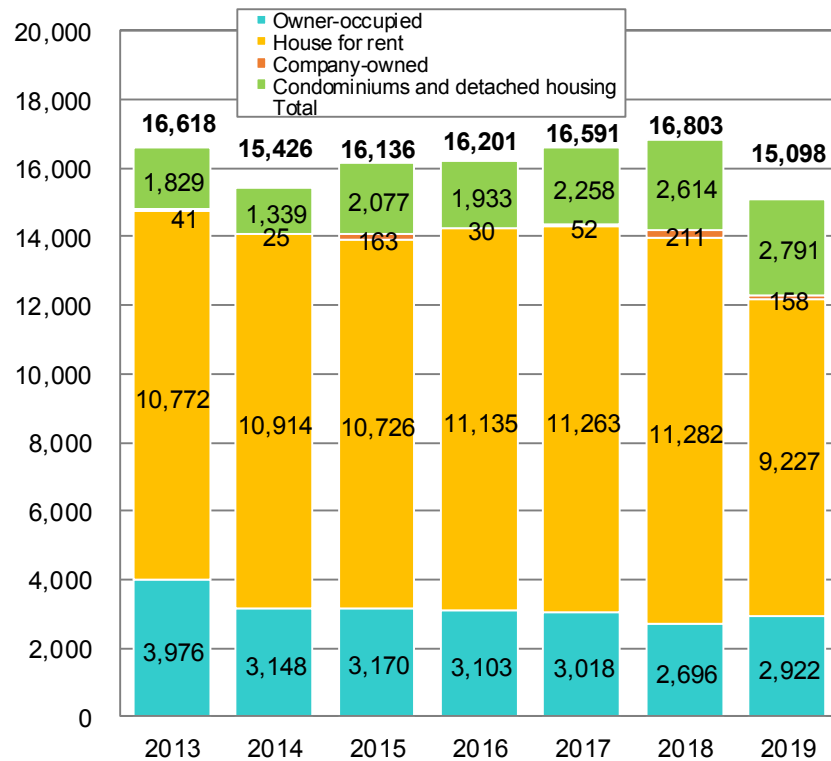


Number of visitors to Shuri Castle Park  
2.79 million

# Housing Market Trends in Okinawa

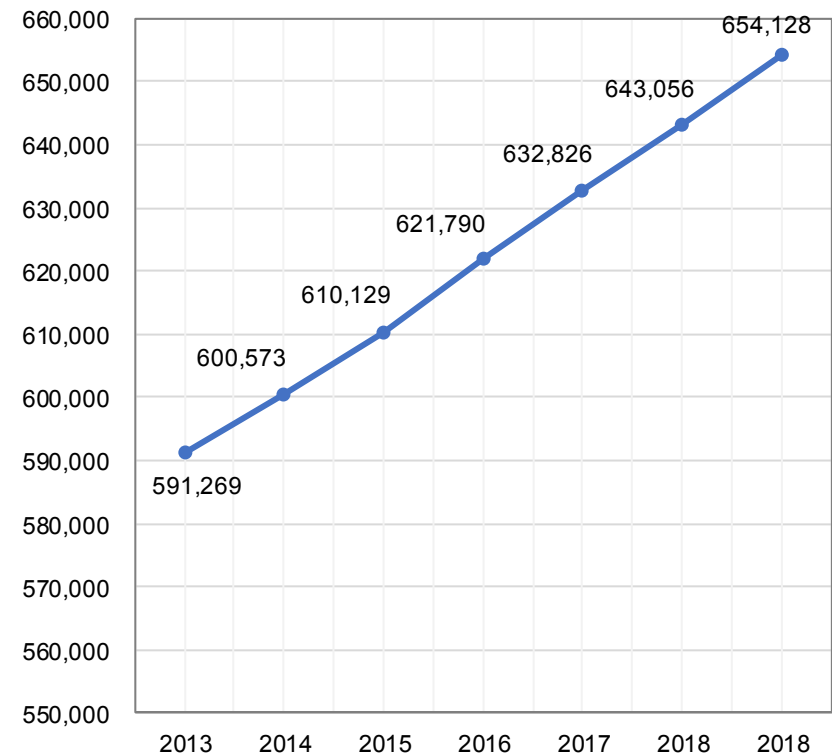
- Housing market in Okinawa remains strong
- According to the national census 2015, growth rate of population and number of households are both the highest in Japan

Number of new housing starts by housing type



Source: Ministry of Land, Infrastructure, Transport and Tourism, Statistics of Housing Starts

Total number of households in Okinawa



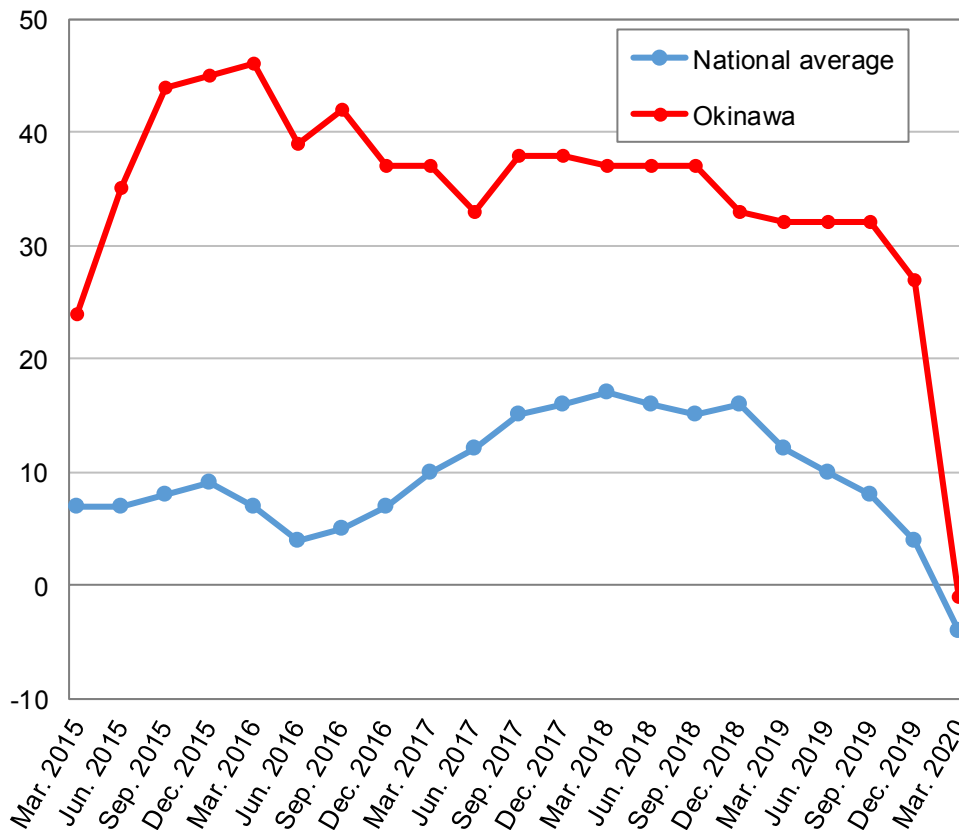
Source: Okinawa Prefectural Government, Department of Planning, Municipal Administration Division



# Economic Trends in Okinawa (1)

## BOJ Tankan

BOJ Tankan Business Confidence DI



Source: BOJ Naha Branch

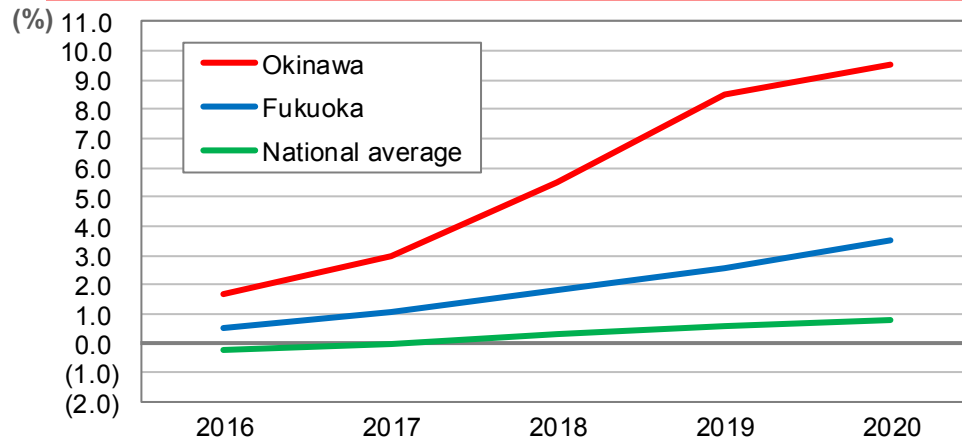
## Overview

- ◆ **The COVID-19 outbreak** has had a widespread effect on the prefectural economy.
- ◆ It has had a widespread effect also on **personal consumption**.
- ◆ It has had a widespread impact also on **tourism**.
- ◆ In terms of **public investment**, performance is solid.
- ◆ **Capital investment** is increasing.
- ◆ **Residential investment** has remained weak.

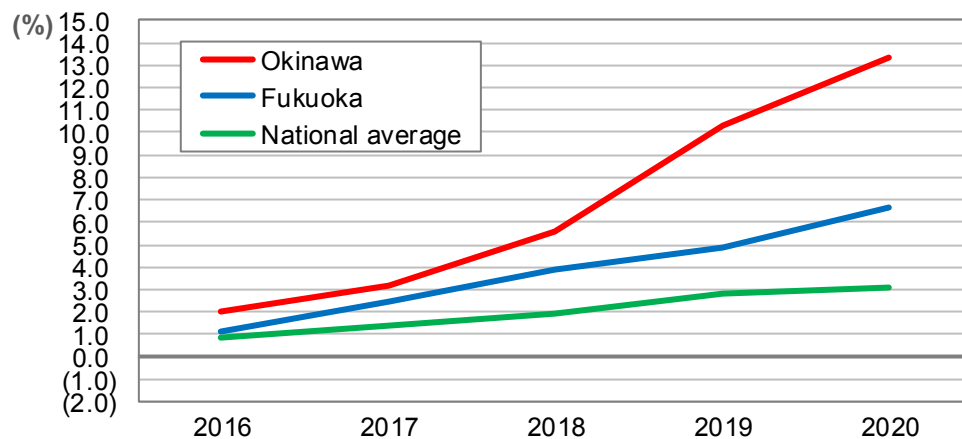
# Economic Trends in Okinawa (2)

## Official land prices

### Residential land prices



### Commercial land prices



## Overview

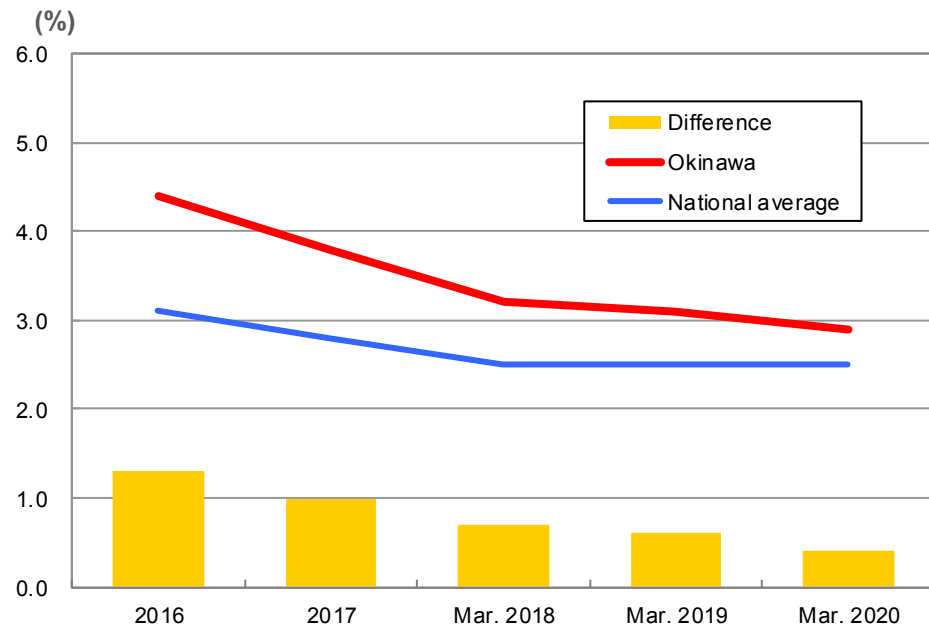
◆ **Average residential land prices in Okinawa increased by 9.5%, after increasing 8.5% in the previous year** and continue to trend upward. There is growing housing demand due to an increase in population and low interest rates, which is considered to be a factor for a continuous rise in residential land prices. Residential land prices in Itoman City and Yomitan village have also increased due to an increase in the number of people seeking housing in the suburbs. However, much remains unclear as to what impact the COVID-19 outbreak will have on land prices.

◆ **Average commercial land prices in Okinawa increased by 13.3%, after increasing 10.3% in the previous year** and continue to trend upward. There is wide-ranging demand for commercial land in construction of hotels, drug stores, restaurants and other facilities, due to growing demand for tourism. As with residential land, much remains unclear as to what impact the COVID-19 will have on commercial land prices.

# Economic Trends in Okinawa (3)

## Employment situation

### Trends in unemployment rates



## Overview

- ◆ In the past, Okinawa suffered nearly 1.5 times the unemployment rate of the national average, but the rates have steadily fallen, becoming closer to the national level.

### Active opening ratio

