



Bank of the Ryukyus Management Briefing for FY2015

By Masaru Mukaesato

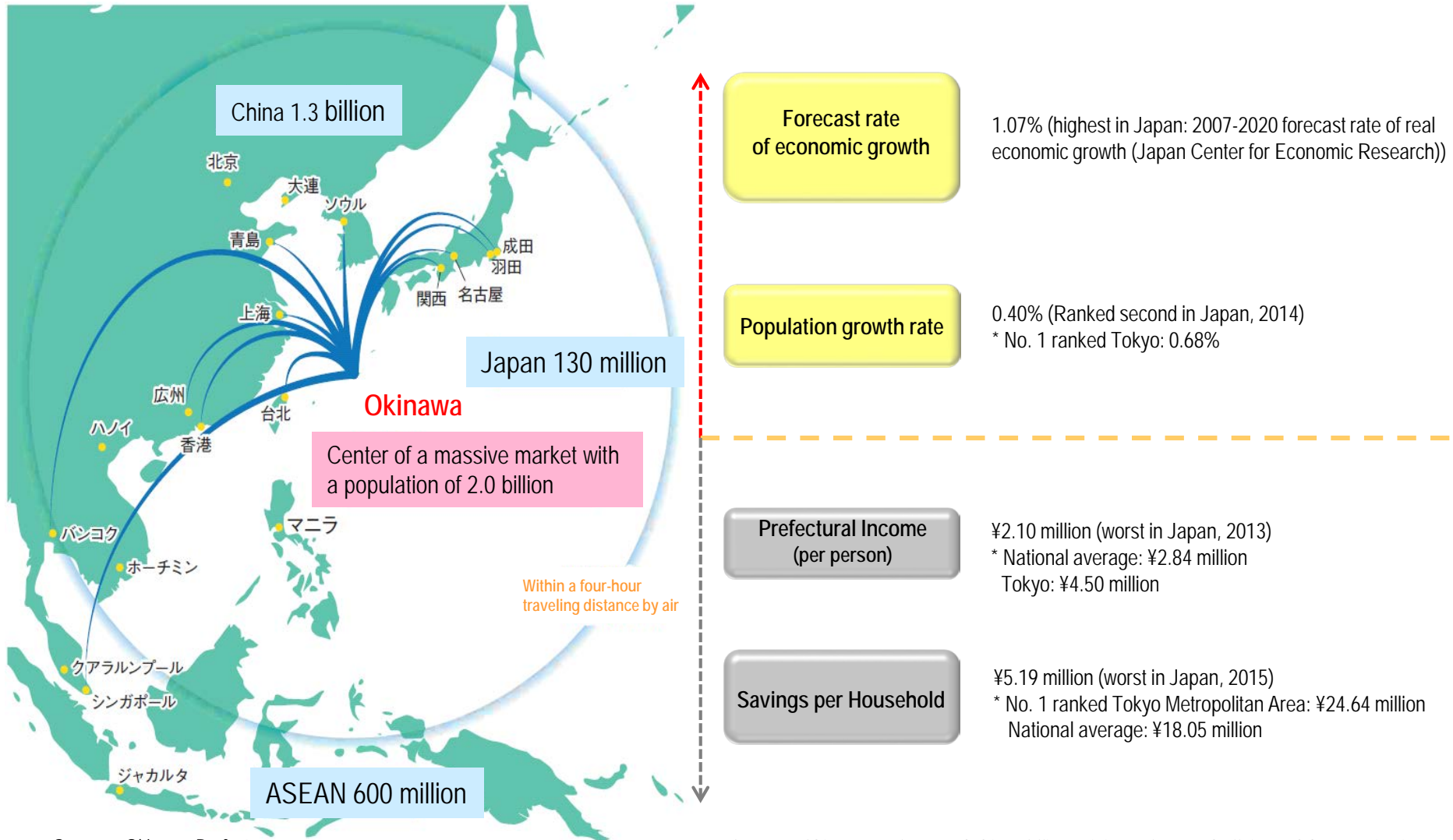
Winner of the 23rd (fiscal 2014) Bingata Design Contest presented by the Bank of the Ryukyus

The Financial and Economic Environment of Okinawa Prefecture



Overview of Okinawa Prefecture

From Japan's Southern Tip to the Heart of East Asia



Sources: Okinawa Prefecture

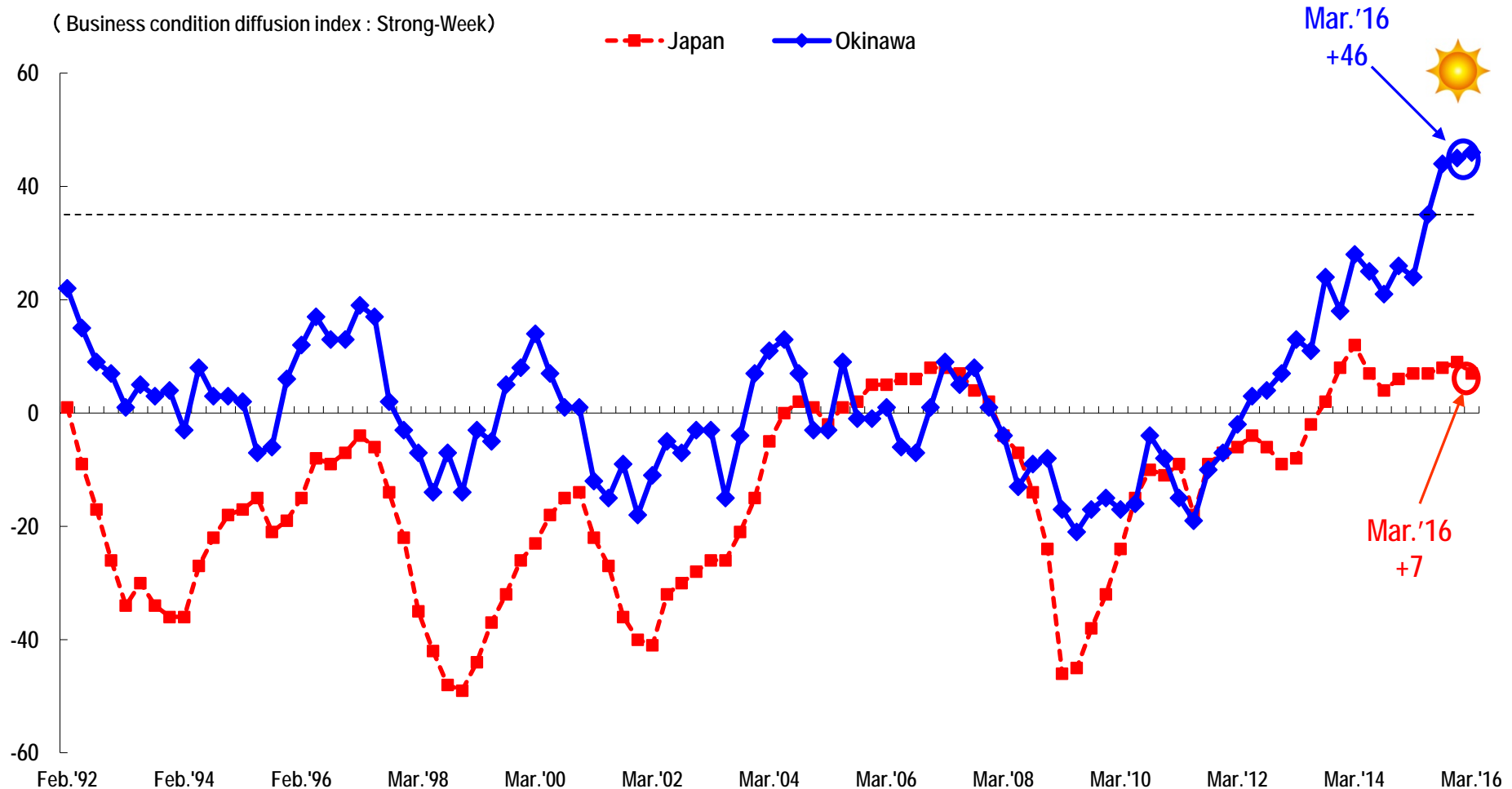
Sources: Okinawa Prefecture, Cabinet Office, Ministry of Internal Affairs and Communications

Economic Trends (Bank of Japan Tankan)

High Level Exceeding 40

Bank of Japan Tankan

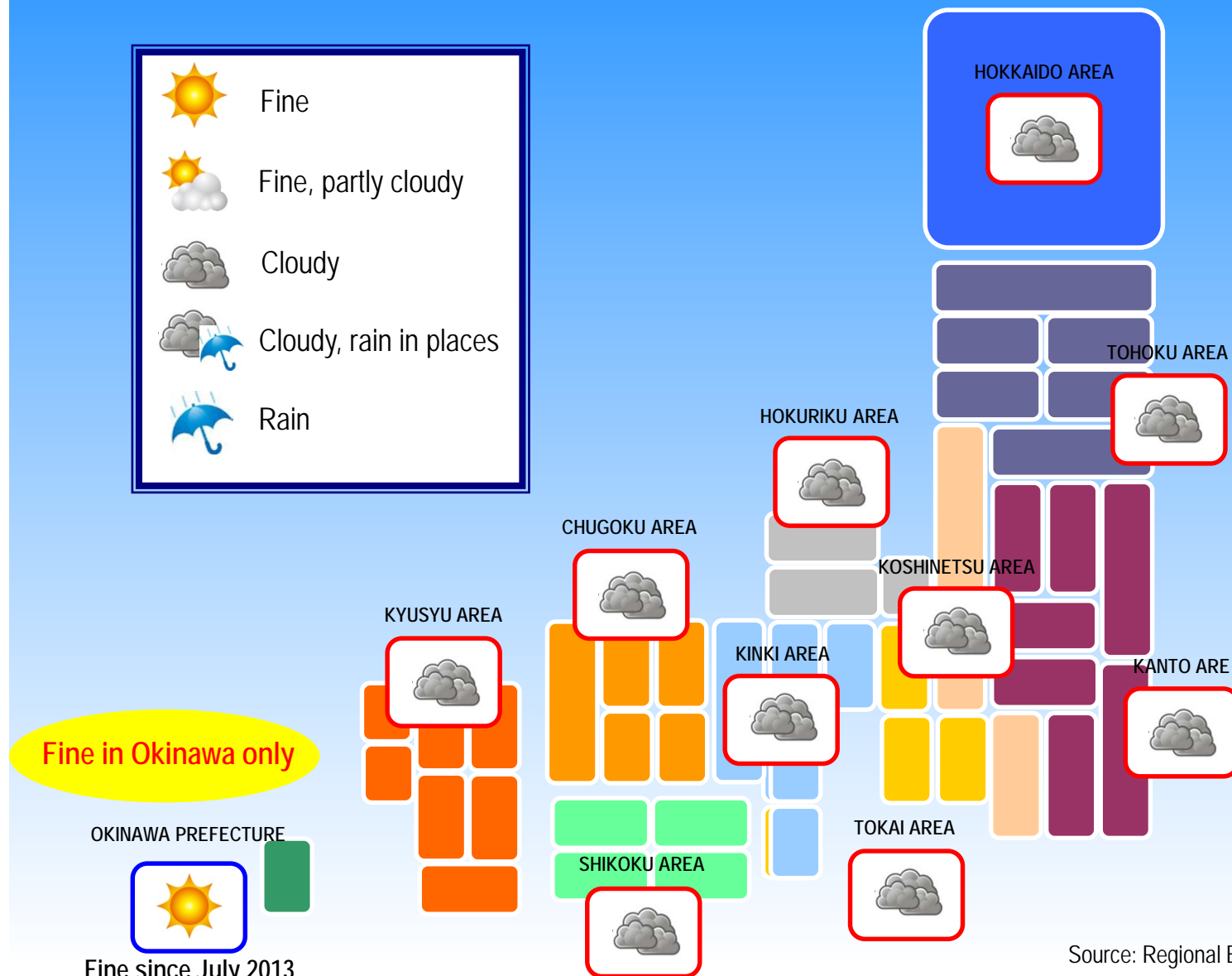
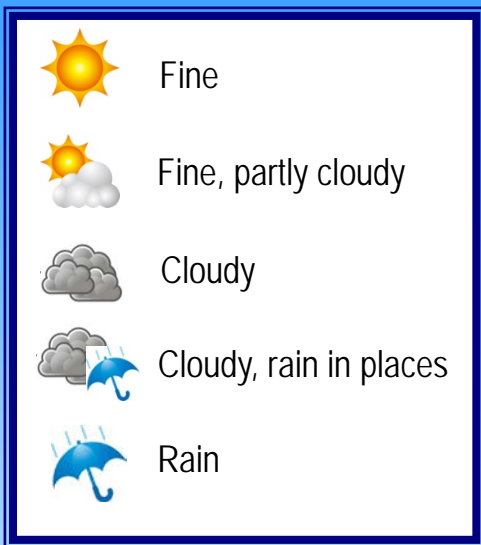
(Business condition diffusion index : Strong-Week)



* Drawn up using "new base" numerical values from December 2014

Source: Bank of Japan, Naha Branch

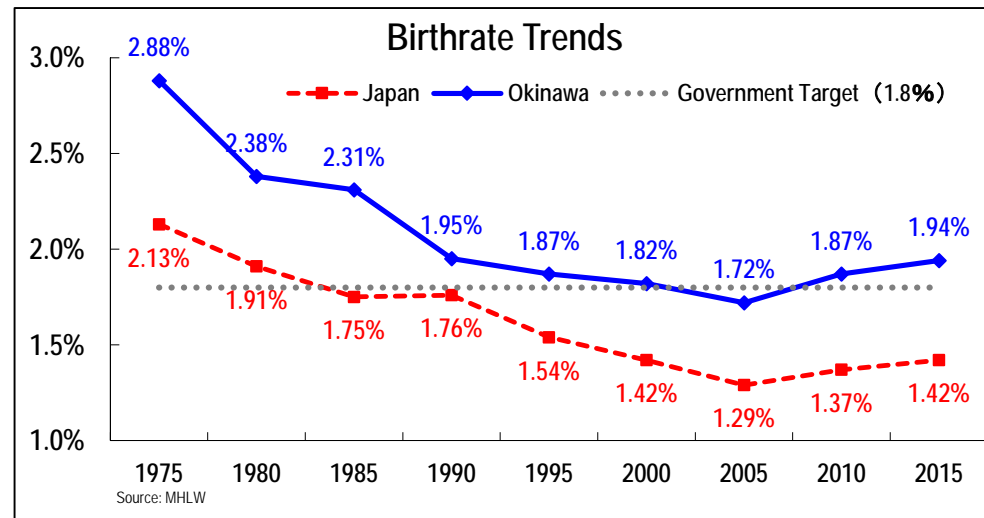
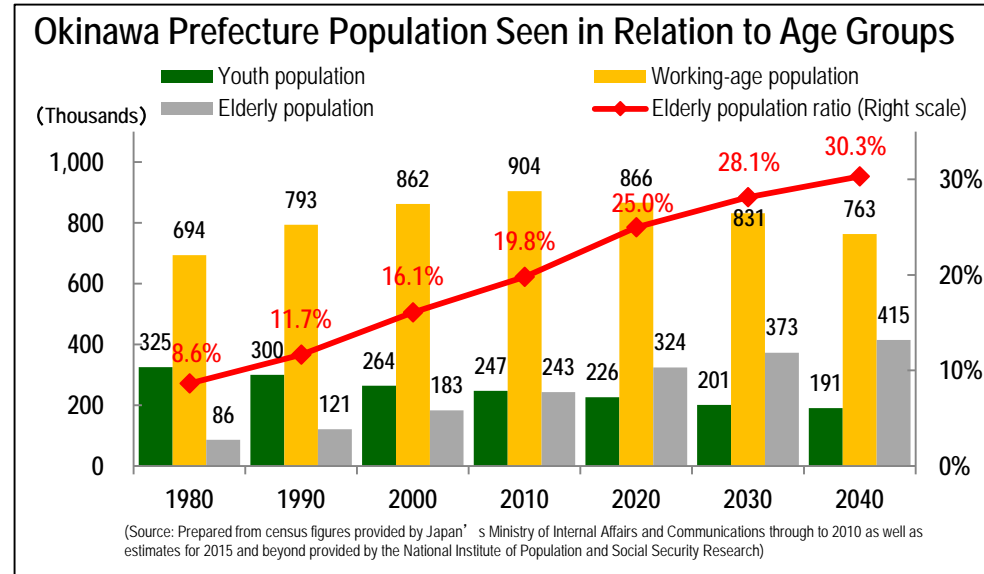
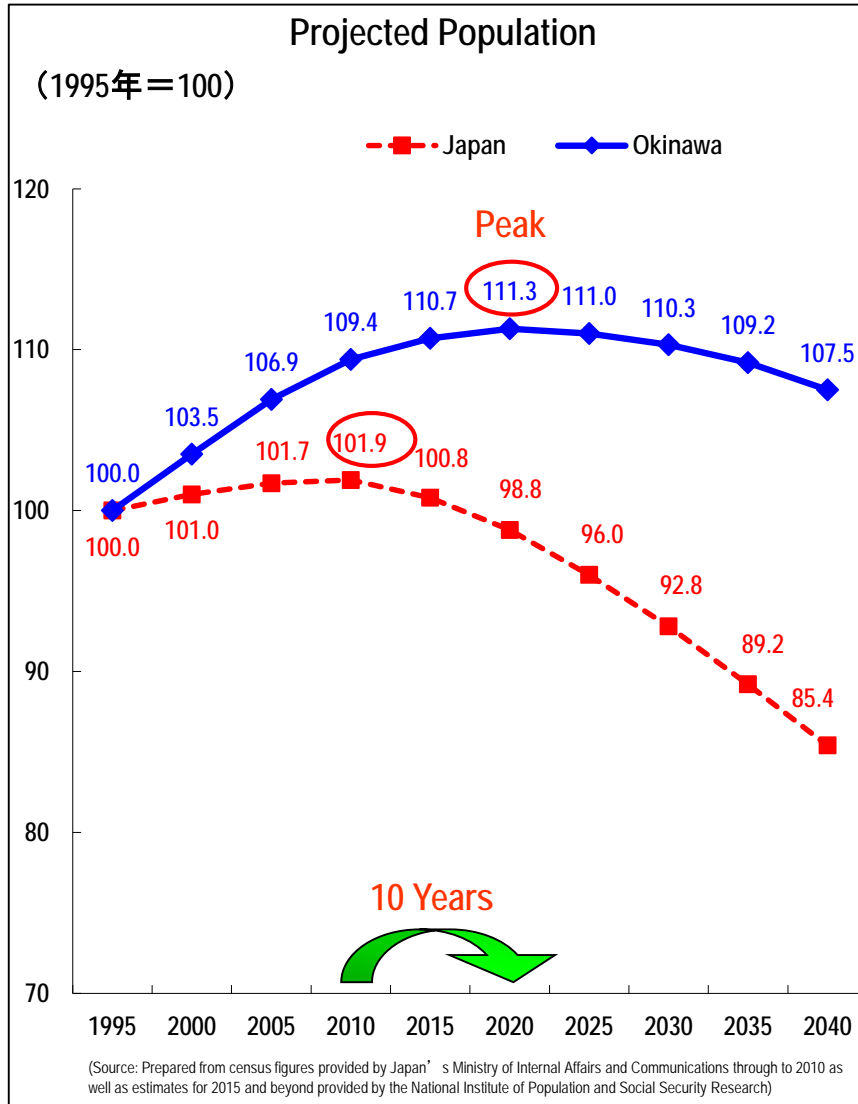
Regional Economic Climate Chart (April 2016)



Source: Regional Banks Association of Japan

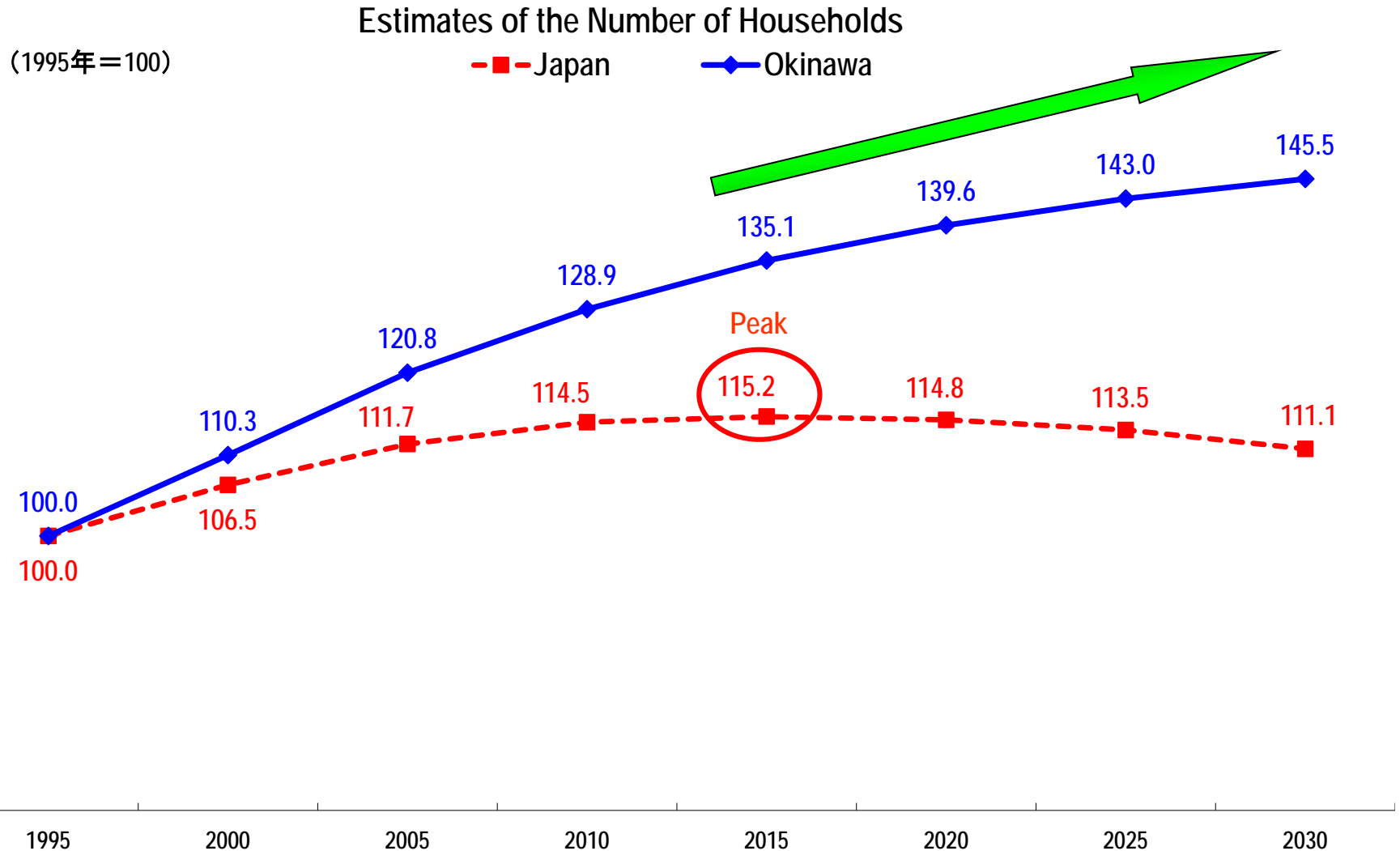
Population (Future Estimates, Birthrates)

Okinawa Prefecture's population is projected to increase for the foreseeable future



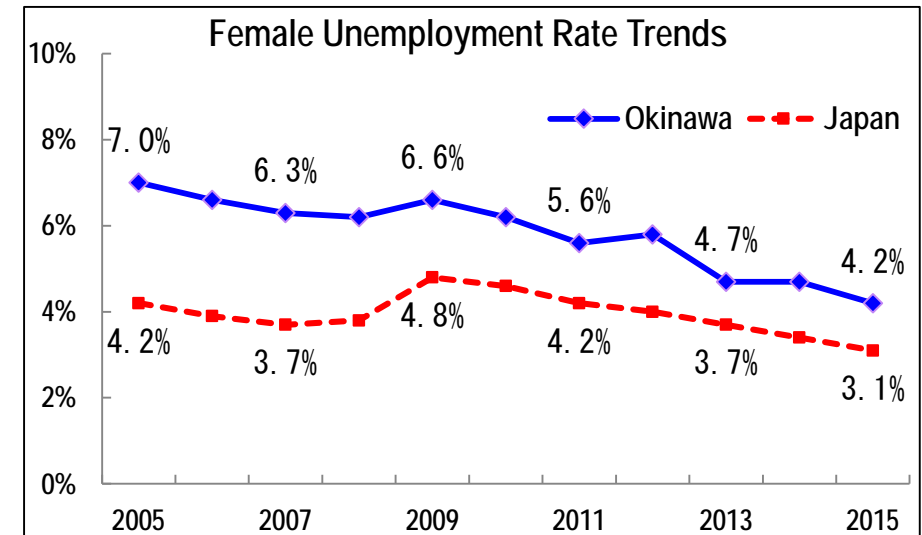
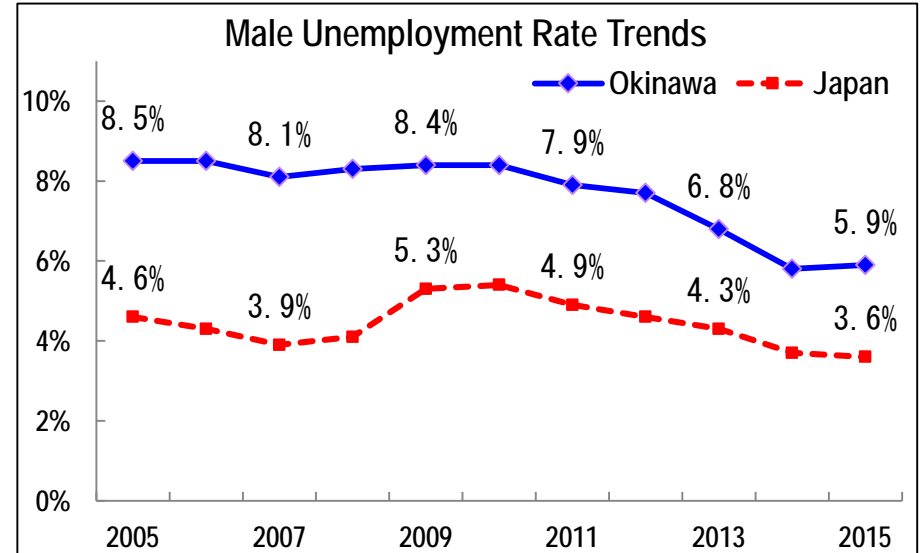
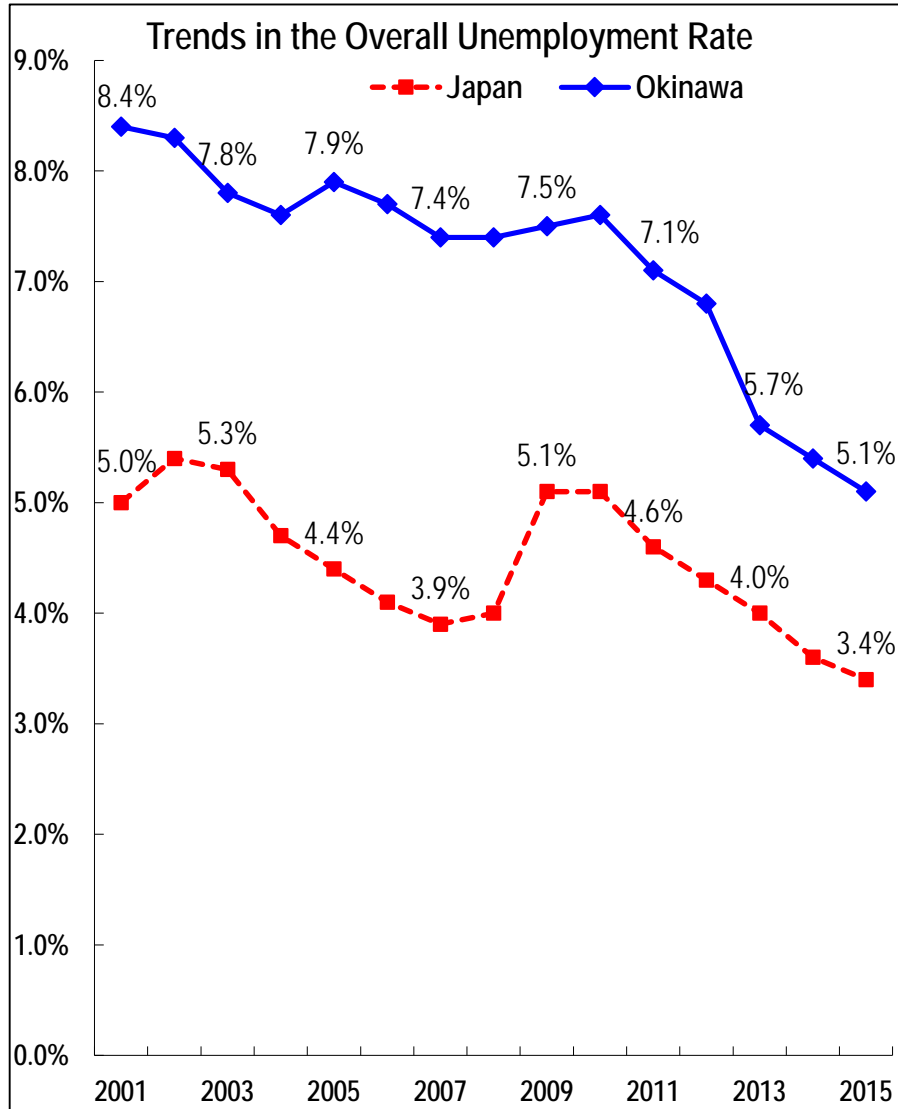
Estimates of the Number of Households

Continued increase in the number of households



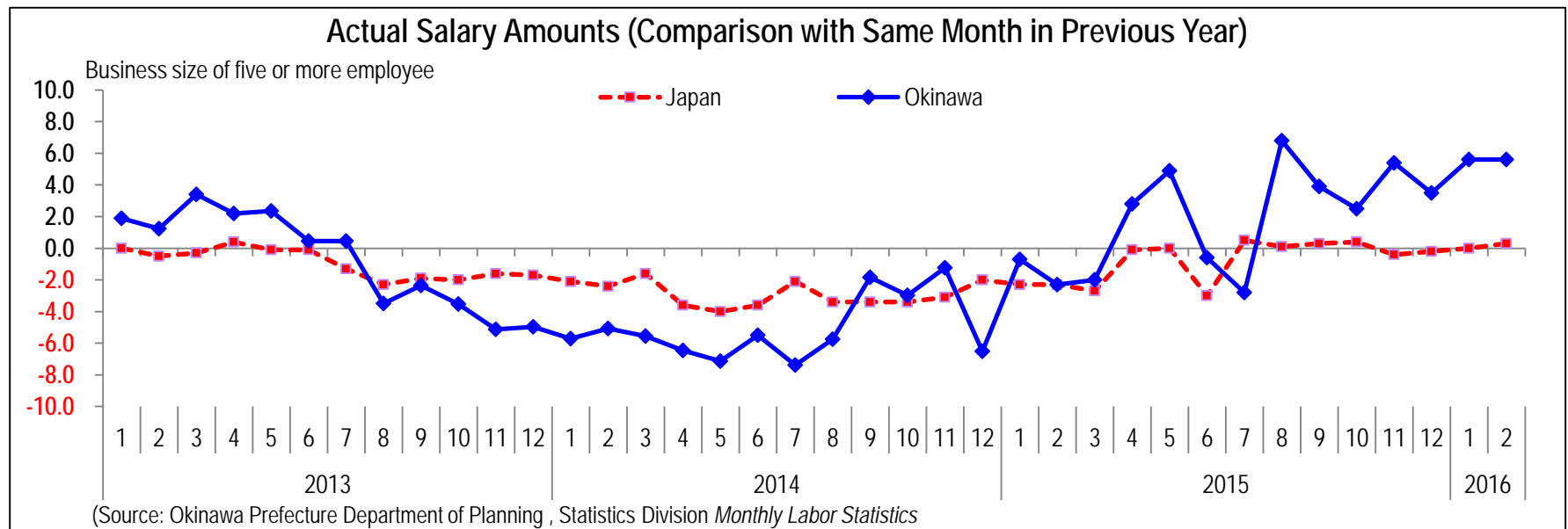
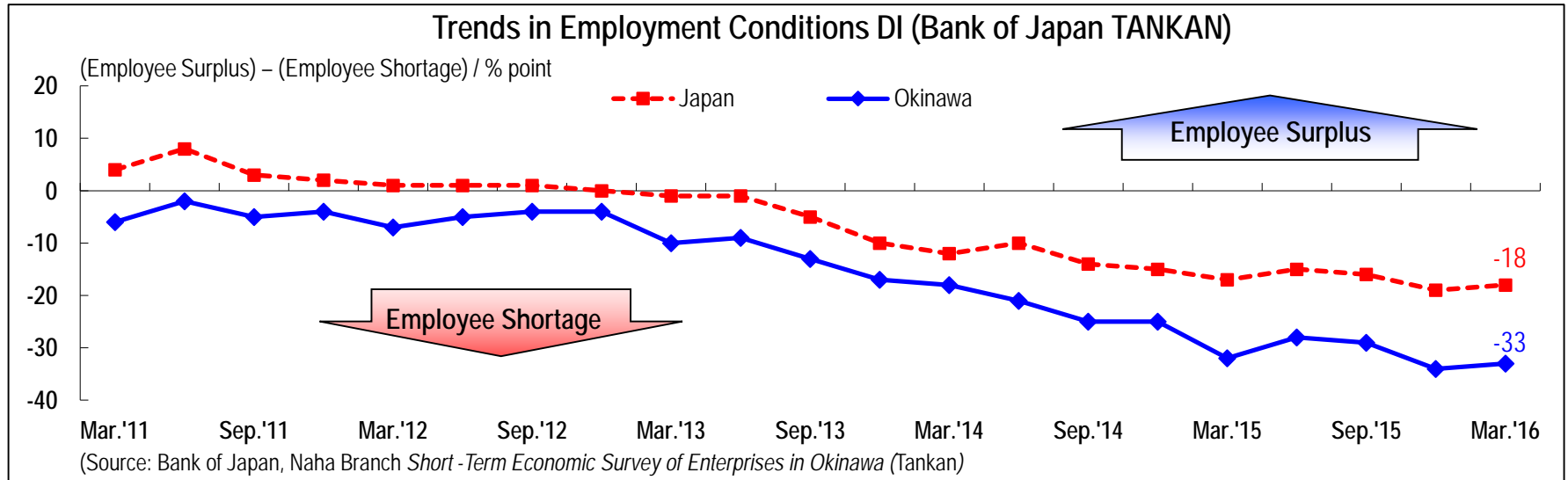
■ Employment Conditions (Trends in the overall unemployment rate)

Employment conditions on improving trend



Employment Conditions (Bank of Japan TANKAN, Actual Salary Amounts)

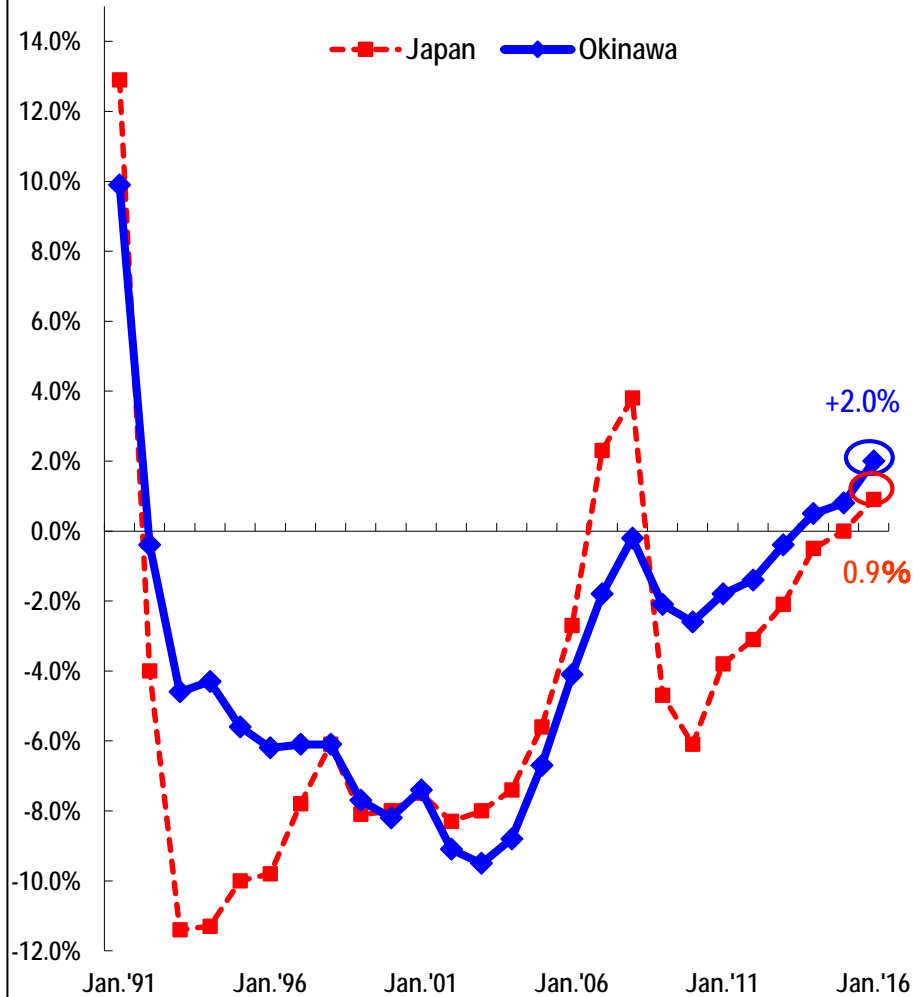
Importance of Improving Labor Productivity



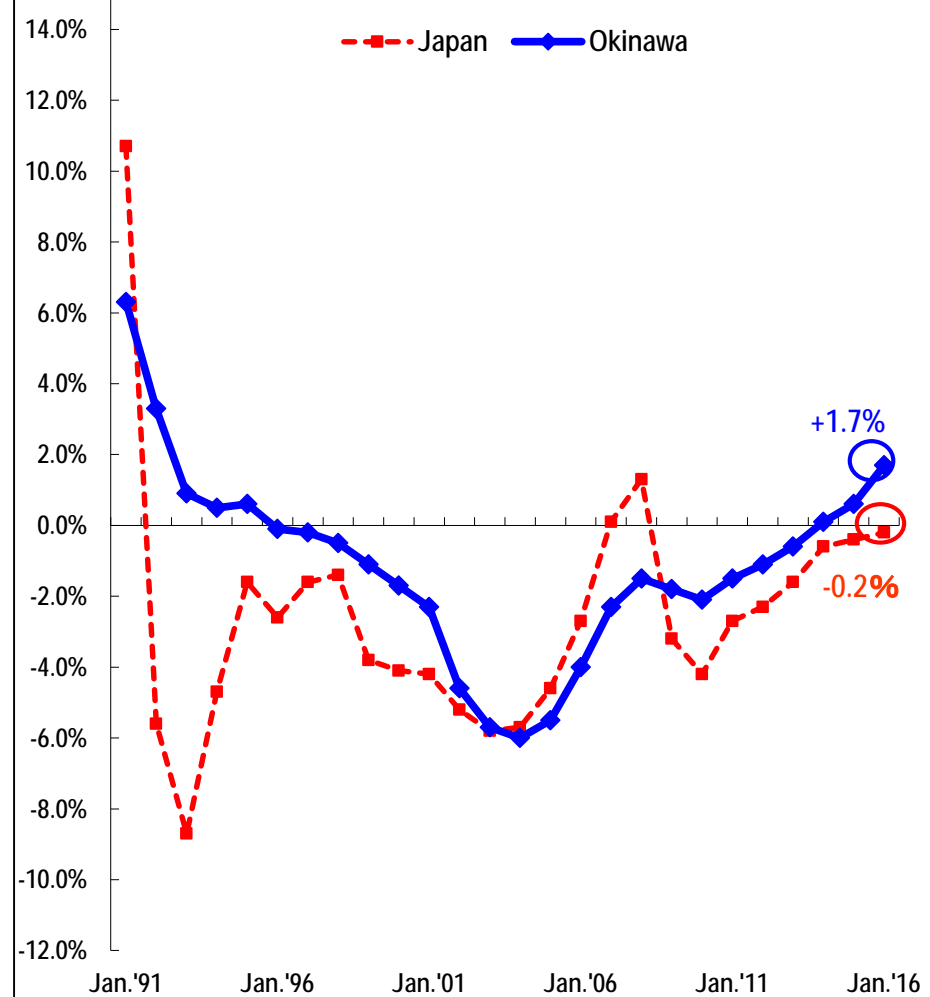
Trends in Land Prices

Both Commercial and Residential Land Prices in Okinawa Rising at More Than National Levels

Commercial-use land (YoY)



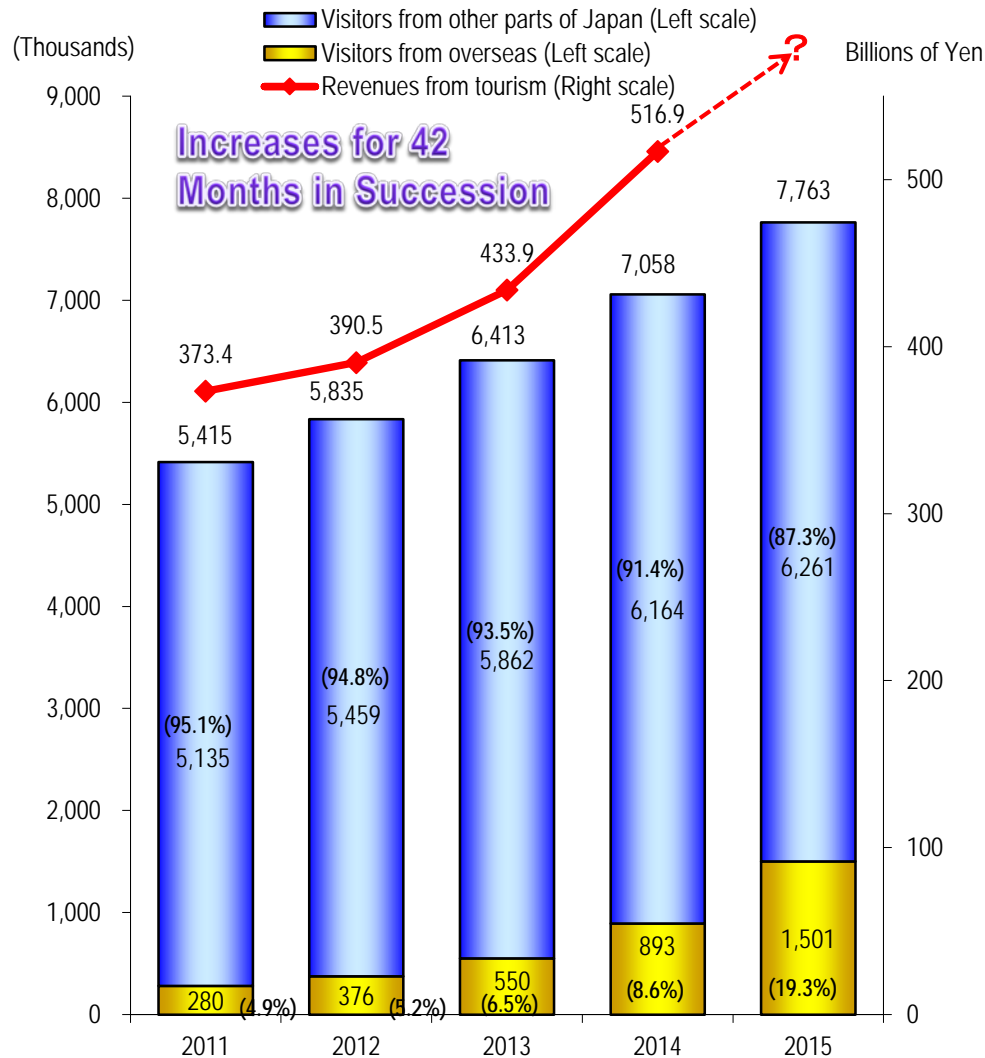
Residential-use land (YoY)



(Source: Land prices published by Japan's Ministry of Land, Infrastructure, Transport and Tourism)

Tourism (Visitor Numbers to Okinawa)

Visitor Numbers to Okinawa

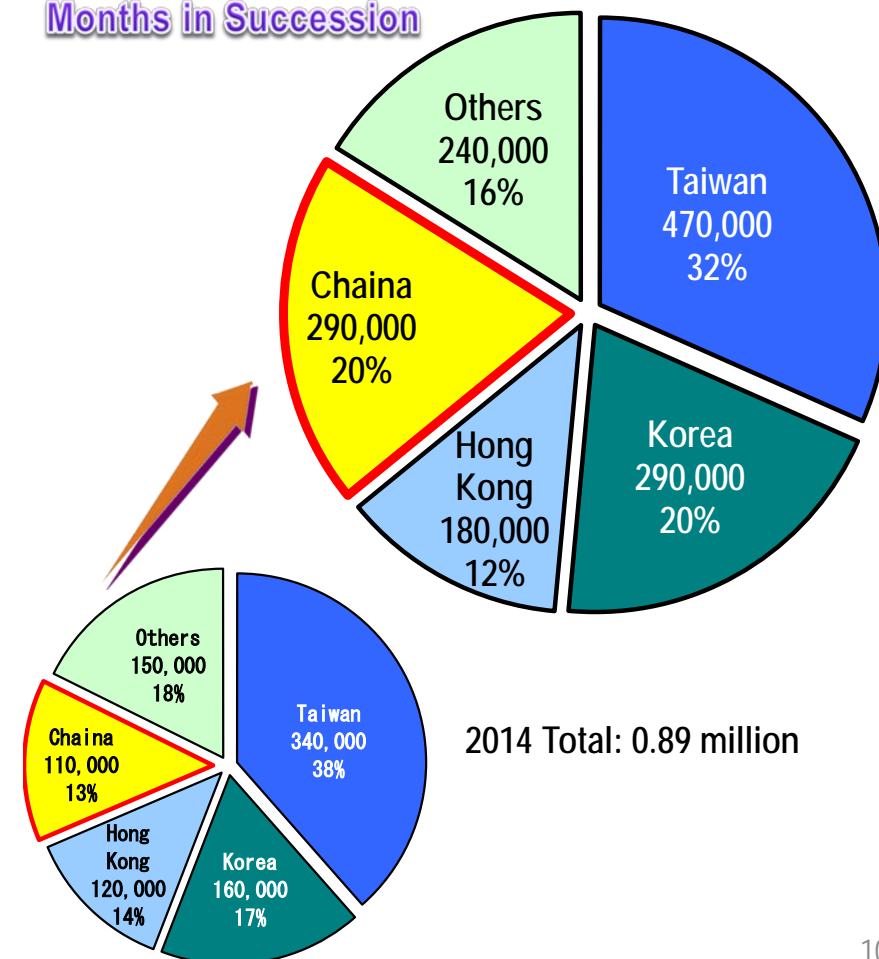


* Figures inside () show composition ratios

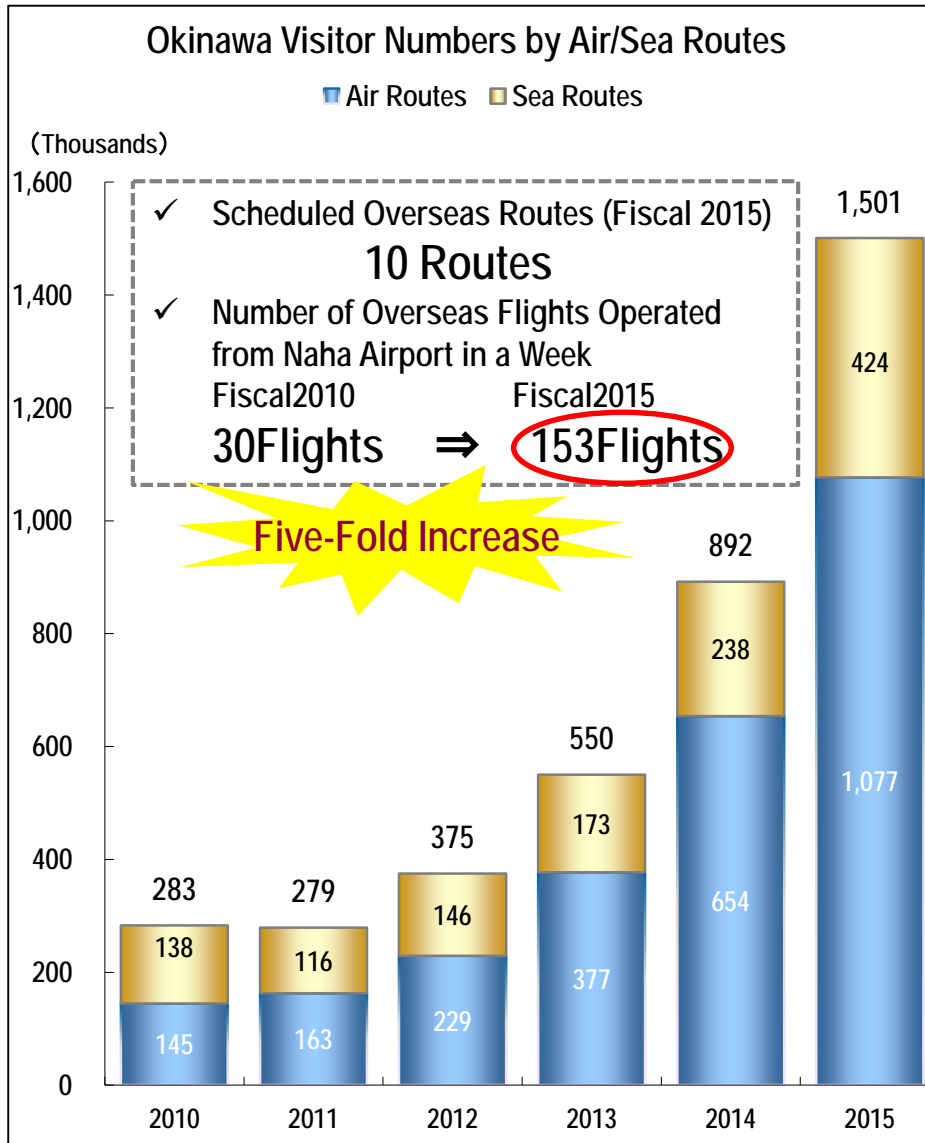
(Source: Statistical overview of the number of tourists entering Okinawa Prefecture)

Breakdown of Foreign Travelers by Nationality

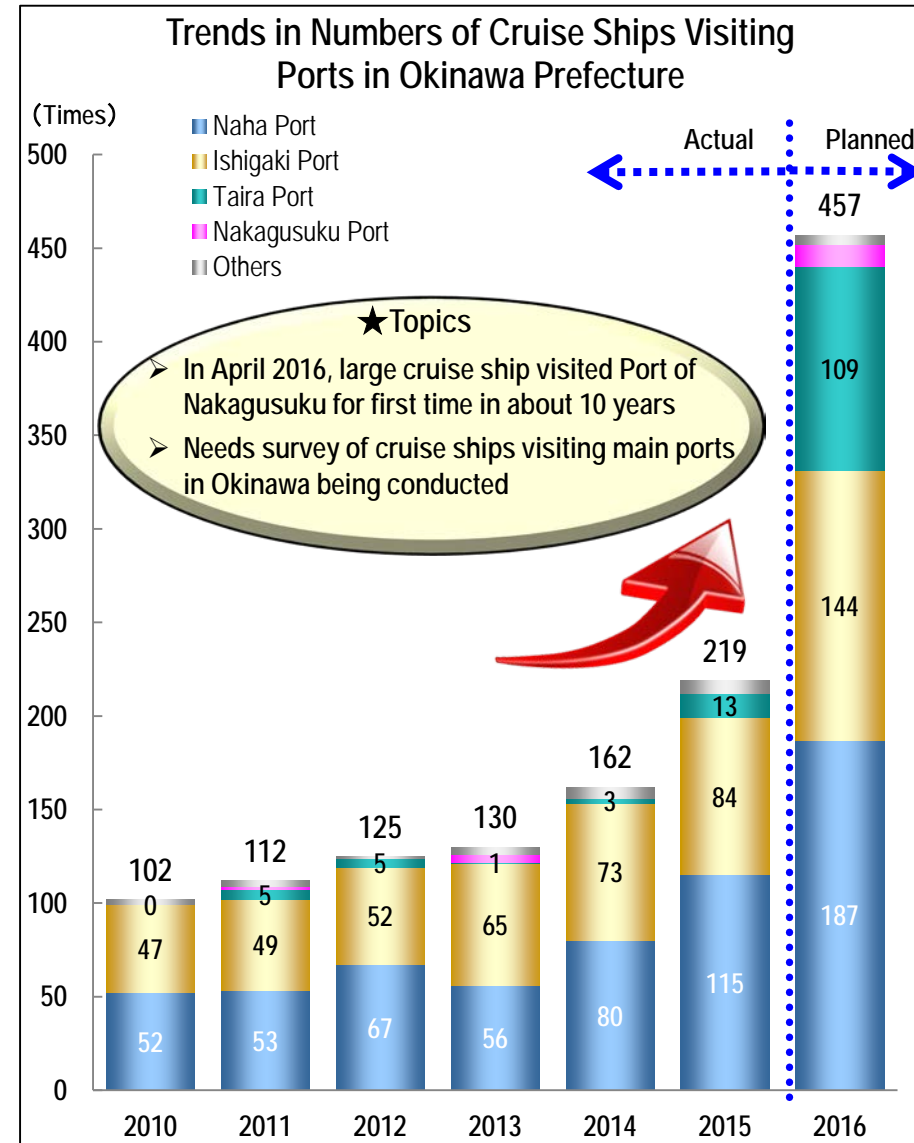
Increases for 32 Months in Succession



Tourism (Overseas Visitors by Air/Sea Routes)



(Source: Statistical overview of the number of tourists entering Okinawa Prefecture)



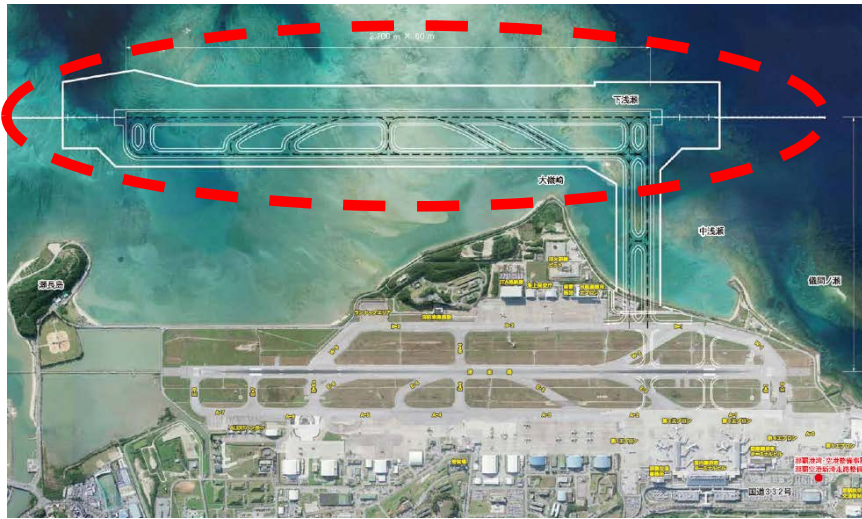
(Source: Created by the Bank of the Ryukyus from documents drawn up by Okinawa General Bureau that were based on interviews with port operators (Okinawa Prefecture, Naha Port Authority, City of Miyakojima, City of Ishigaki).)

Tourism (Second Runway at Naha Airport, MICE)

【Second Runway at Naha Airport】

Additional construction of a 2,700m runway to address the increase in air travel demand

Total project expenses	Commencement of construction	Completion of construction
About ¥198 Billion	January-2014	December-2019



	Airport name	Number of service routes
1	Tokyo International	49
2	Naha	27
3	Fukuoka	26
4	New Chitose	26
5	Osaka International	24

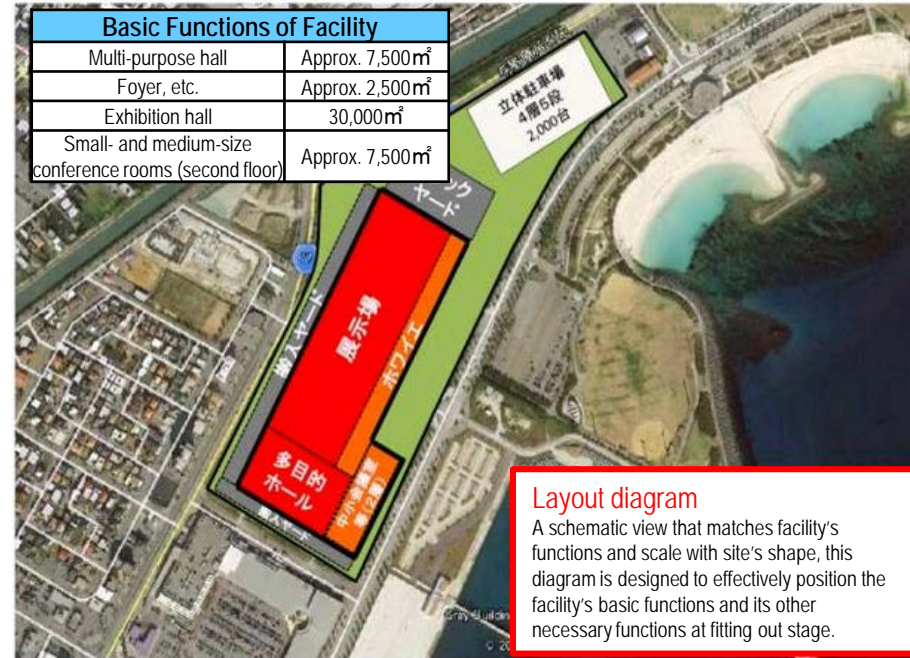
Takeoff and Landing Handling Capacity

Current
135,000
/year

After expansion
185,000
/year

(Forecast)

Schematic Layout Diagram of Large-Scale MICE Facility



➤ M Meetings, Incentive Travel

- ⇒ Able to hold conferences, side meetings and linked exhibitions for 5,000 people at the same time
- ⇒ Able to accommodate 4,000 people in seated dinner style

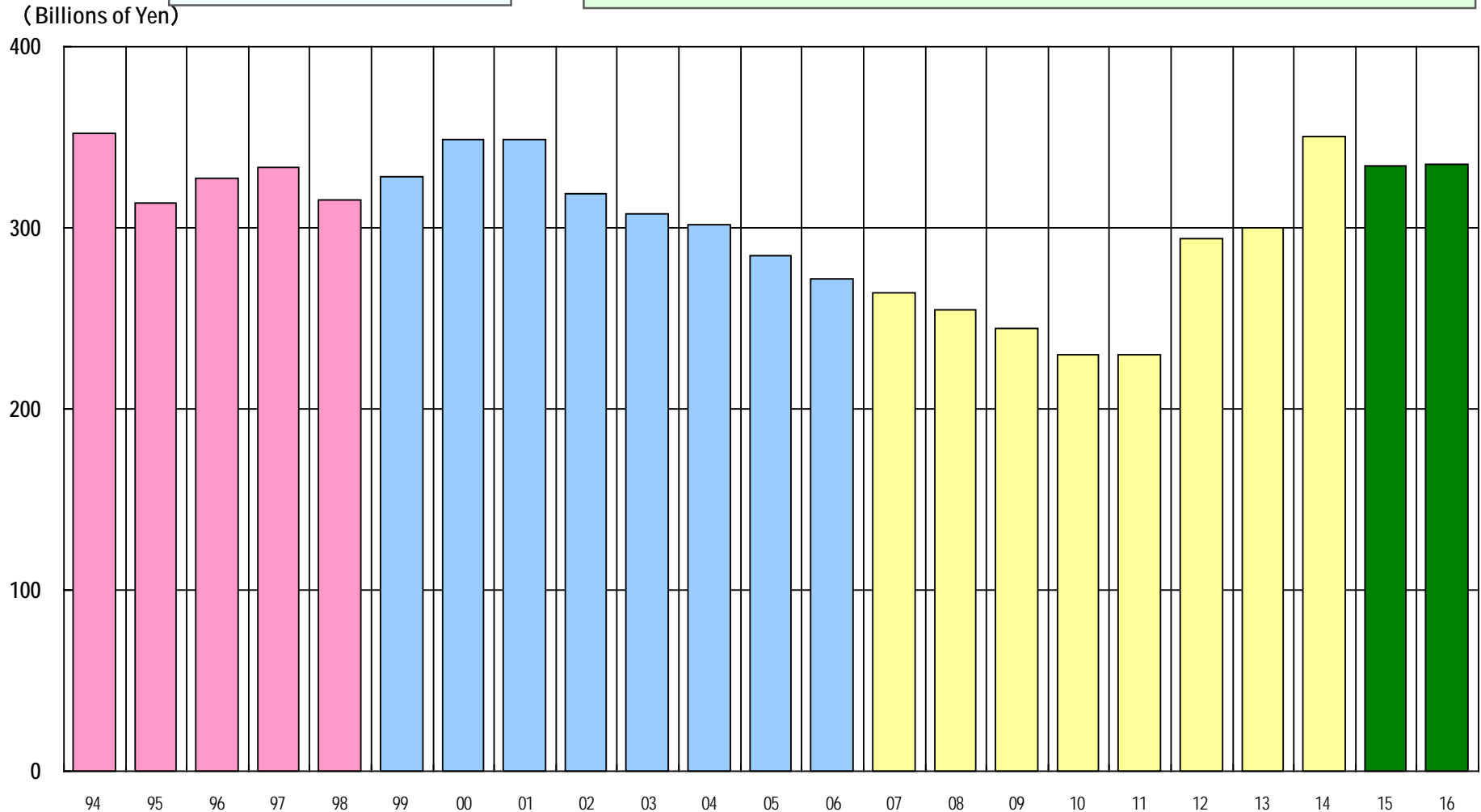
➤ Conventions, Events

- ⇒ Capable of holding academic conferences that are increasing in size in Asia and elsewhere
- ⇒ Enables integrated use of exhibition and multipurpose halls as an exhibition space covering approx. 40,000㎡
- ⇒ Can accommodate large-scale concerts for audiences of approx. 27,000

Okinawa Promotion Budget

Excerpt from a comment by
Prime Minister Shinzo Abe on
December 24, 2013

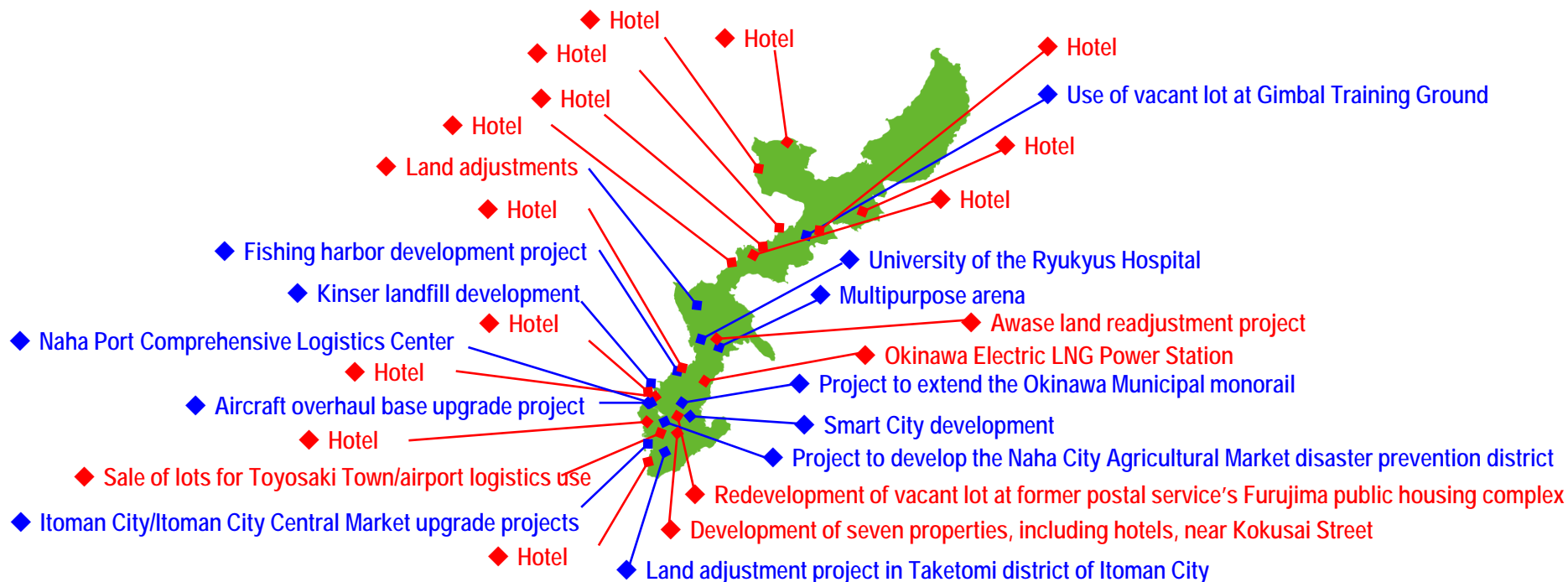
Secured an annual budget of more than ¥300 billion to help develop and promote
Okinawa throughout the current Okinawa Development and Promotion Plan period
(fiscal 2012 to fiscal 2021)



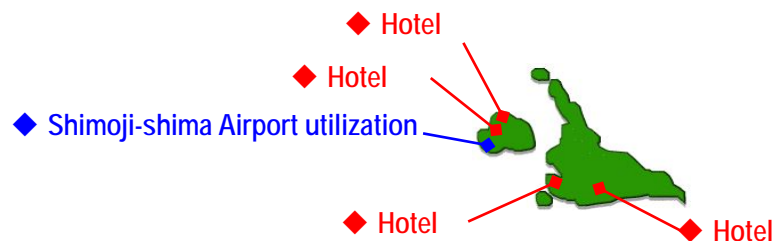
Projects in Okinawa Prefecture (Planned)

Main island of Okinawa

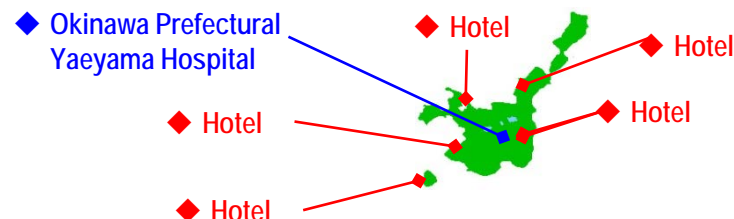
— Private-sector businesses — Public works



Miyako island / Shimoji island / Irabu island



Ishigaki island / Taketomi island



Financial Results for FY2015



Financial Highlights

Profit/Loss

- Consolidated
First final profit* broke through ¥10.0 billion barrier
- Non-consolidated
Increased revenue and earnings for three consecutive periods

Business Scope

- Total financing surpassed ¥2 trillion milestone

Topics

- OCS, Ltd. made wholly owned subsidiary

* Net income for the period attributable to the owners of parent company

Financial Summary (Non-Consolidated)

Increased revenue and earnings for three consecutive periods

(Billions of Yen)

		FY2015		FY2014
			Year-on-year change	
Ordinary revenue		40.2	+1.5	38.7
Business gross profit	(a)	31.7	+0.5	31.2
Expenses	(b)	22.4	+0.4	22.0
Real net business profit	(c=a-b)	9.3	+0.2	9.1
Net credit costs	(d)	1.3	▲0.2	1.5
Other extraordinary gain/loss	(e)	0.3	▲0.1	0.4
Ordinary profit	(f=c-d+e)	8.3	+0.3	8.0
Net income		5.0	+0.8	4.2

* Increase and decrease is presented on a financial statement basis.

Financial Summary (Consolidated)

Besides Individual Contributory Factors, Making OCS into Subsidiary Increased Revenue and Earnings

(Billions of Yen)

	FY2015		FY2014
		Year-on-year change	
Ordinary revenue	59.9	+4.9	55.0
Ordinary expenses	49.8	+4.4	45.4
Ordinary profit	10.0	+0.5	9.5
Extraordinary gains or losses	4.0	+3.5	0.5
Gain on negative goodwill	4.3	+3.8	0.5
Net income for the period attributable to the owners of parent company	10.3	+4.8	5.5

* Due to revision under the Accounting Standard for Business Combinations "consolidated net income" has been revised to "net income for the period attributable to the owners of parent company."

* Increase and decrease is presented on a financial statement basis.

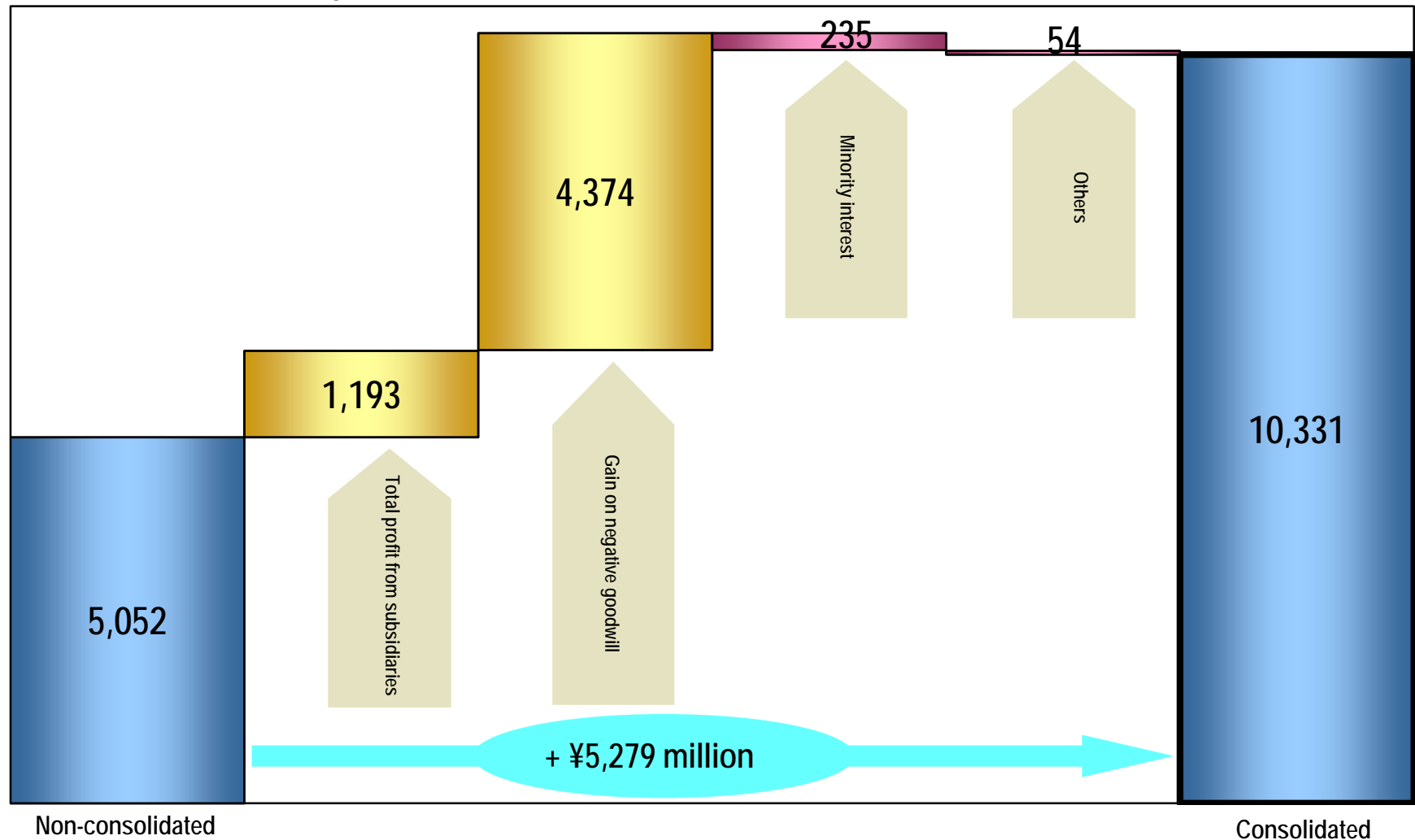


■ Factors Contributing to Non-consolidated / Consolidated Differences in Net Income for Current Fiscal Year

Non-consolidated/Consolidated Scale Factor Attributable to Making OCS into Consolidated Subsidiary: 2.04 Times

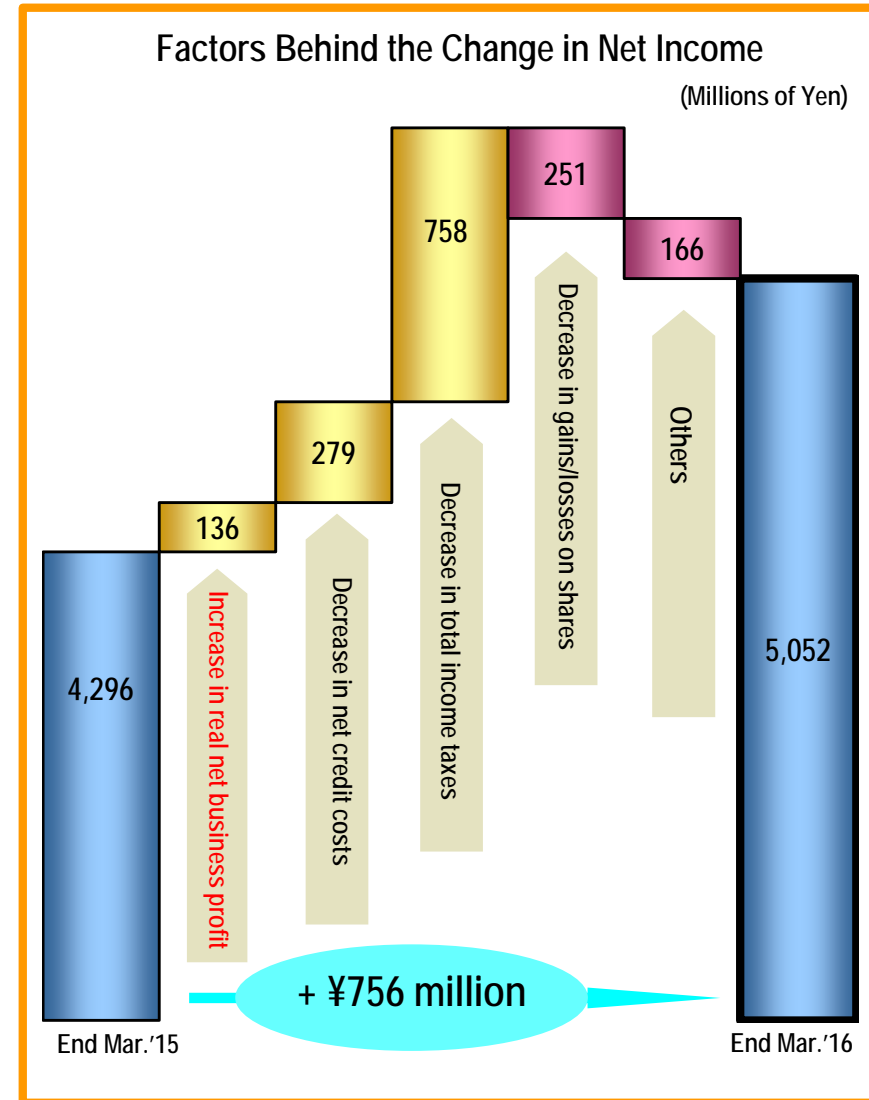
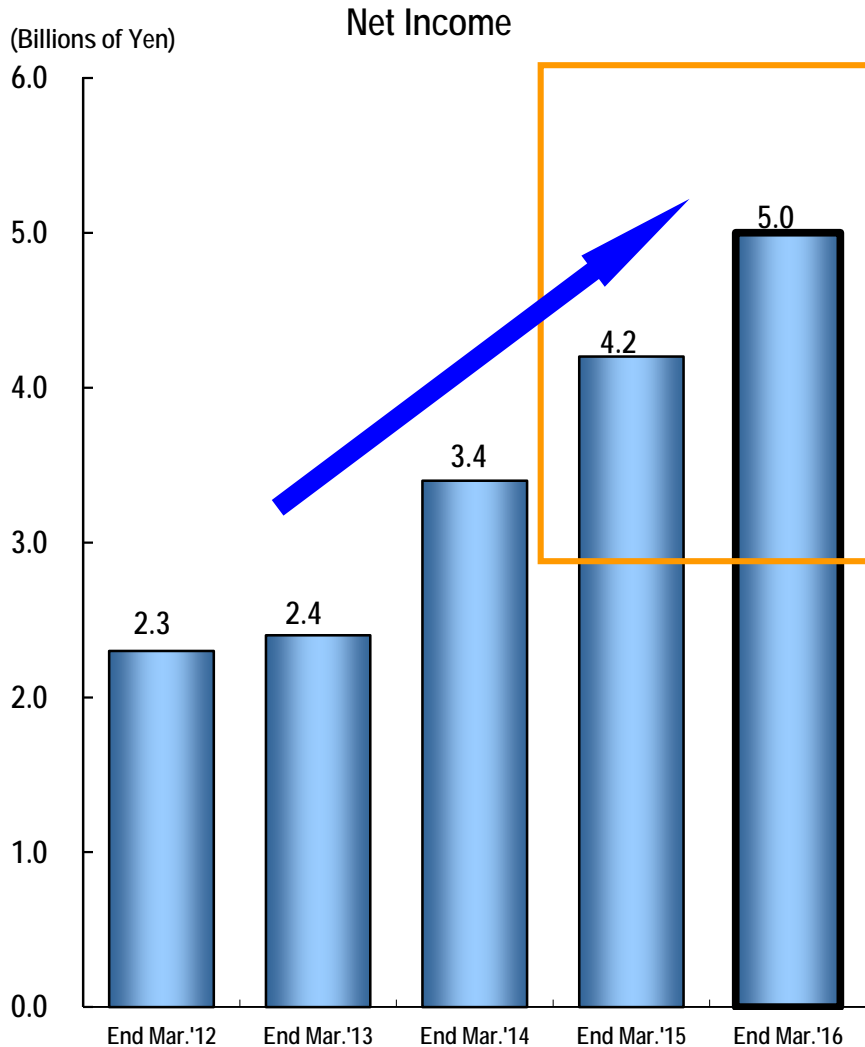
Factors Contributing to Non-consolidated / Consolidated Differences in Net Income for Current Fiscal Year

(Millions of Yen)



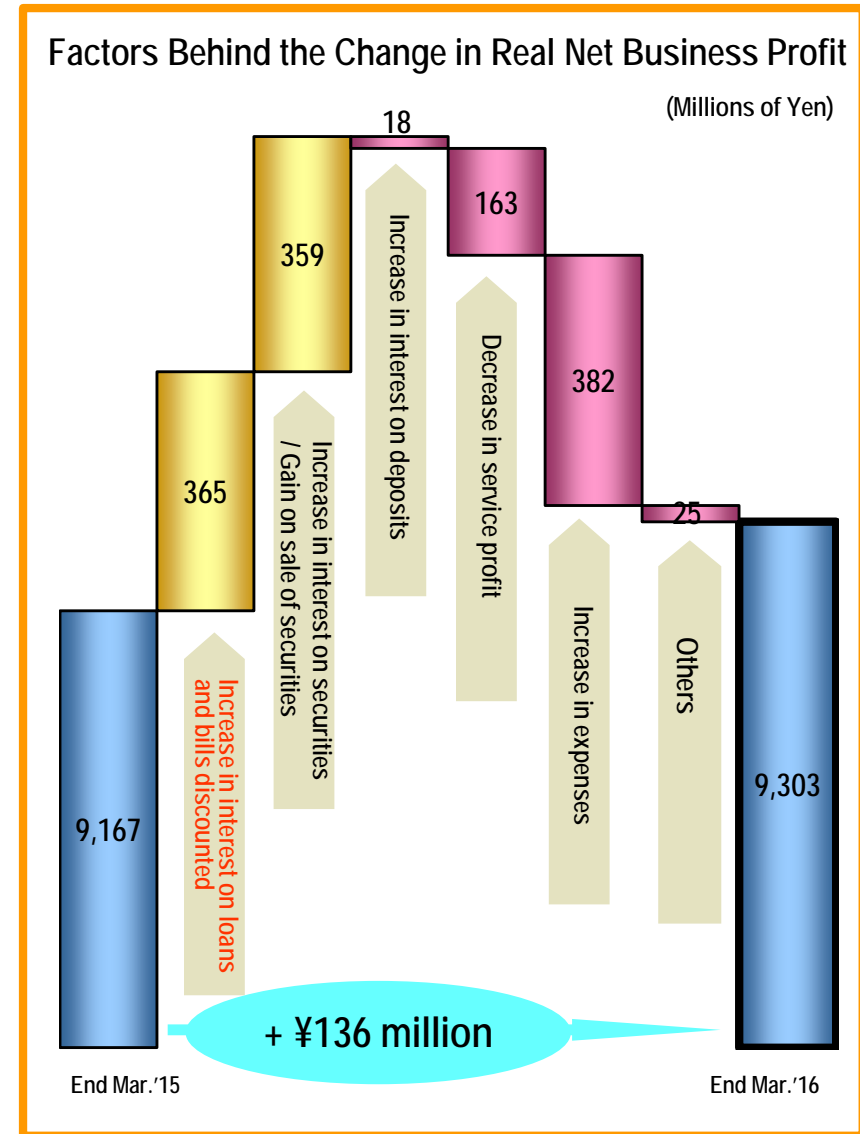
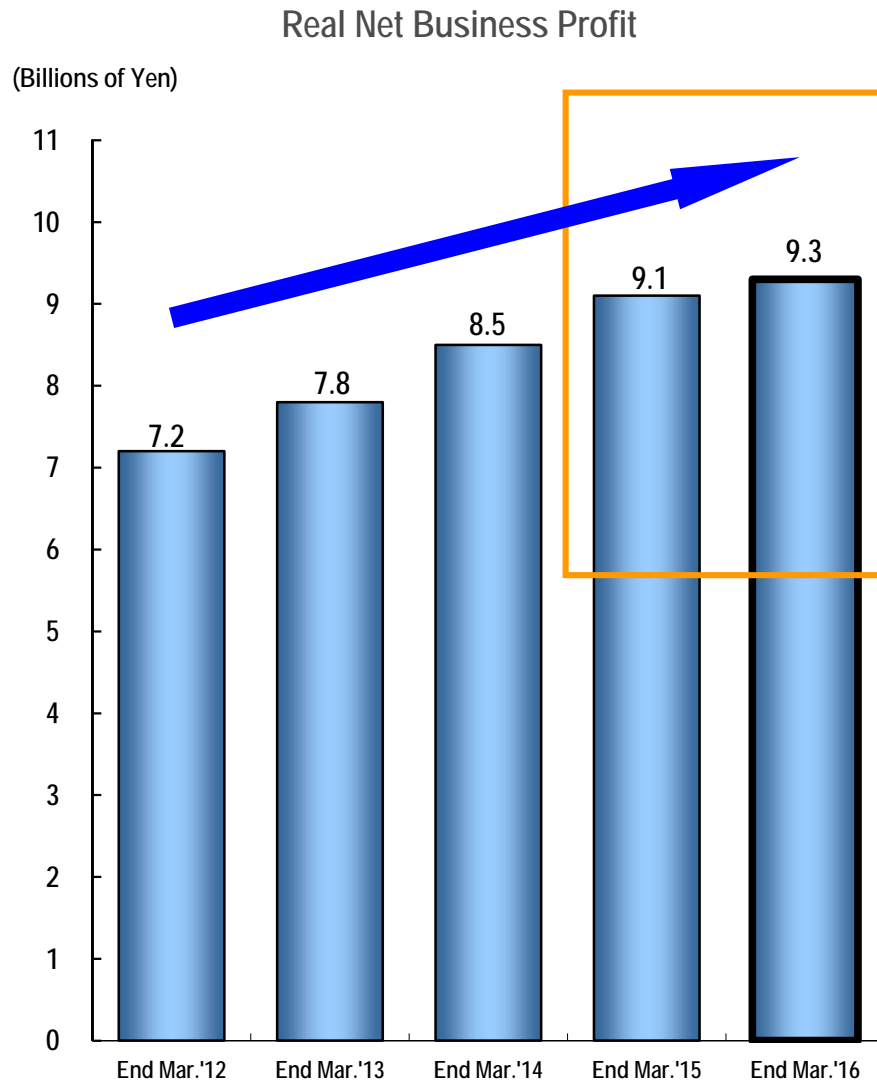
Factors Behind the Change in Net Income (Non-Consolidated)

Increase in Actual Business Net Income, Increase in Net Income due to Decreased Credit Limit Costs/Income Taxes



Factors Behind the Change in Real Net Business Profit (Non-Consolidated)

Increases for Three Consecutive Periods Due to Increased Loan Interest/Gain on Sale of Securities

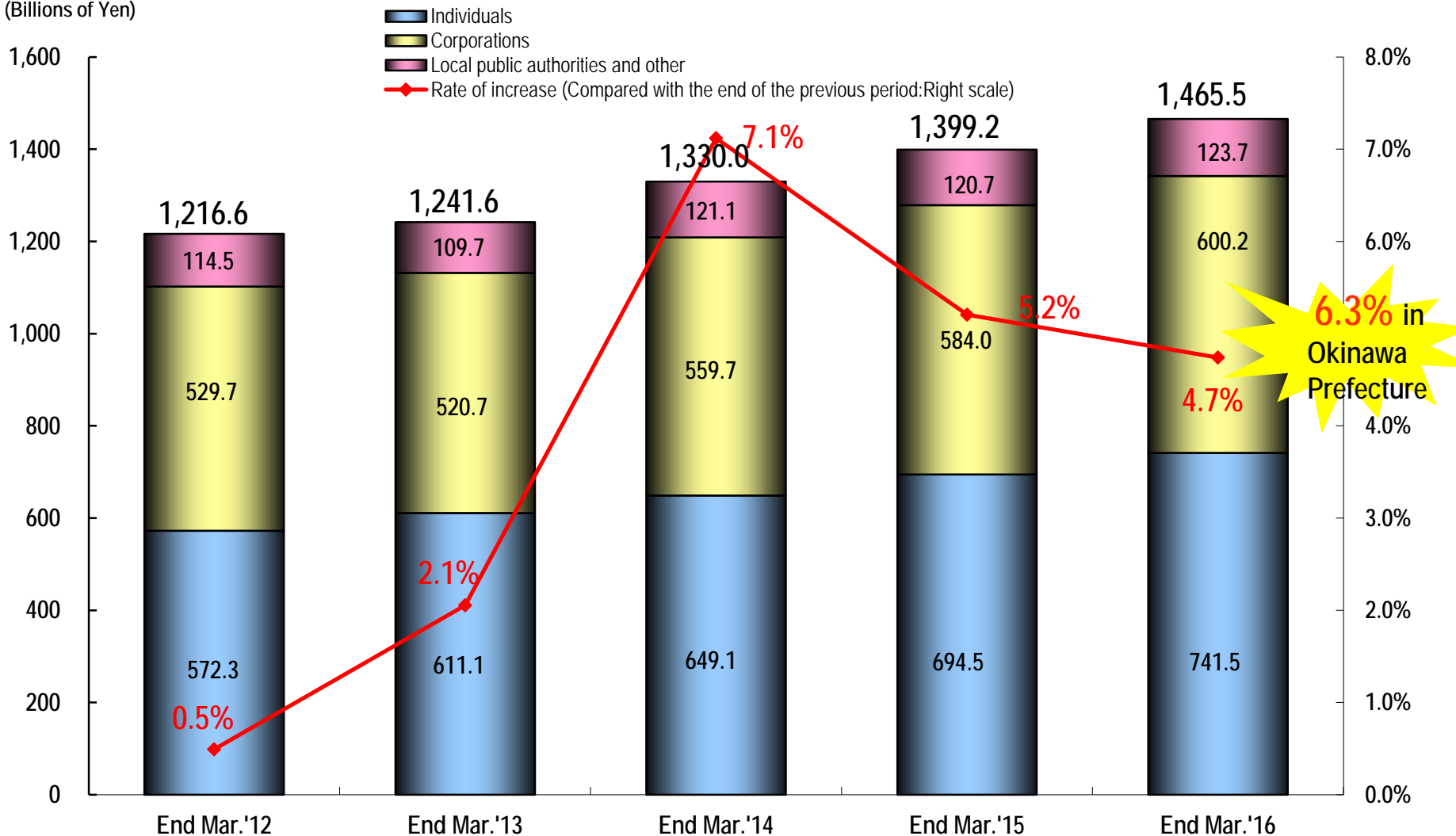


Loans (Non-Consolidated)

Favorable increases in both private and corporate businesses

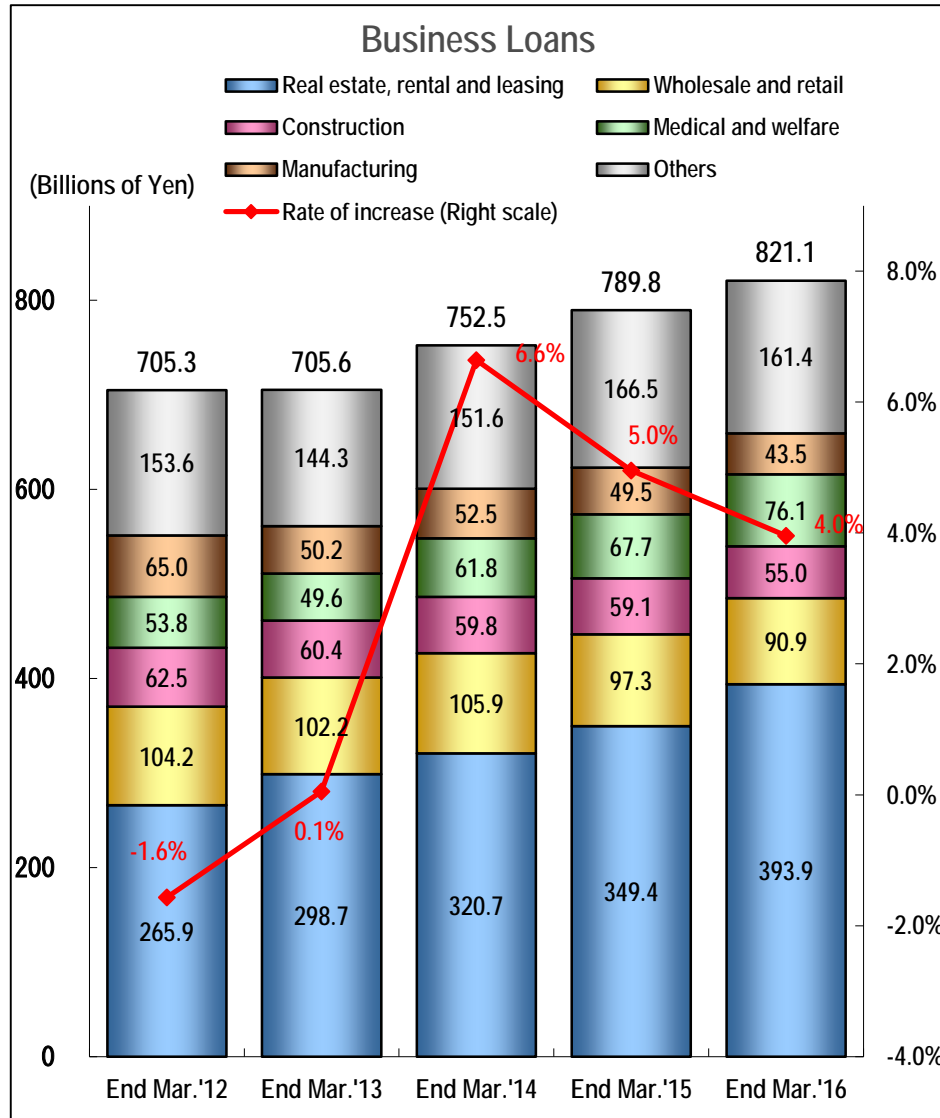
Loans (Non-Consolidated)

(Billions of Yen)

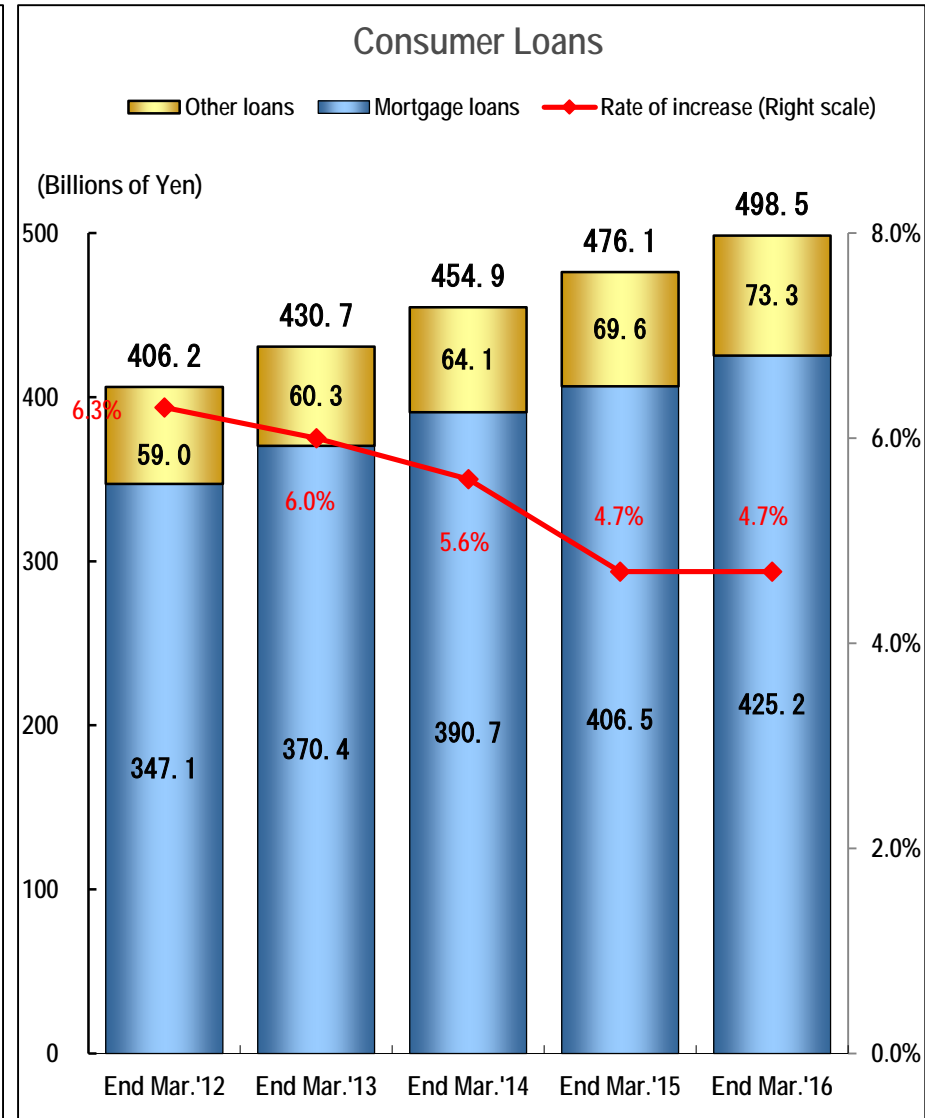


Loans (Business/Consumer Loans)

Steady Increases in Business/Consumer Loans



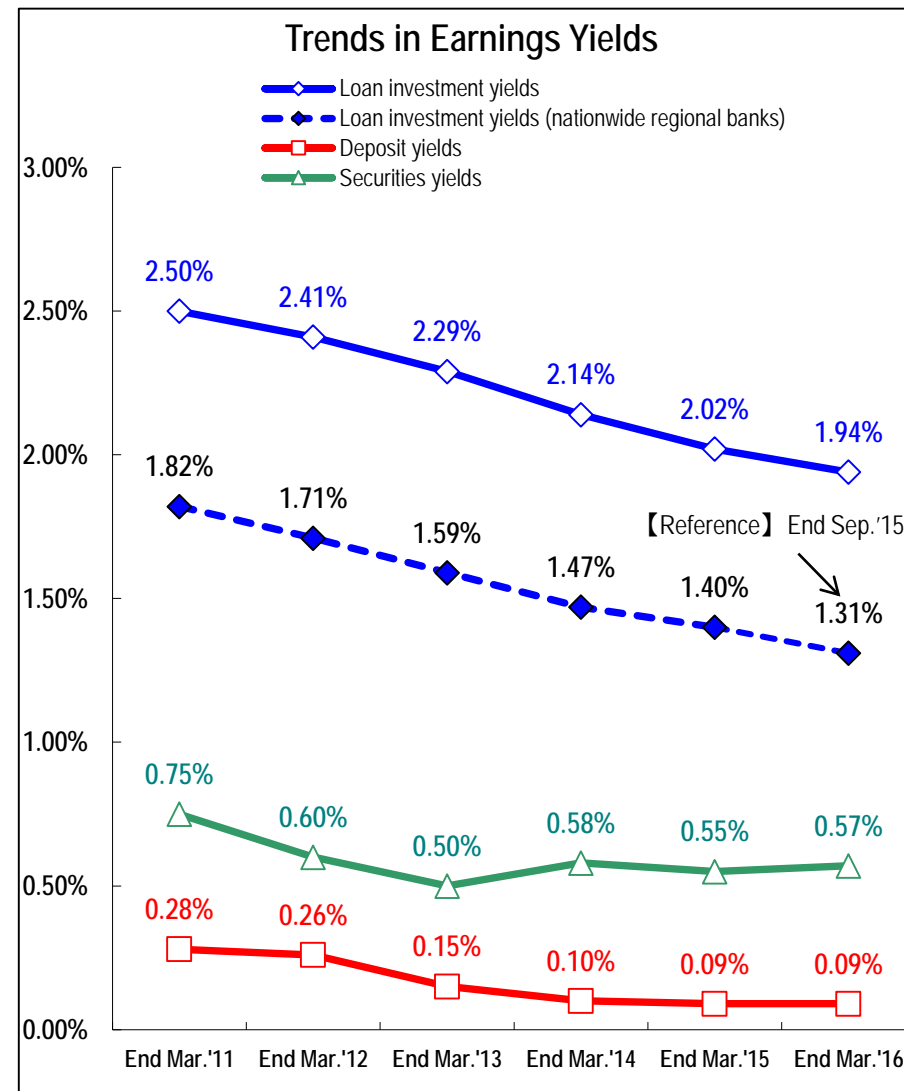
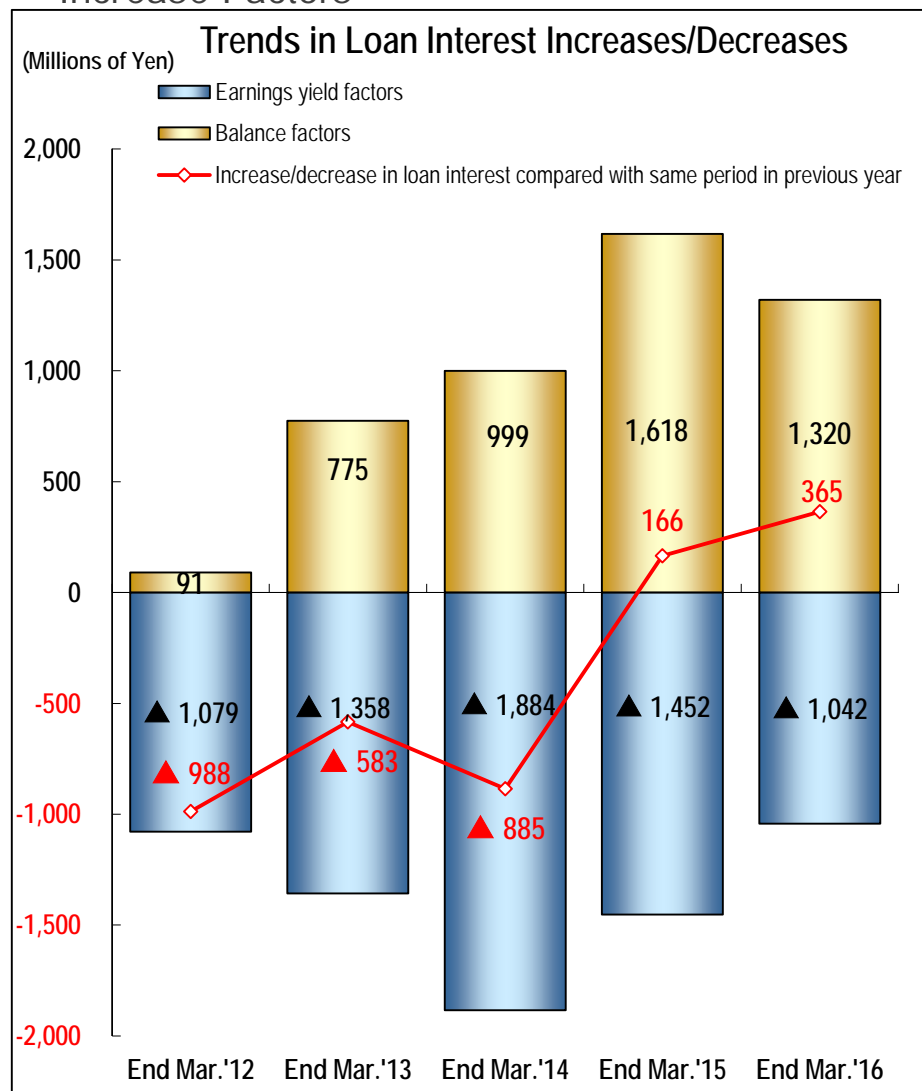
* Individual business loans are handled in a different manner and as such data does not reconcile with data for loans to corporations on page 22



* Individual business loans are handled in a different manner and as such data does not reconcile with data for loans to corporations on page 22

Trends in Earnings Yields (Non-Consolidated)

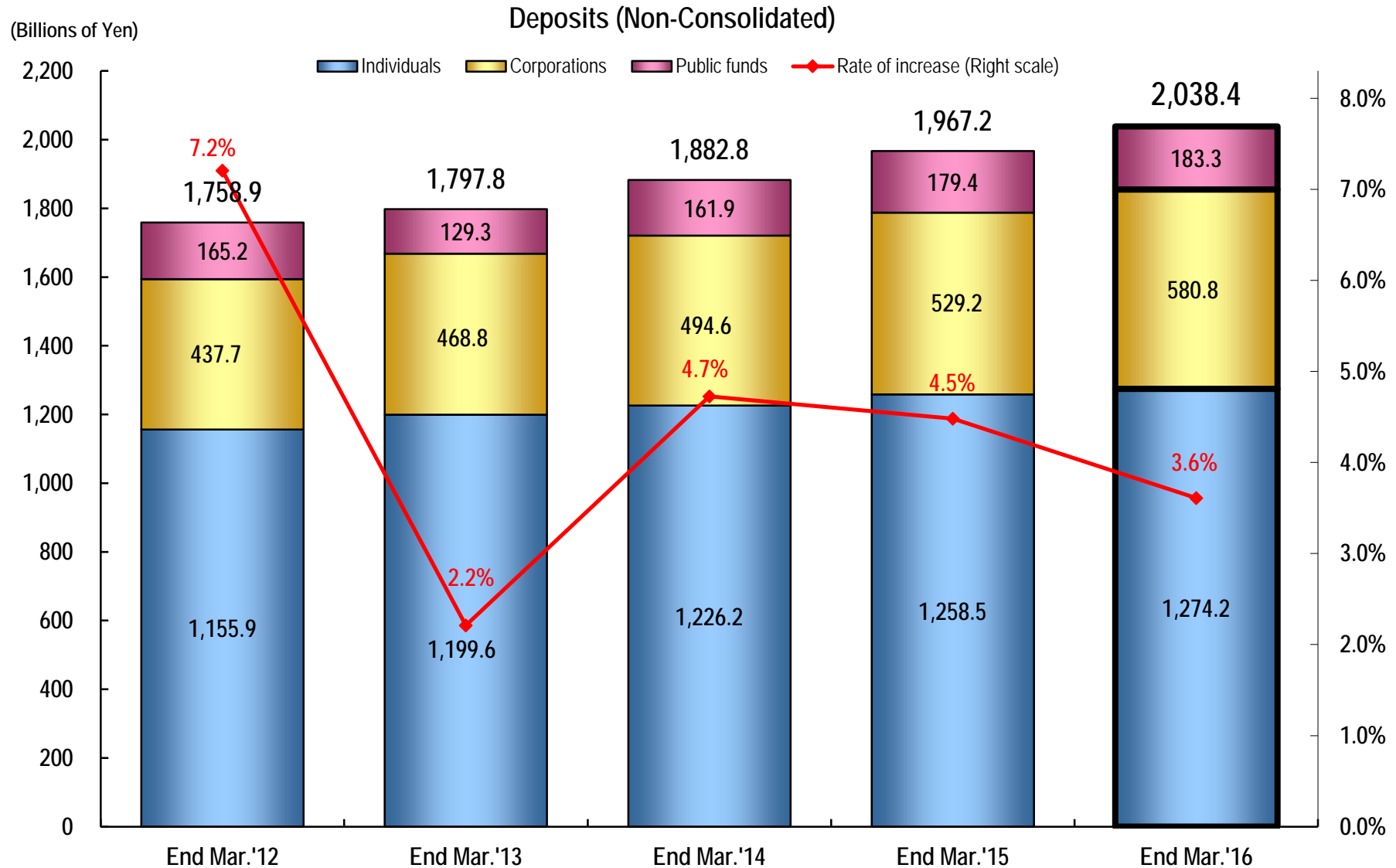
Increased Income for Two Consecutive Periods by Decreased Loan Investment Yields and Balance Increase Factors



*"Loan investment yields (nationwide regional banks)" compiled from Regional Banks Association of Japan data

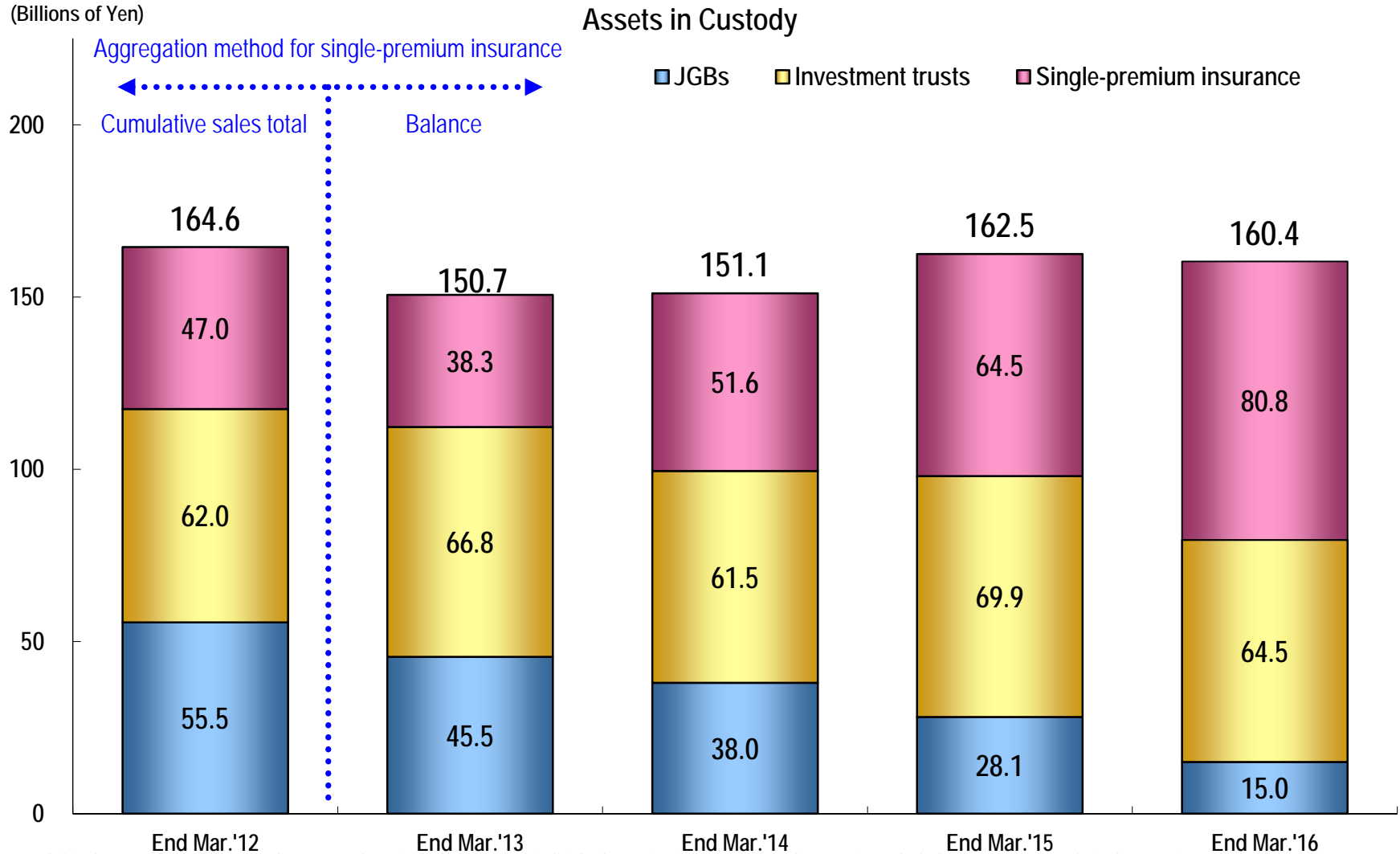
Deposits (Non-Consolidated)

Significant Increases in Private/Public Money, Including Corporations, Surpassed **Two Trillion Yen**



Assets in Custody (Non-Consolidated)

Increased Single-Premium Insurance but Decreased Investment Trust, JGB Balances

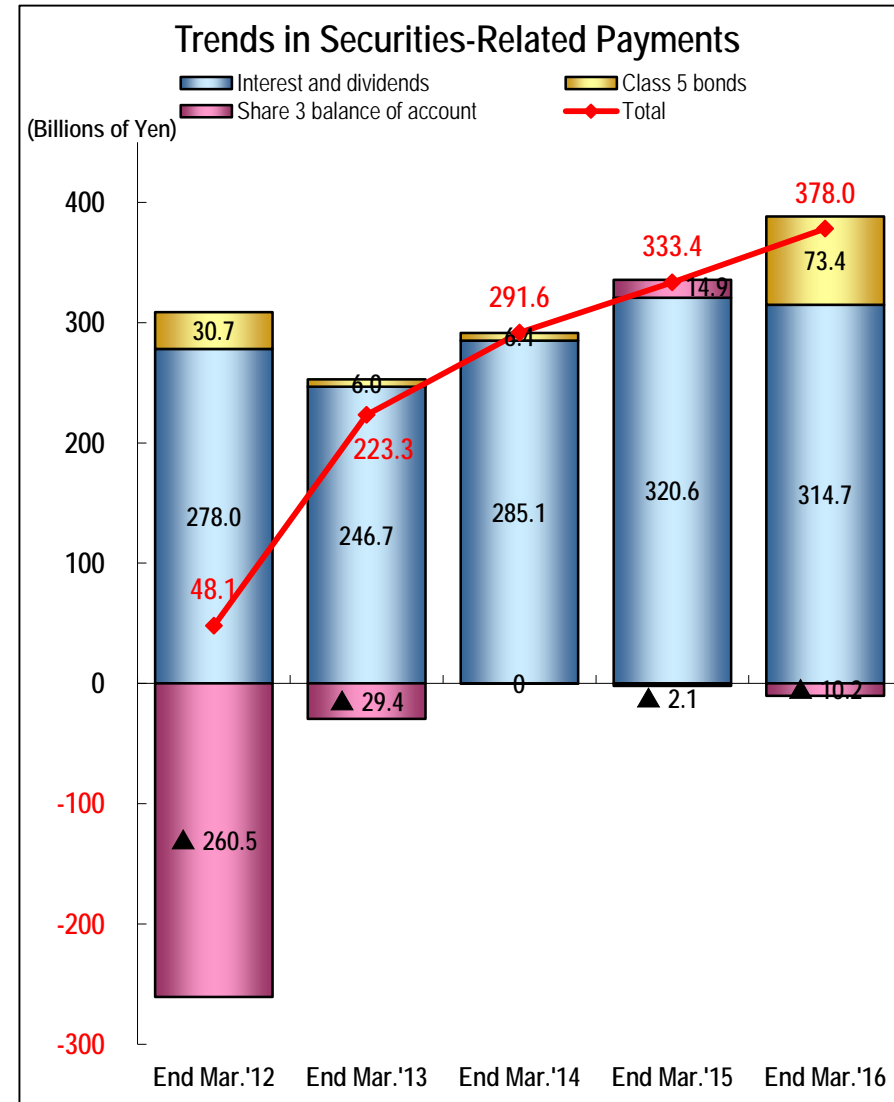
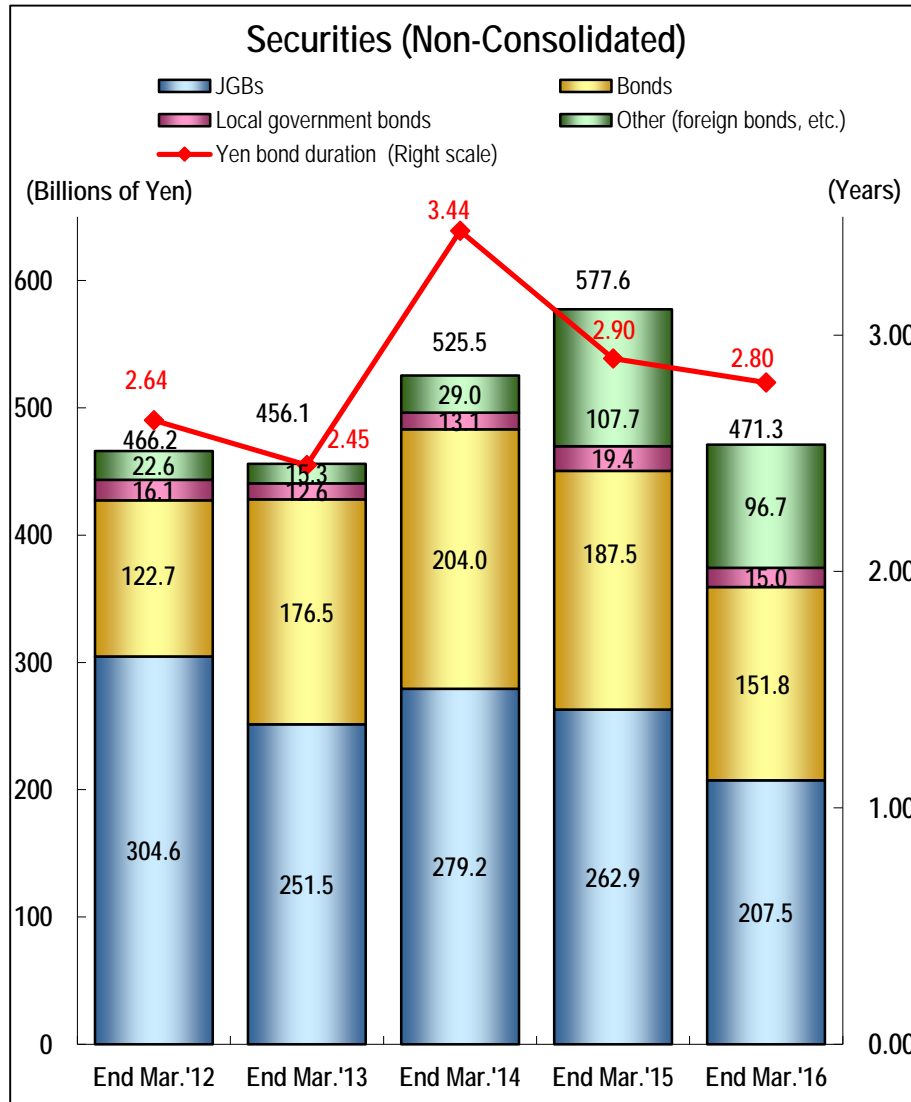


* Single-premium insurance: Contract value of single-premium individual pension insurance, single-premium whole life insurance, and single-premium medical care insurance

* Not simply comparable as the aggregation method for single-premium insurance up to and including March 31, 2012, was different to that from March 31, 2013, onward

Securities (Non-Consolidated)

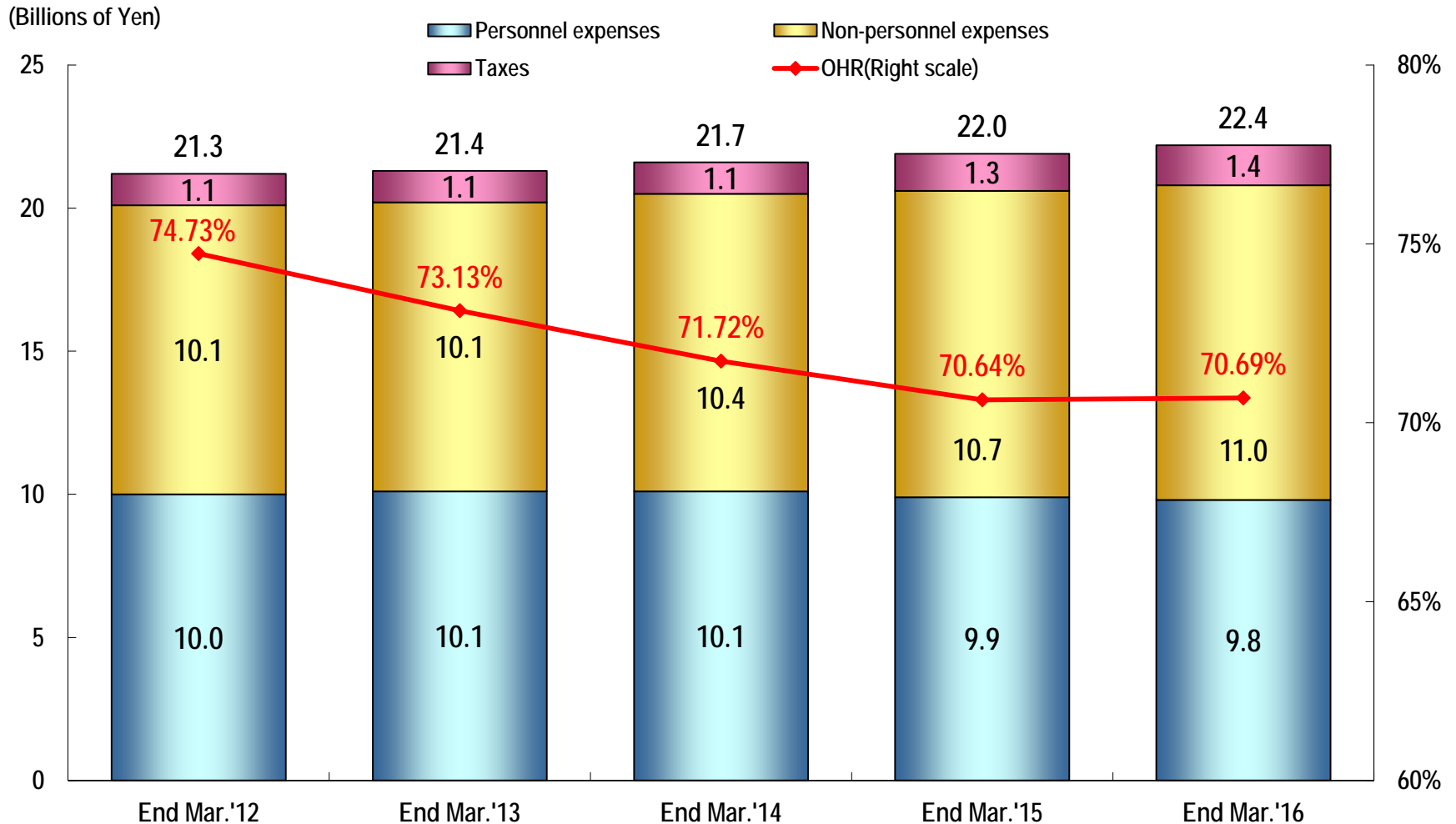
Balance Decrease by Redemption of JGBs, Steady Increase in Revenue



Expenses (Non-Consolidated)

Increase, Due to Increases in Non-Personnel Expenses and Taxes ; OHR Flat

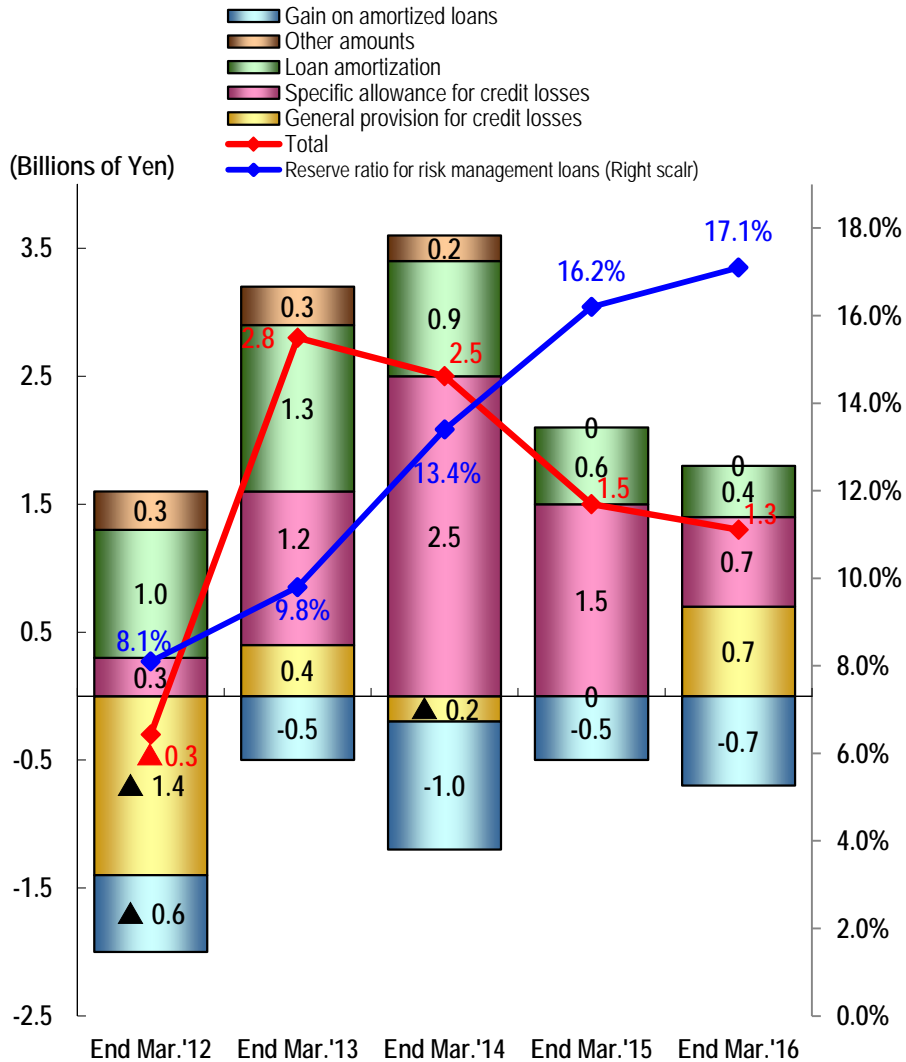
Trends in Expenses and OHR



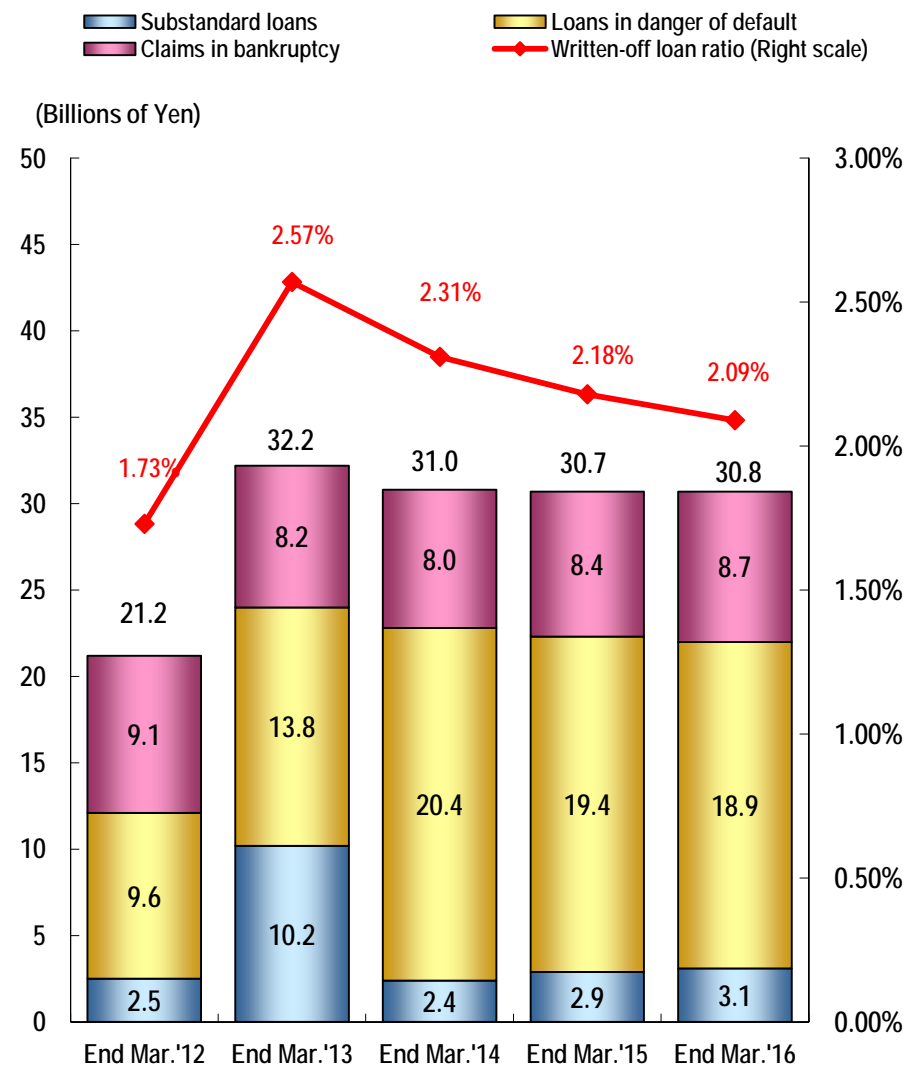
Credit Limit Costs/Written-off Loans (Non-Consolidated)

Credit Limit Costs/Written-off Loans on Downward Trend

Trends in Net Credit Limit Costs

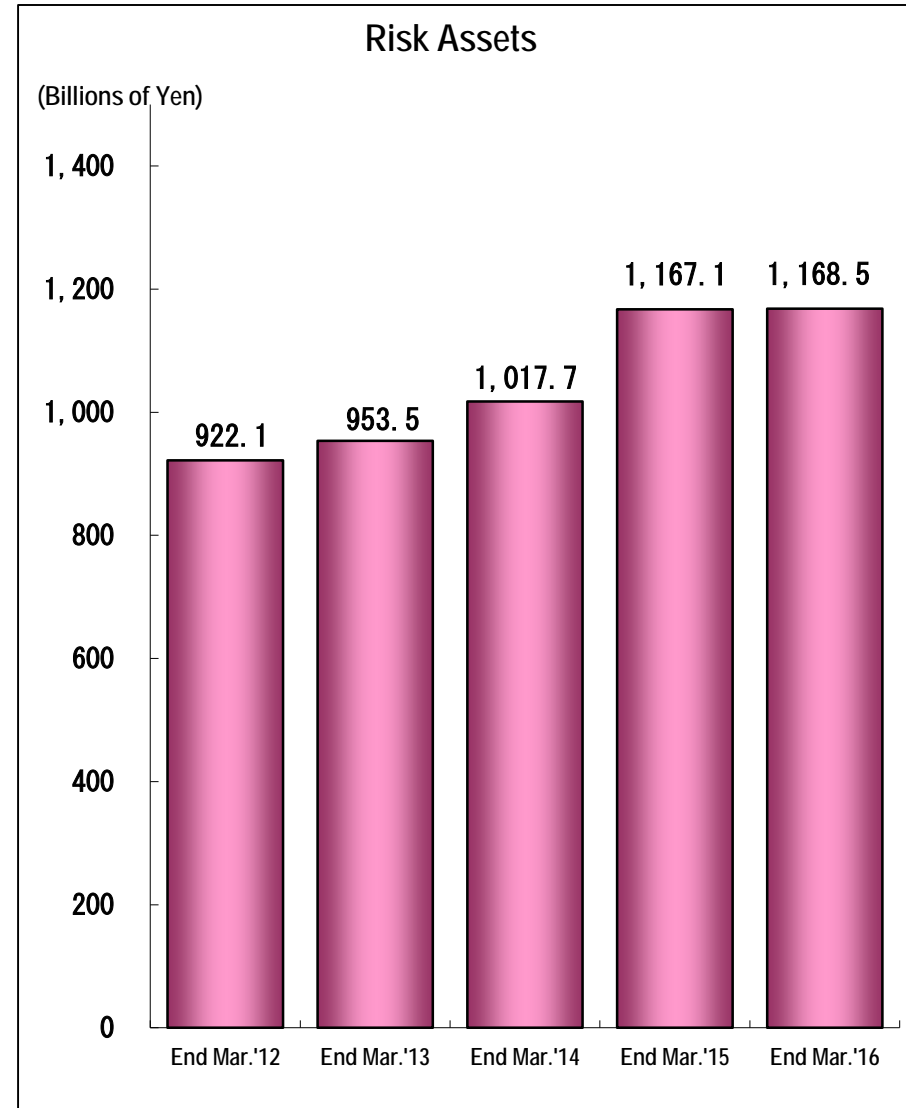
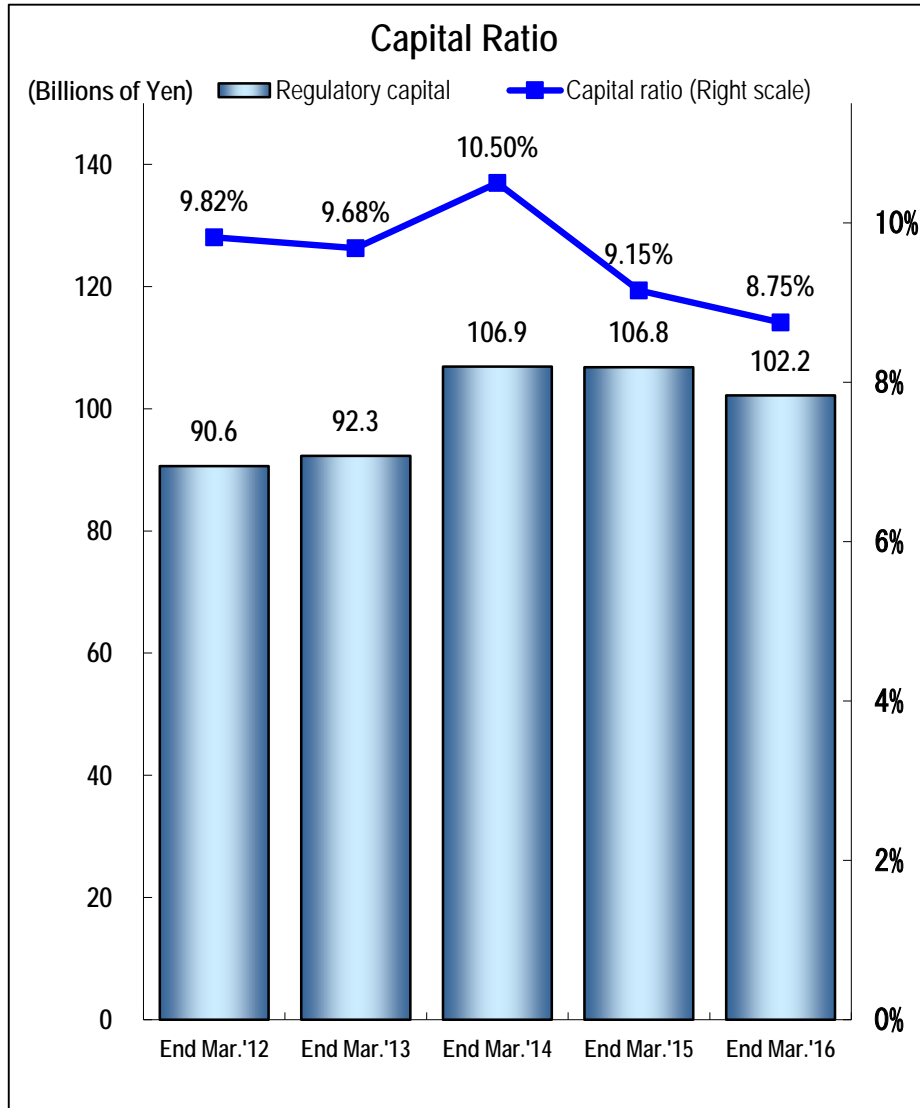


Trends in Written-off Loans



Capital Ratio (Non-Consolidated)

Capital Adequacy Ratio Declines as Subordinated Debt Redemption Causes Capital Amount Decrease



* Calculated by Basel III national standard from March 31, 2014

■ Earnings Forecasts for FY2016 (Non-Consolidated)

Decrease of ¥700 Million Expected in Current Period Net Income

(Billions of Yen)

	FY2016		FY2015
	(Forecasts)	Year-on-year change	
Ordinary revenue	38.7	▲1.5	40.2
Ordinary profit	6.4	▲1.9	8.3
Net income	4.3	▲0.7	5.0

* Increase and decrease is presented on a financial statement basis

■ Earnings Forecasts for FY2016 (Consolidated)

Profit Decline Expected Due to Recoil from Gain on Negative Goodwill and Other Factors

(Billions of Yen)

	FY2016 (Forecasts)		FY2015
		Year-on-year change	
Ordinary revenue	59.0	▲0.9	59.9
Ordinary profit	7.7	▲2.3	10.0
Net income for the period attributable to the owners of parent company	4.9	▲5.4	10.3

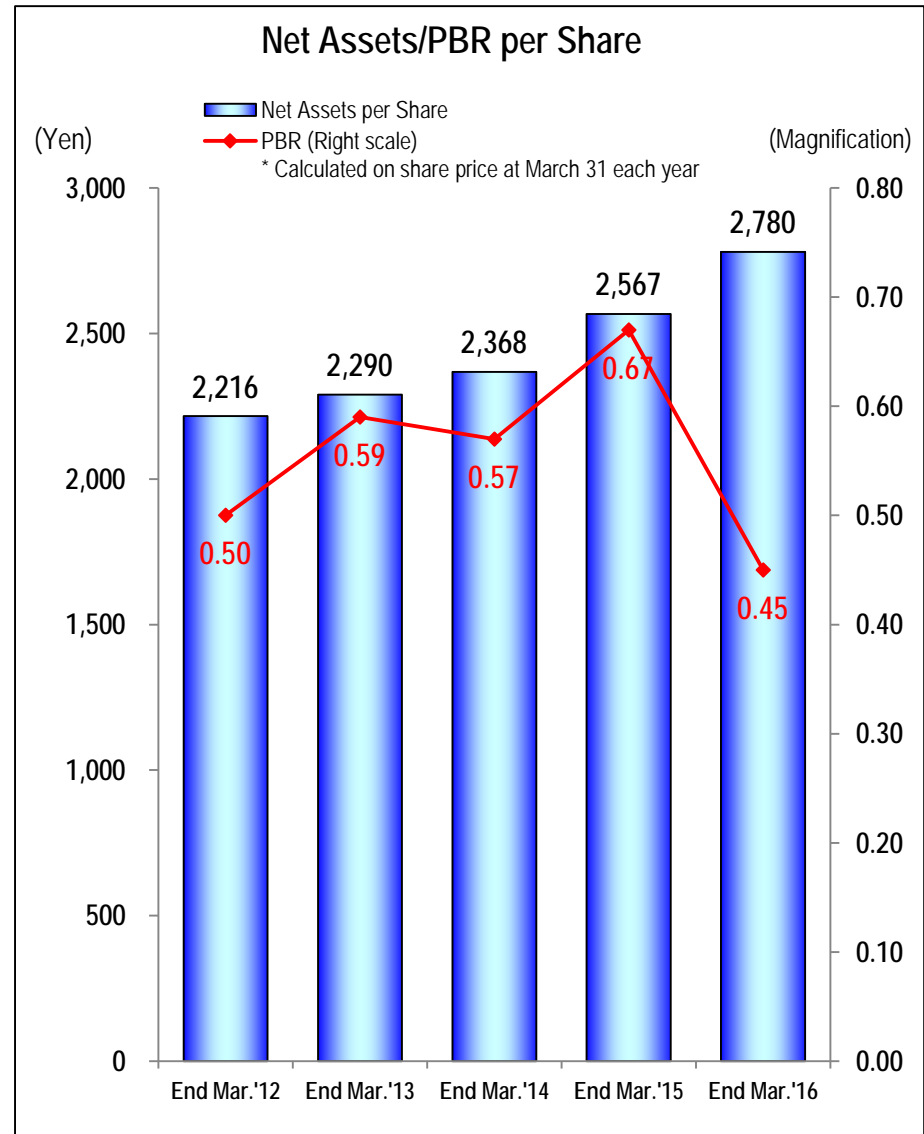
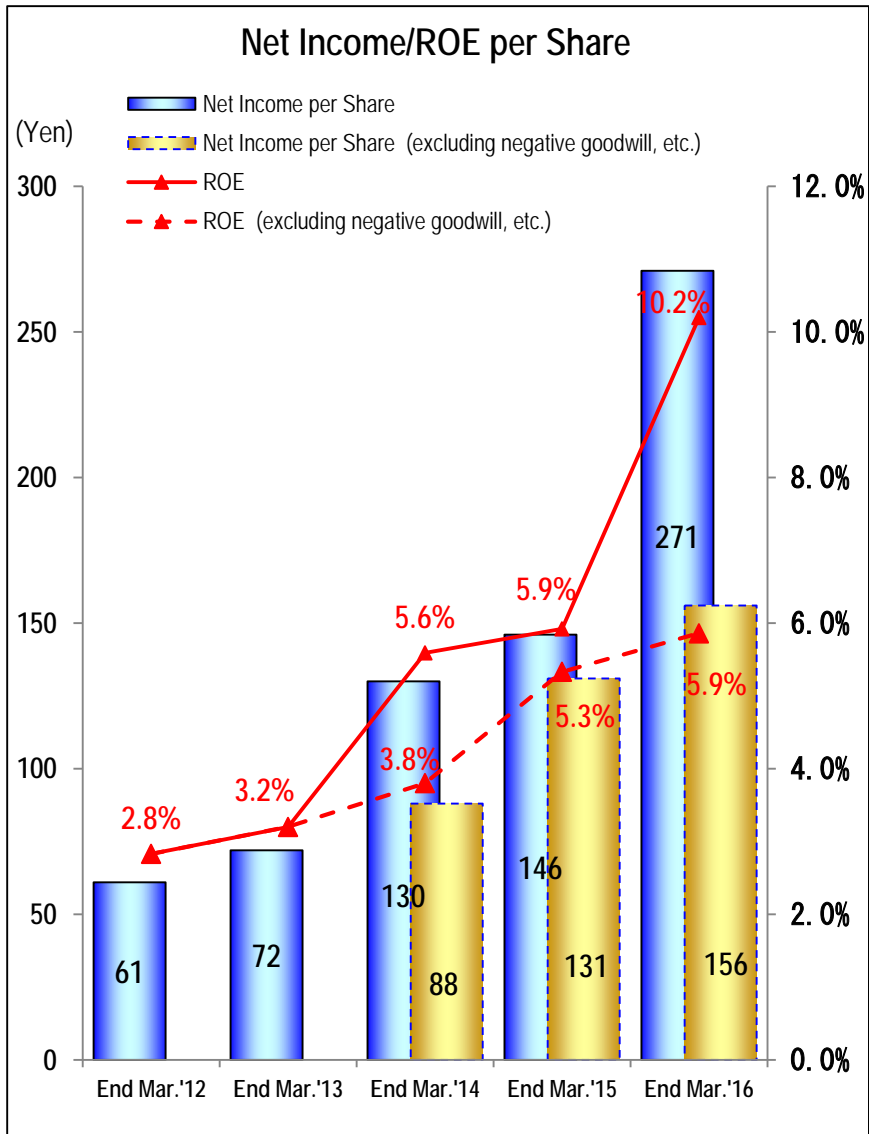
(Yen)

Annual dividend per share	35	-	35
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* Increase and decrease is presented on a financial statement basis

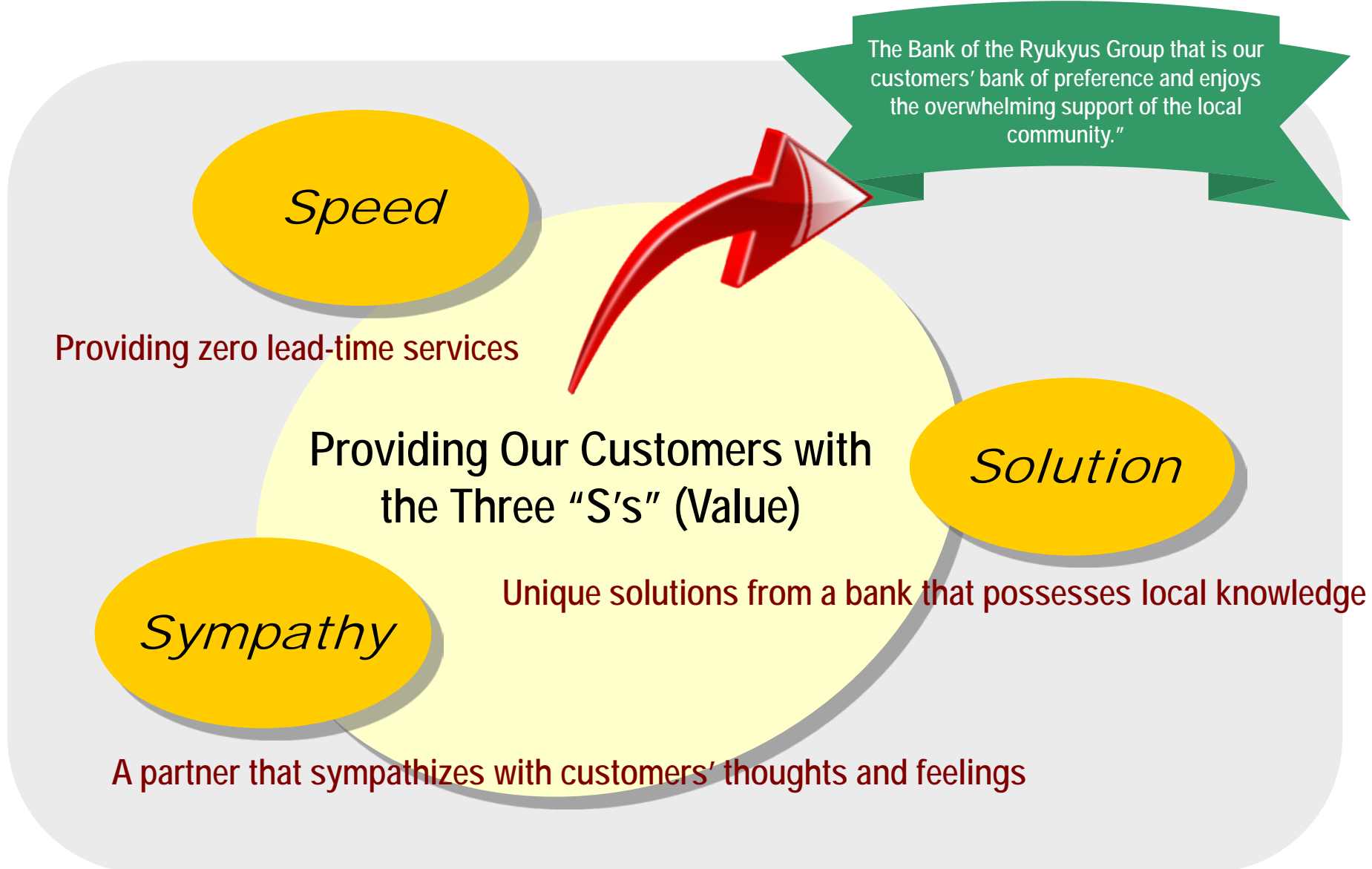
ROE/PBR (Consolidated)



Bank of the Ryukyus Strategy

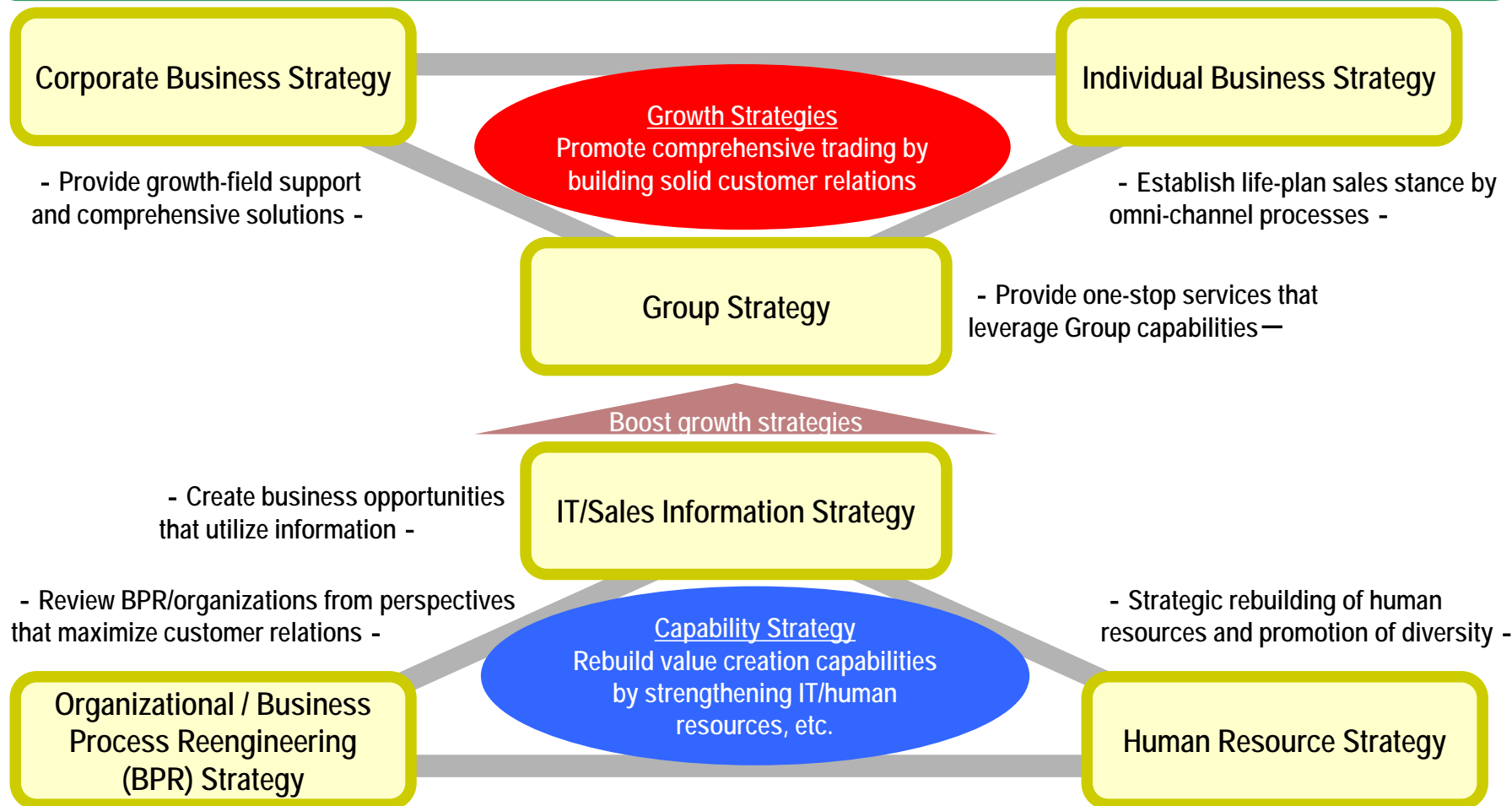


Long-Term Vision



Shared Value 2015

— Establishing value provided to customers by displaying the Group's comprehensive capabilities —



Priority Issues for Fiscal 2016 in Consideration of Negative Interest Rate

Dealing with Negative Impact of Different Dimension in Quantitative Easing while Aiming to Improve Profitability by Boosting Policies!

"Ahead of Schedule Realization" of Medium-Term Measures

Priority Issue I

**Stimulation of Demand
for Finance**

Based on understanding of customer businesses, steadily supply financing linked to customer growth

Priority Issue II

**Encourage Flow from
Savings to Investment**

Sales branches/headquarters functions to cooperate and propose most suitable portfolios in accordance with customer life plans

Priority Issue III

**Diversification of
Revenue Sources**

Expand bank business fields by targeting innovative businesses, traditional and different demographics, etc.

Priority Issue IV

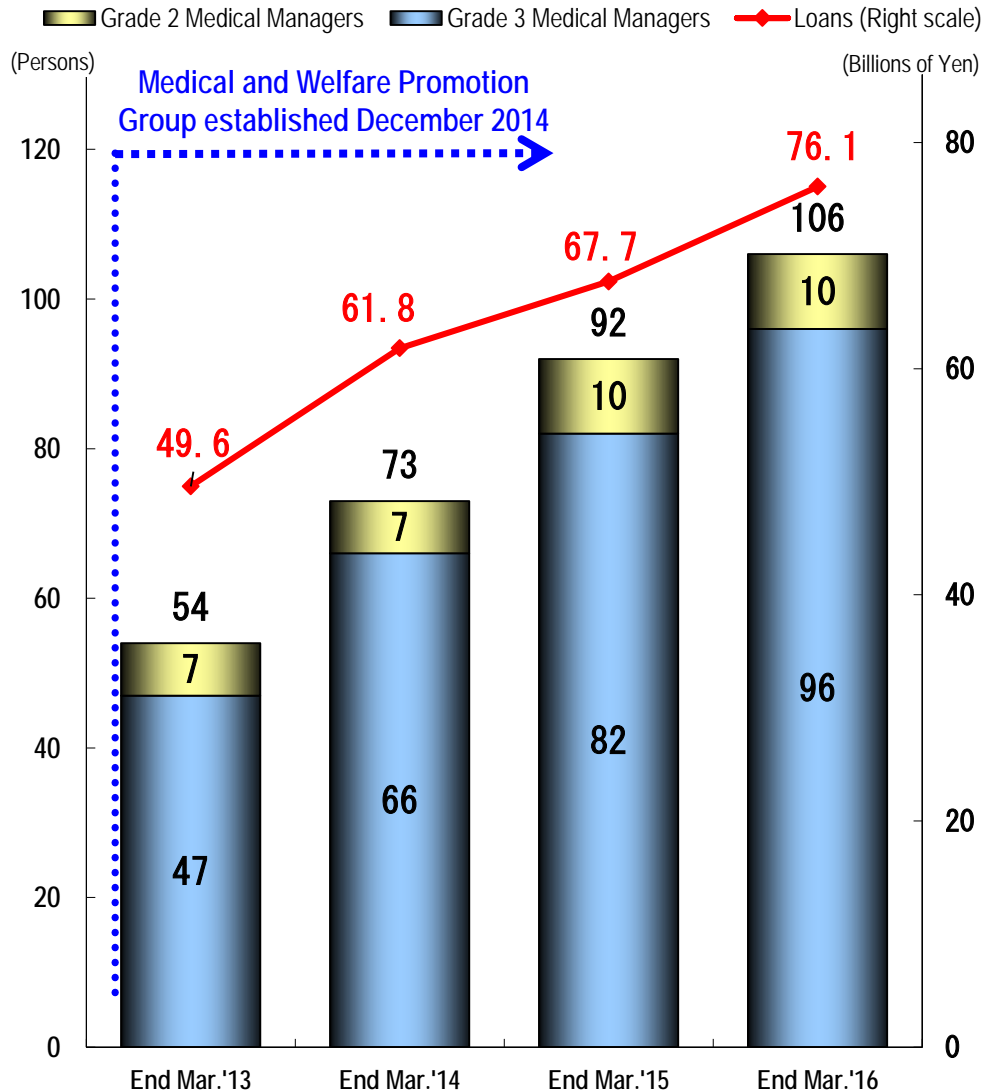
**Strengthening of
Field Capabilities**

Provide the Ryugin Group's transaction value through the highest number of sales channels in Okinawa

Corporate Business Strategy (Medical/Welfare Field)

Based on declining birth rate and growing proportion of elderly people, strengthen support systems geared toward medical/welfare field

Medical Managers and Trends in Loan Balances



Development of Human Resources Familiar with Medical Management

Number of Successful Applicants for Medical Manager Exam Surpasses 100!



Triumphal celebration jointly held with those from Okinawan medical institutions who passed exam

Holding of Medical Seminars



Corporate Business Strategy (Sales Channel Expansion Support)

Overseas Sales Channel Development Backup by Holding Joint Meetings

Third Business Forum to Convey Okinawa's
Culinary and Visual Charms Held



Hong Kong Gourmet Food Business Meeting

~ Yamagata Bank, Hachijuni Bank, Musashino Bank,
Bank of the Ryukyus ~



Other Joint Sponsorship

Nagano Prefectural, Nagano Prefectural SME Promotion Center, Yamagata
International Economic Development Support Organization

2015 Japanese Foods “Premium”
Trade Fair

Sponsor: JTB East Japan

Taiwan
October 2015

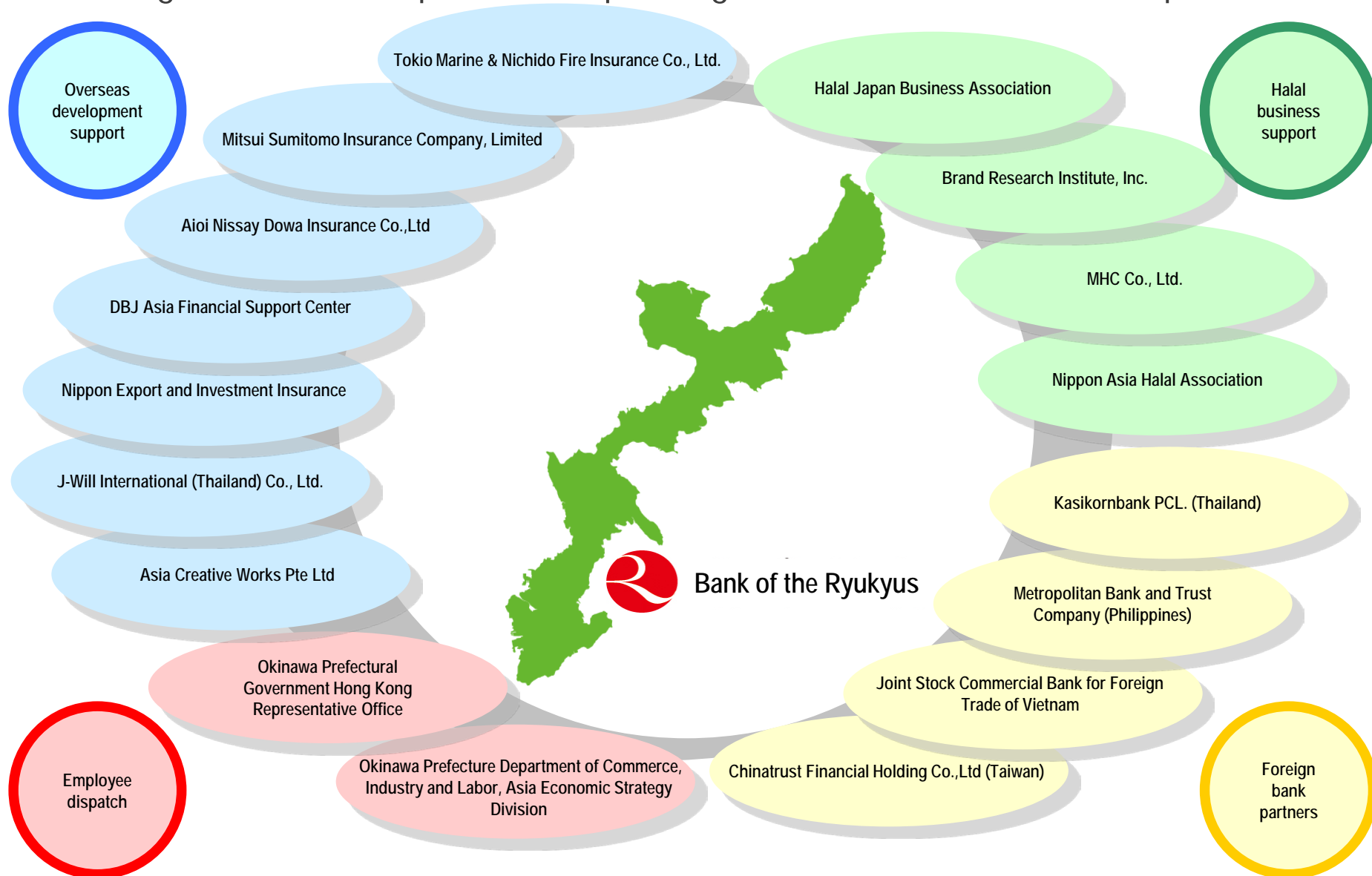
Singapore
December 2015

Hong Kong
February 2016



Overseas Networks

Building frameworks capable of responding to various overseas development needs



Corporate Business Strategy (Regional Regeneration [1])

Collaboration with Naha City



Naha City/Bank of the Ryukyus
Joint Sponsorship
Establishment Support Seminar



Agreement signed January 26, 2016

Partnership Agreement with Aozora Bank



【Main Business Alliance Areas】

- ◆ Business matching
- ◆ Interregional cooperation
- ◆ Industry, government, academia financial cooperation
- ◆ Human resource development
- ◆ Increased sophistication of financing

Collaboration with Yonabaru Town



Specialty Product
Development Support



Agreement signed February 26, 2016

Entrepreneur Support/Training Implemented



【Student Category】

Team name

Let's begin!! (Chubu Agricultural High School)

Plan name

"Establishment of highly nutritious vegetable cultivation utilizing ocean's untapped resources"

【General Category】

Team name

Ryukyu Diet Chickens

Plan name

Activation of Okinawa poultry industry by accumulating poultry-related technologies

Corporate Business Strategy (Regional Regeneration [2])

Providing a Variety of Finance Procurement Means

Finance Procurement by Crowd-Funding

First Project



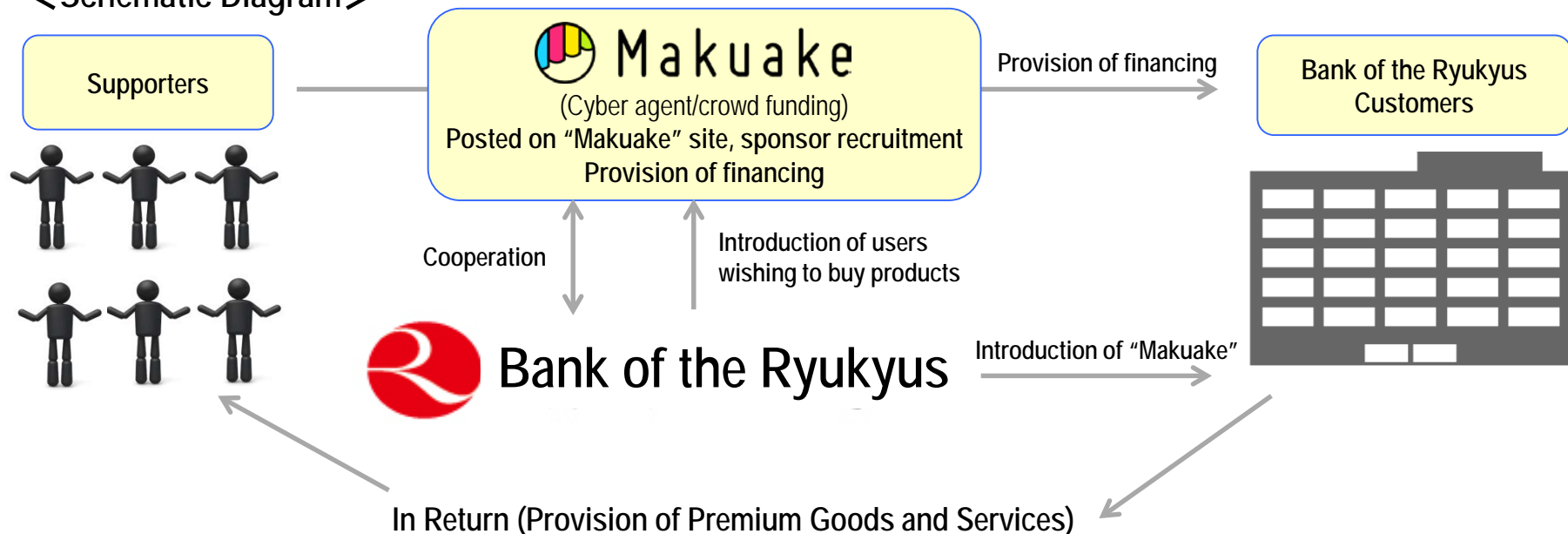
Japan Food and Culture
Kakehashi Company

株式会社 食のかけはしカンパニー

Project Overview

Turning tuna into raw ham!? "Raw ham from the sea," smoked Okinawa-farmed tuna for which no additives at all are used

<Schematic Diagram>



Industry-Academia Collaboration (Corporate Business Strategy)

Utilizing Bank of the Ryukyus networks to match University of the Ryukyus with local companies

Industry-Academia-Government Partnership Agreement with University of the Ryukyus

First Project
in Okinawa

Zero-emission Technology Okinawa

Areas of joint research :

Composition (mixing) of concrete repair material made with fly ash (coal ash) and performance-related research, including resistance to salt damage

Fukumaru Nojo Farming Corporation

Areas of joint research :

Preferential examination with regard to other Kibimaruton pork meats

Kamiya Sangyo Co., Ltd.

Areas of joint research :

Quality comparison of lettuces produced in plant factories and grown outdoors

Research Results

平成 28 年 (2016 年) 5 月 8 日 (日)
沖縄タイムス (朝刊)

キビ〇豚「味にコク」

南風原・福まる農場



養豚業の福まる農場 (南風原町、崎原多順社長) は、
「薬草などを混ぜ合わせた独自の飼料で育てたキビ〇豚」
のブランド化に取り組んでいる。琉球大学の食料分析で、
おいしさを感じるうま味成分の遊離アミノ酸がほかの豚
肉よりも豊富に含まれ、味の奥行きやコクが優れている
と評価を得た。科学的根拠をもとに高級豚肉として県内
外で販路拡大を目指す。
(政経部・照屋剛主)

食品分析は管理栄養士で、
琉大生涯健康教育コースの宮
城一菜講師が実施。他の県産
ブランド豚、一般飼育の三元
豚と比較した。キビ〇豚は
遊離アミノ酸や脂肪酸がいず
れの豚よりも多く含まれてい
た。
味覚分析では、うま味の数
値は他のブランド豚と同程度
で、味の奥行きやコクはそ
れぞれ上回った。宮城講師は
「キビ〇豚は成分、味覚とも
総合的に評価が高かった。
独自の飼料が影響している
と考えられる。分析を繰り返
し、飼料開発にも生かしたい」と
述べた。
琉大の分析結果を受け、キビ〇
豚のブランド化を目指す広農新
吾部長 (左) と崎原秀俊次長 (右) が、
2 日、沖縄タイムス社

琉大が成分分析販路へ

Corporate Business Strategy (Expansion of Product/Service Lineup)

Expansion of product/service lineups in tune with customers' varying life plans

Housing-Related Loans Meeting Diverse Needs

An Okinawan Bank First!

キャッシュバックローンなら預金の分だけ住宅ローンのお借入利息が戻るのです！
 借入残高は2,000万円です。年利もきっちりお返しします。
 借入は お借入残高2,000万円、借入残高700万円の割合、戻額の1,300万円分の利息負担のみ！
 返済残高 1,300万円
 お借入残高 2,000万円
 返済残高 700万円
 このお借入のお借入利息負担はゼロ！

Sales launched
February 2015

An Okinawan Bank First!

住宅取得応援ローン
 すまいるくん
 現金で住宅・マンション購入を検討されているあなたへ耳寄りな情報
 全期間固定金利 年0.5%

Sales launched
March 2016

An Okinawan Bank First!

リバースモーゲージ
 大切なご持家を活かし、セカンドライフにゆとりと安心を

Sales launched
March 2015

Target area widened
May 2016

An Okinawan Bank First!

アパートローン
 マンション・一室からアパート・一棟まで 最長35年 最高3億円
 南国リゾート沖縄で アパート・マンションのオーナーへ
 リーディング アパートローンの4つのポイント
 1. アパート新築、中古物件の購入にご利用可能
 2. 保証料不要
 3. 増改築にもご利用可能
 4. 団体信用生命保険加入可能

Sales launched
September 2015

Corporate Business Strategy (Credit Card Business)

Efforts to Become Pioneer Even among Other Banks in Japan

Launched VISA debit card October 2015

More than
200,000
cards issued

- **Immediate Settlement** with no Need for Cash
⇒ Zero time spent waiting in line at ATMs and zero out-of-hours handling charges
- **Local Currency** Withdrawals at **Overseas ATMs**
⇒ Convenient, effortless currency exchange
- **NO Worries** of exceeding your deposit account credit limit
⇒ Targeted at private customers aged 15 and over

Cash Back 0.2% of Amount Spent





■ Private Business Strategies (Non-Face-to-Face Sales Channels)

Transition from a mere Back Office to Profit Center



- Sales Capability Strengthening for Non-Face-to-Face Channels

⇒ Proactive Service Proposals to Customers by Outbound Promotions

- Increase in the Number of Seats

<36seats ⇒ 50seats>

⇒ In order to enhance customer support in keeping with the increasing number of loan applications

- Installation of Refreshment Rooms

⇒ Providing a comfortable workplace for employees



IT/Sales Information Strategy

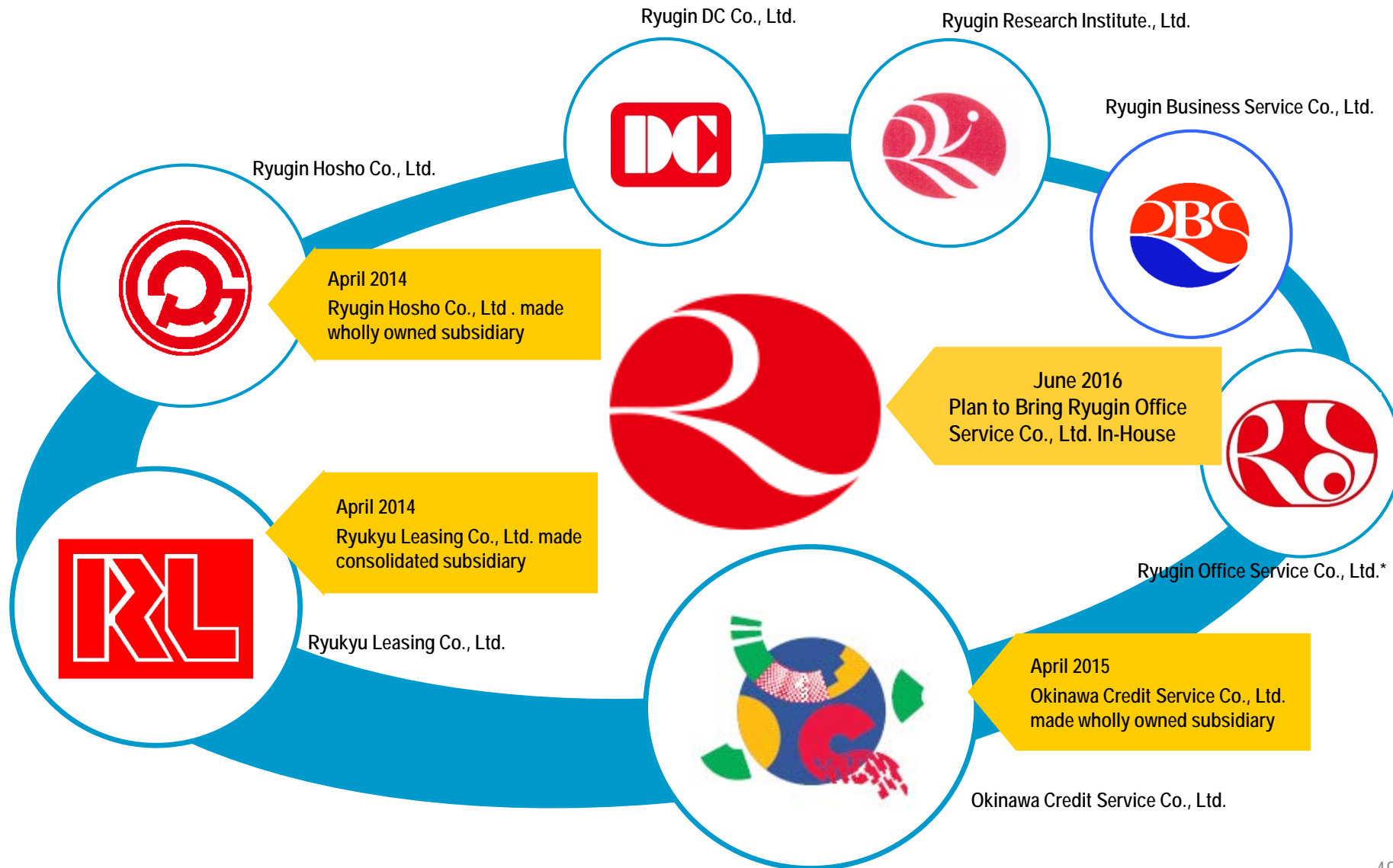
Evolution of One-to-One marketing × Transformation in Work Styles





■ Group Strategy

Provide comprehensive services that leverage Group capabilities

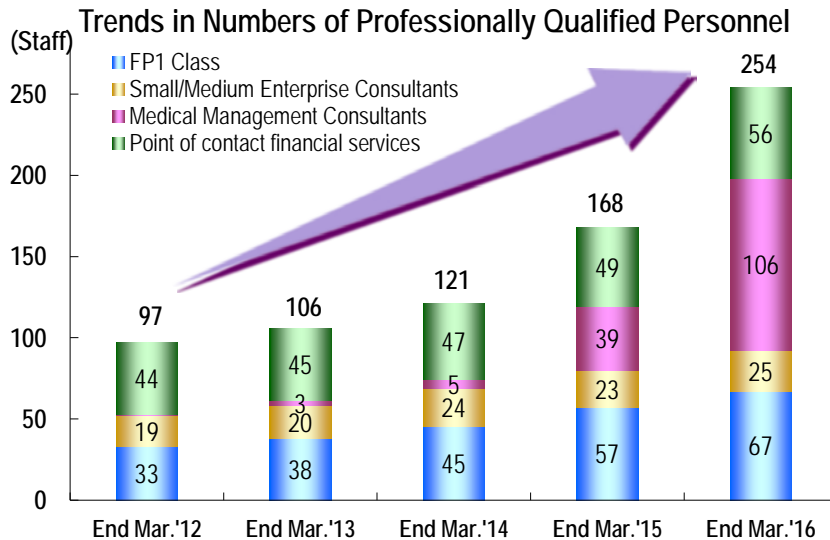




Human Resource Strategy

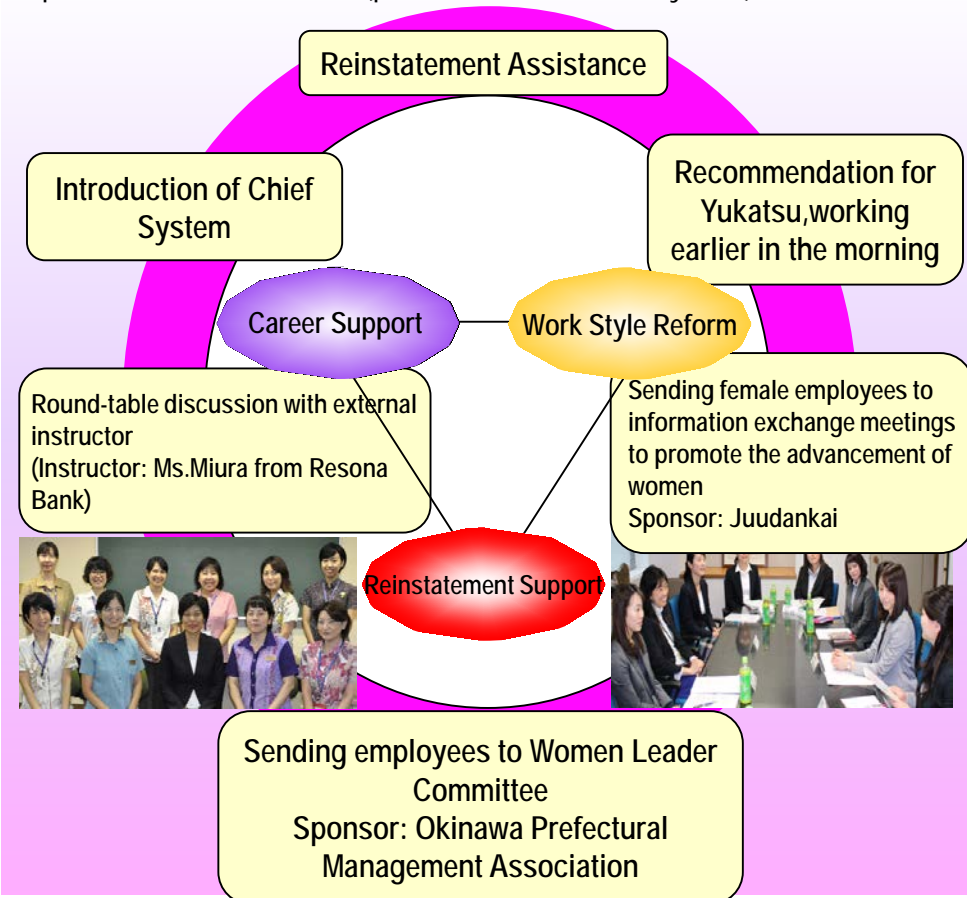
Diversity Promotion

Human Resource Training



Further Improvements in Employment Environment for Women to Excel as Managers

To increase number of female employees occupying management positions to 20 or more (planned timeframe: 5 years)



Recruitment of Mid-Career Professionals

- ✓ Lawyers 2
- ✓ Certified Public Accountants 1
- ✓ Grade 1 Architects 1 and others



*Others actively employed include systems engineers, former megabank employees

Local Responsibility Activities

Proactive Involvement in Local Society

Sports Promotion



Sponsor of Ryukyu Golden Kings basketball team

Welfare Activity Support



Nice Heart Bazaar

* Winning of Prefectural Governor's Award at Okinawa Prefecture Welfare Community Planning Awards

Local Event Support



Naha Marathon sponsorship/volunteers

Strong Support for Traditional Culture



Traditional dyed cloth design contest



About This Presentation

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