



# Management Briefing

Financial Results for FY2018

Received an honorable mention in the 27th (fiscal 2018) Bingata Design Contest

“Kariyushi (Harmony) with a Prayer for Phoenix” by Atsuko Miura

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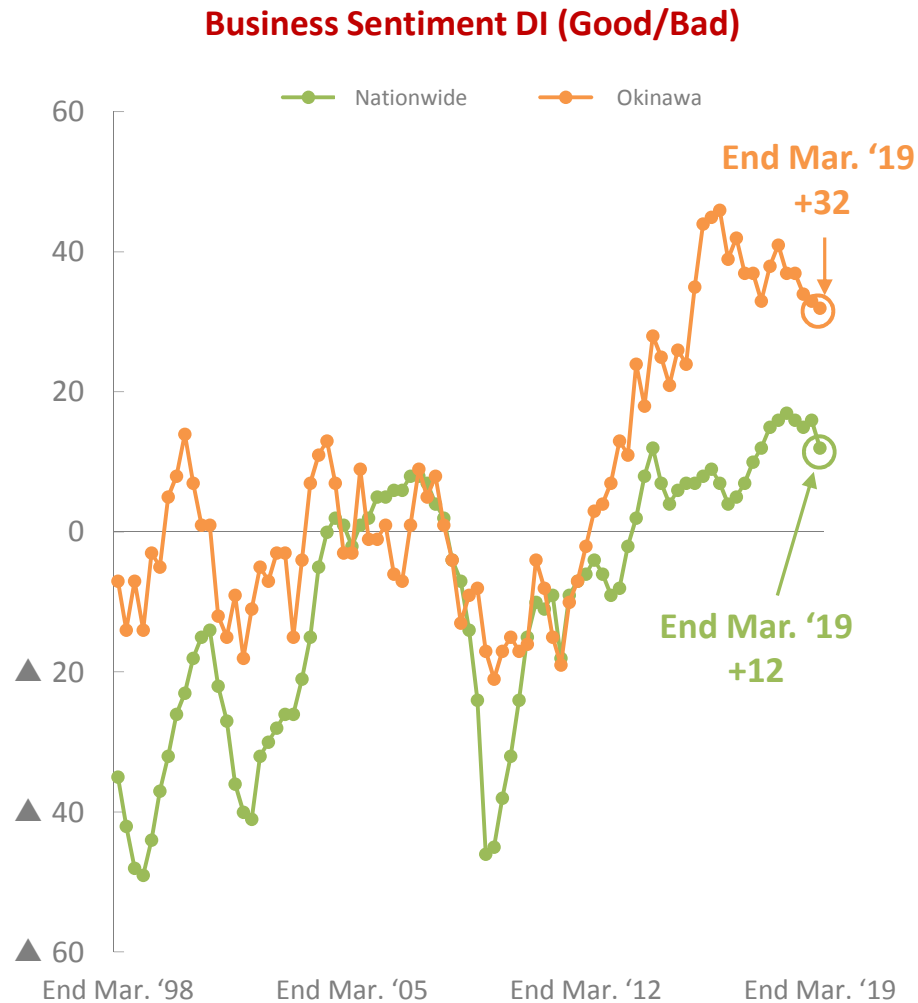


# **1** Strong Okinawa Economy

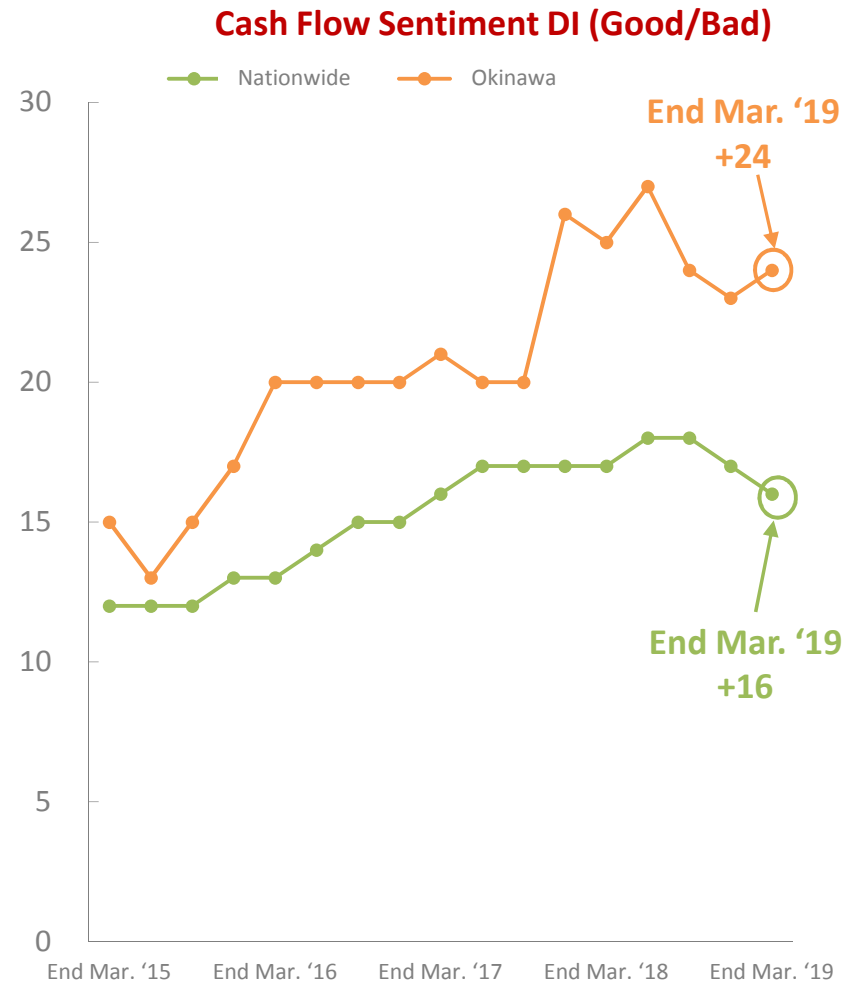
\* Annual statistical indicators are based on the calendar year.

# Tankan Survey

Although the business sentiment index indicates that business confidence has peaked, the trend still remains significantly above the national average.



\* New base data has been used since Dec. 2014 and Dec. 2017 (discontinuous with the previous data).  
Source: The Bank of Japan Naha Branch



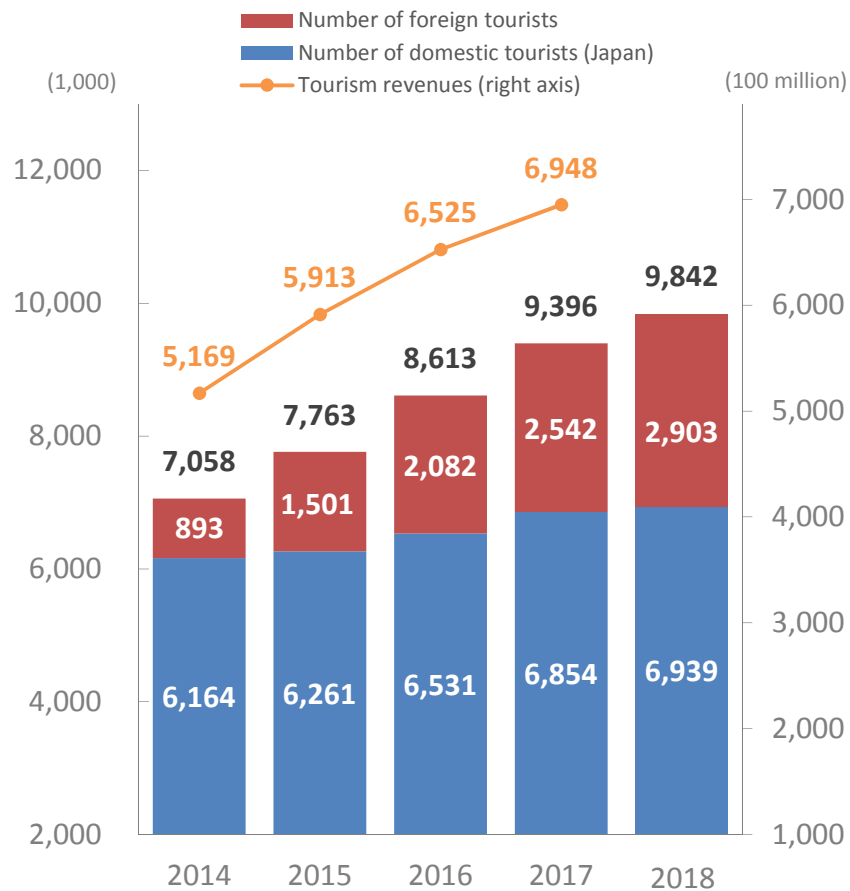
\* New base figures have been used since Dec. 2014.  
Source: The Bank of Japan Naha Branch

# Tourism

In 2018, Okinawa had 9.84 million visitors, a record number for 6 consecutive years, reaching the same level as Hawaii.

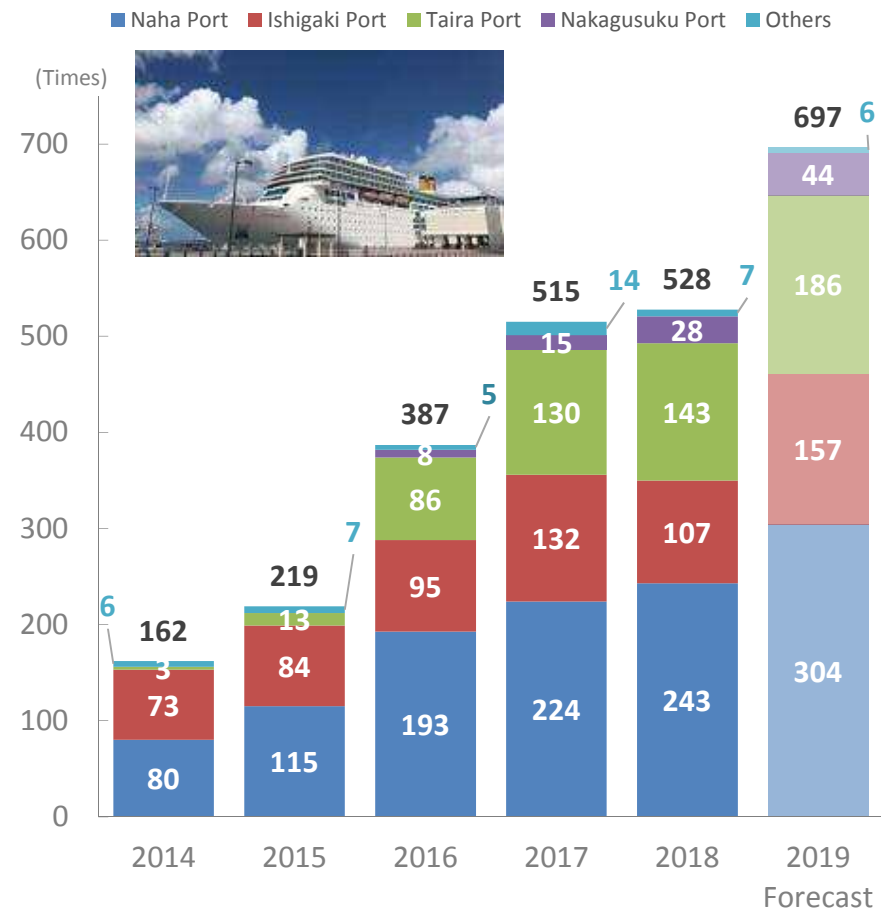
In 2019, cruise ships are also expected to call 697 times, a significant increase.

## Number of Tourists and Tourism Revenues



(Source: Okinawa Prefecture)

## Number of Cruise Ship Calls in Okinawa Prefecture



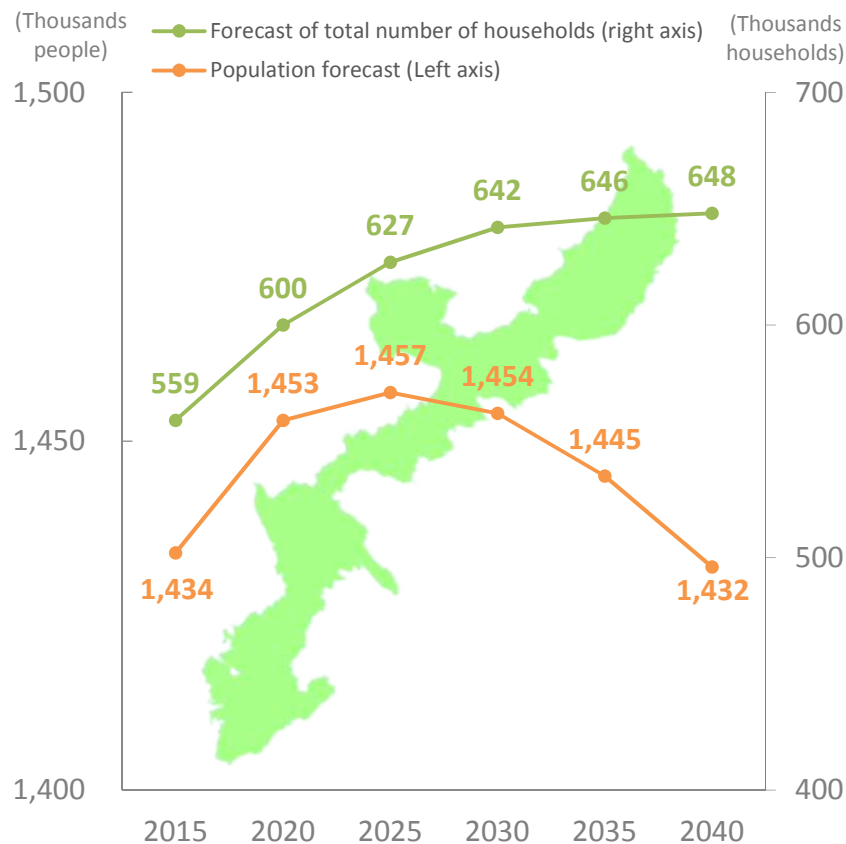
(Source: Okinawa General Bureau, Cabinet Office)

# Population, Number of Households, and Housing Starts

Okinawa's population is expected to grow until 2025, while the number of households is expected to keep growing onward.

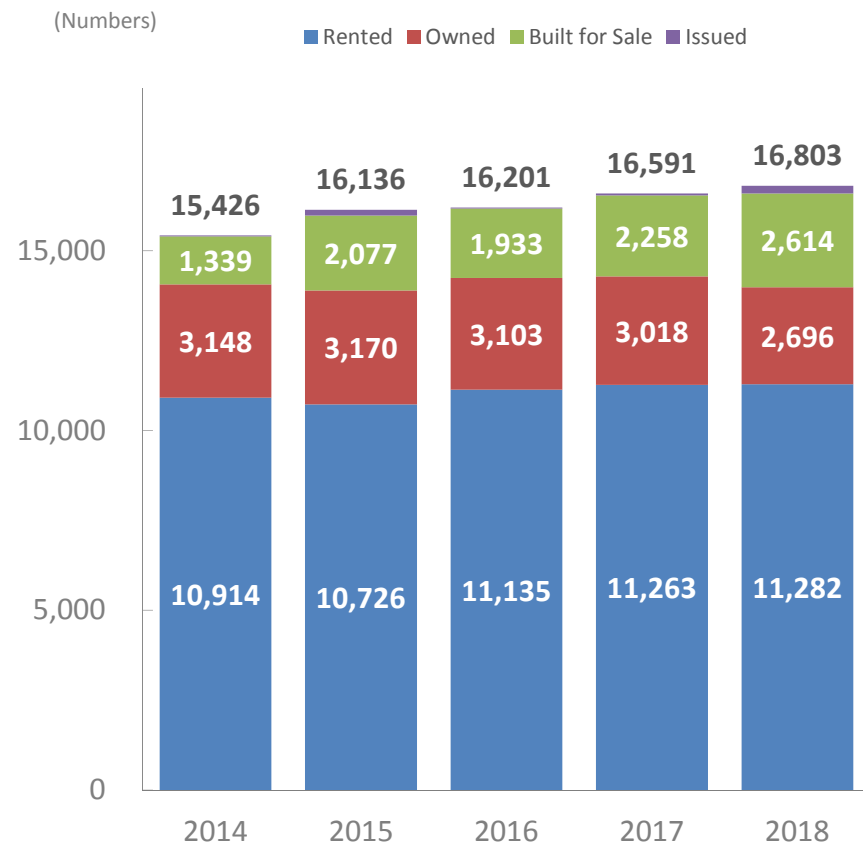
As the number of households increases, the number of new residential construction (housing starts) will also increase steadily.

## Okinawa's Future Population and Number of Households



(Source: Data from Census and the Nansei Shoto Industrial Advancement Center (NIAC))

## Okinawa Housing Starts

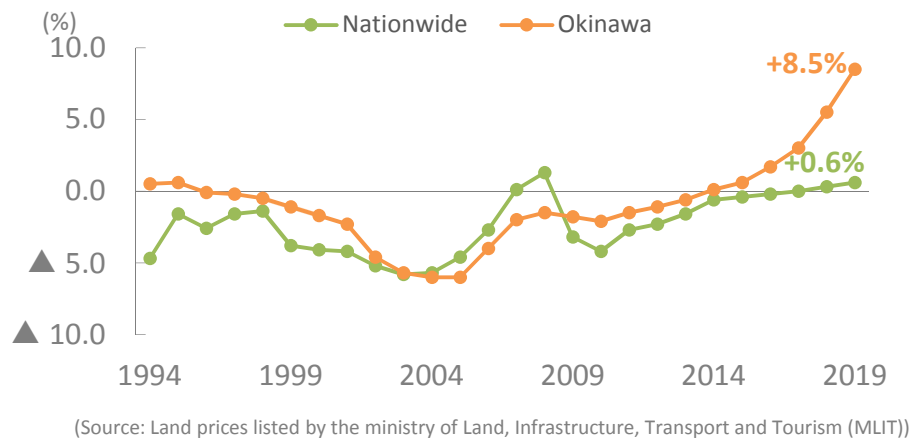


(Source: "Housing Starts Statistics" by Ministry of Land, Infrastructure, Transport and Tourism)

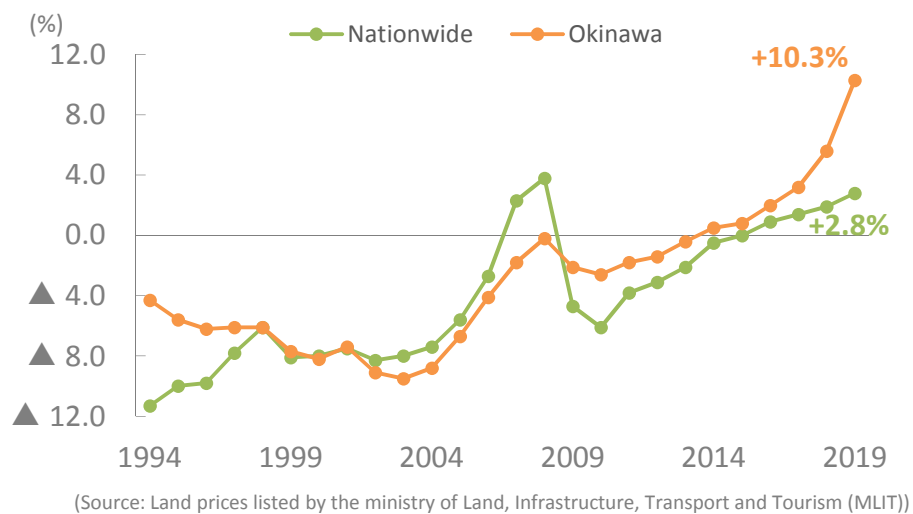
# Real Estate

Growth rate of land prices and unit construction costs have surpassed the national average.

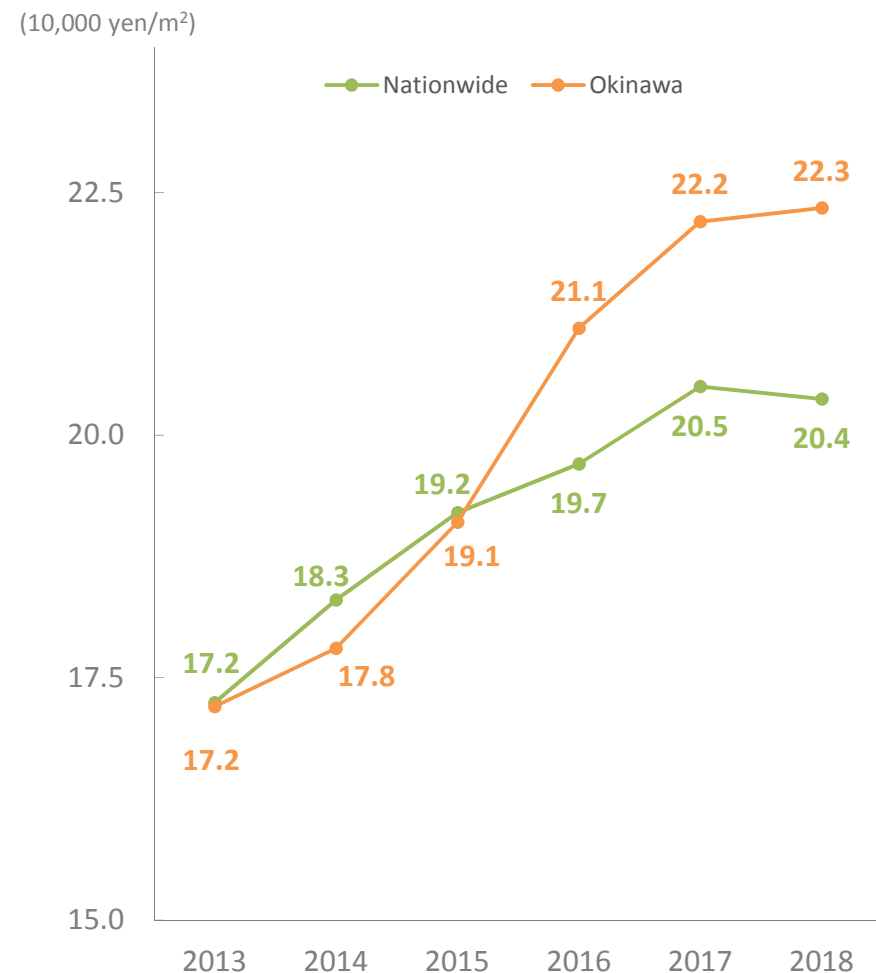
## Price Growth Rate of Residential Areas



## Price Growth Rate of Commercial Areas



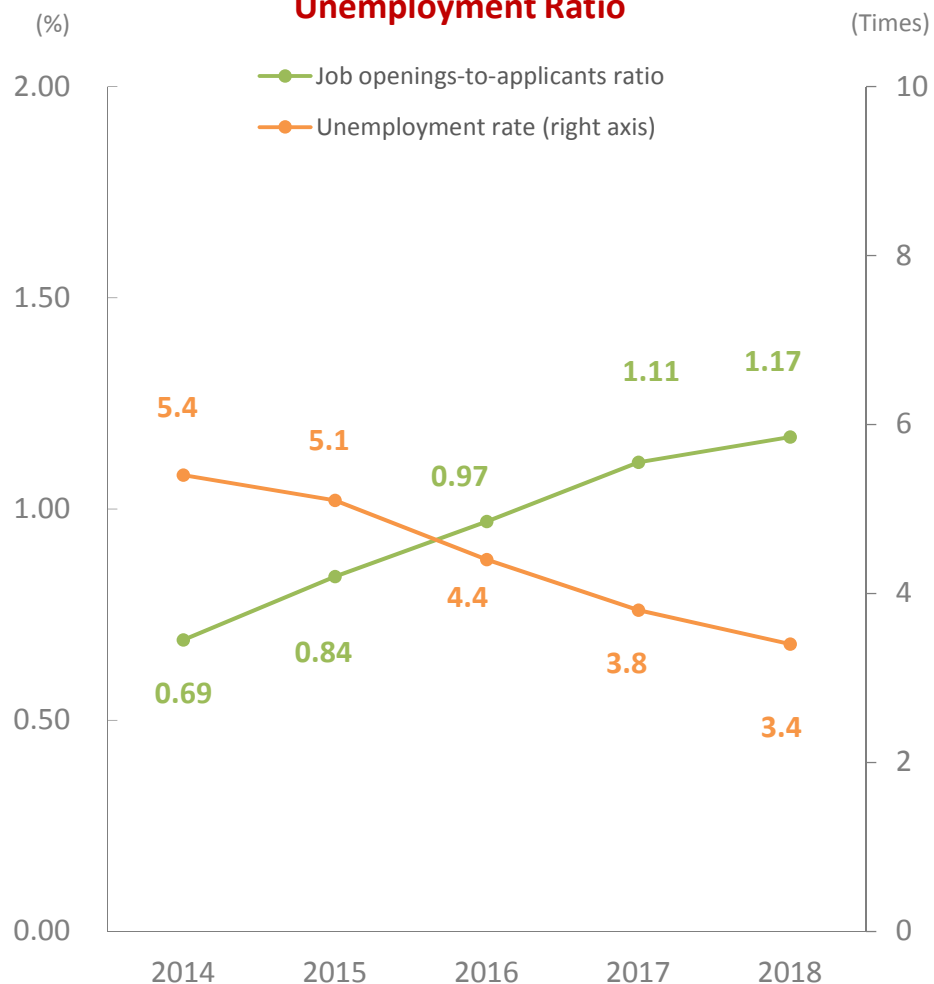
## Unit construction cost



# Employment

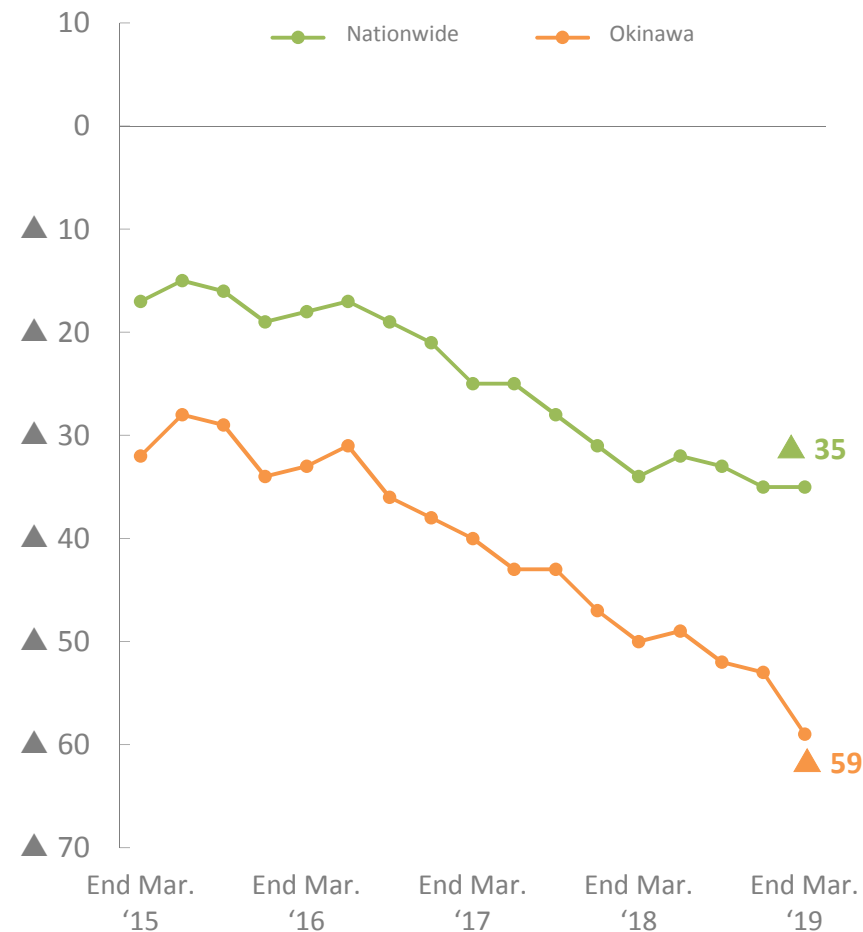
Employment has improved with an increase in the job-openings-to-applicants ratio and a decline in the unemployment ratio. Meanwhile, the labor shortage is currently getting worse.

**Job-openings-to-applicants Ratio and Unemployment Ratio**



(Source: Okinawa Prefecture, the Cabinet Office, and the Ministry of Internal Affairs and Communications)

**Employment Sentiment DI (Good/Bad)**



Source: The Bank of Japan Naha Branch



## 2 Financial Results for Fiscal Year Ended March 31, 2019

# Summary of Profit/Loss Trends

## (Non-consolidated: Mar. 2015–Mar. 2019)

(Million yen)

	End Mar. '15	End Mar. '16	End Mar. '17	End Mar. '18	End Mar. '19	Year on Year
Profit from customer services *1	5,425	5,179	2,994	2,981	2,885	▲96
Deposit and loan balance *2	22,752	22,768	21,795	21,476	21,691	+215
Profit from service charges *3	4,729	4,849	4,893	5,277	5,347	+70
Expenses (▲)	22,056	22,438	23,694	23,772	24,153	+381
Profit/loss in Trading Division	4,078	4,172	4,386	4,937	3,238	▲1,699
Profit/loss in Securities & International Department	3,942	4,009	2,828	4,426	1,845	▲2,580
Gains/losses from forex and commodities trading	593	255	370	▲37	822	+858
Out of balance of 5 bond accounts	▲22	735	▲691	387	▲169	▲557
Out of balance of 3 share accounts	150	▲100	▲101	1,124	▲730	▲1,854
Policy-related investment	136	162	1,558	512	1,393	+881
Net credit costs (▲)	1,589	1,310	806	▲1,808	▲218	+1,590
Out of general provision for doubtful accounts	▲75	787	241	▲850	644	+1,494
Miscellaneous, corporate tax, etc. (▲)	3,618	2,989	1,562	1,899	967	▲932
Net income after tax	4,296	5,052	5,012	7,827	5,374	▲2,453

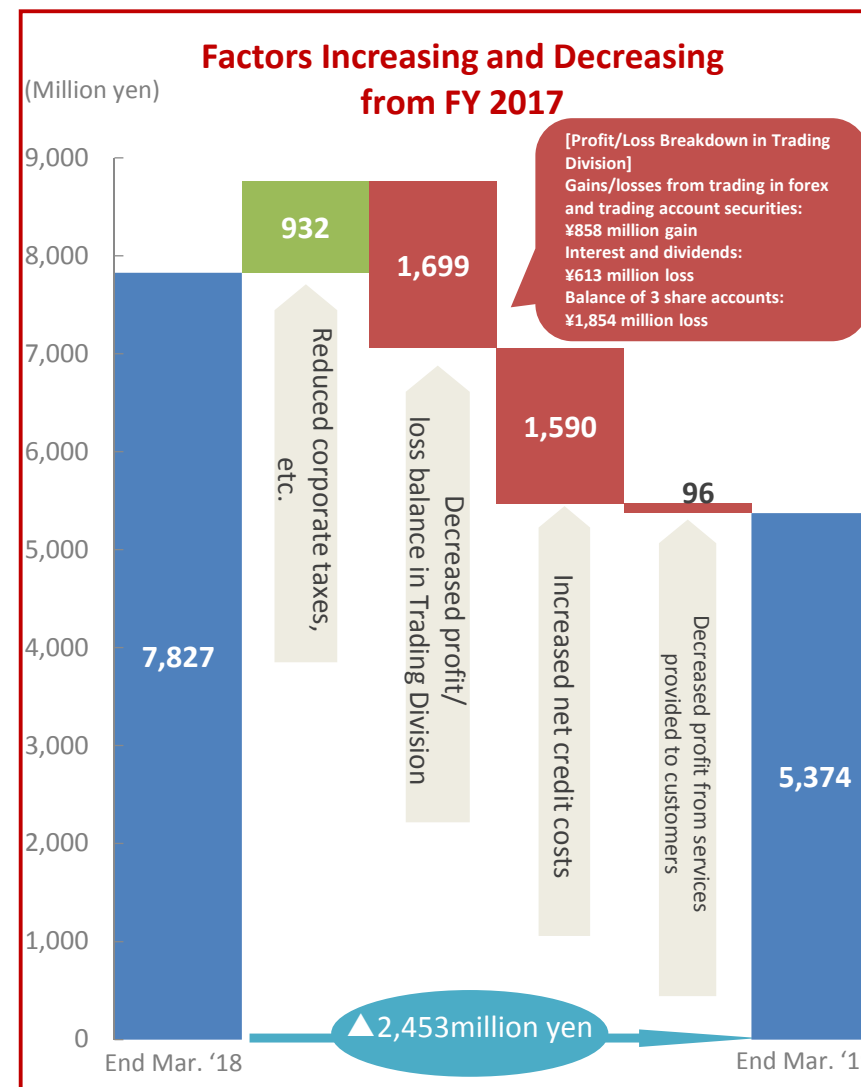
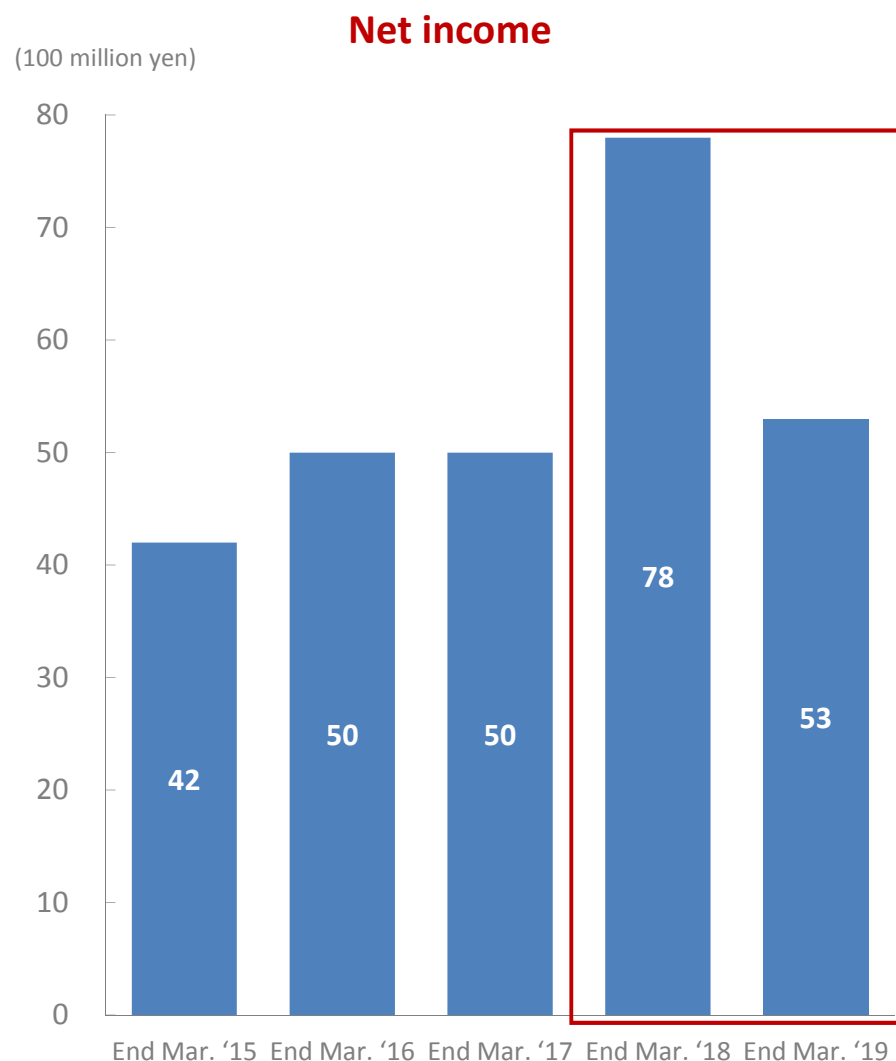
\*1 Profit from customer services = Deposit and loan balance + Profit from service charges - Expenses

\*2 Deposit and loan balance (incl. loan-related fees. The coupon rate was adopted for the interest rate on deposits).

\*3 Profit from service charges (excl. loan fees).

# Profit/Loss during Fiscal Year Ended March 31, 2019

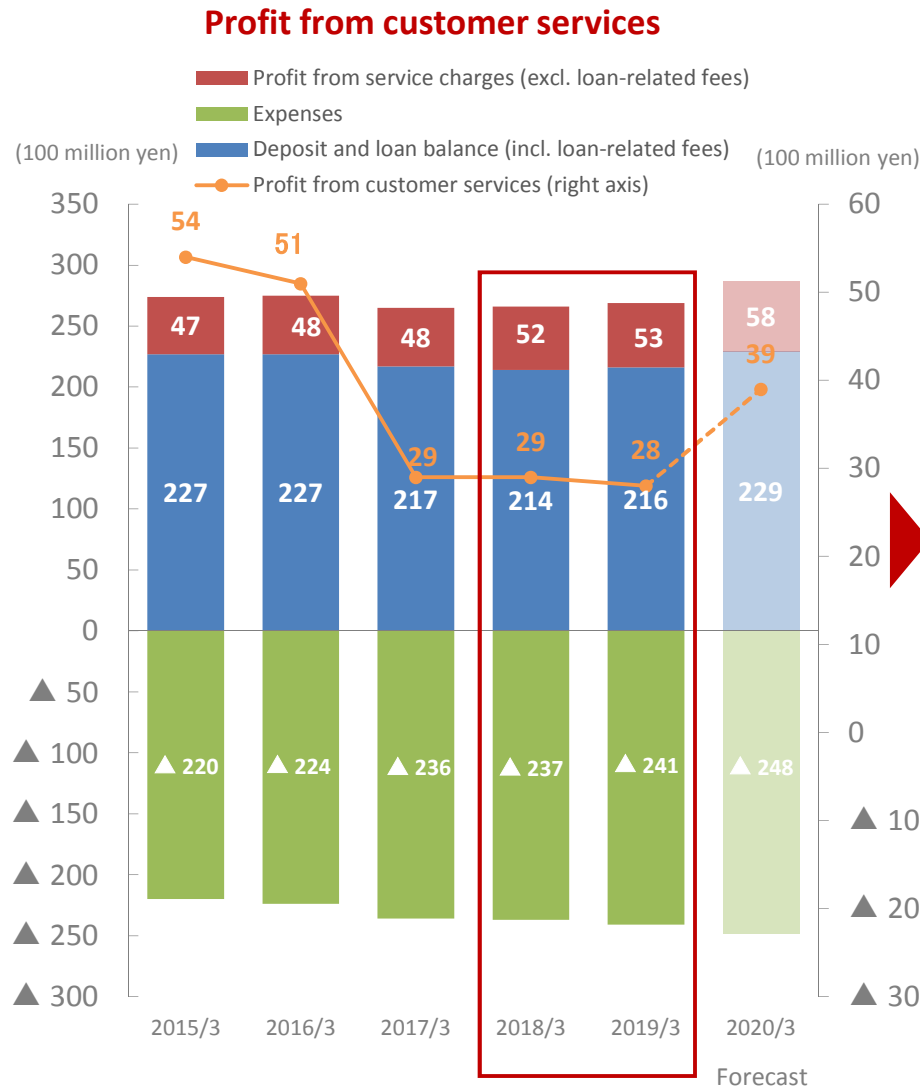
Reactionary rise in net credit costs; net income fell due to a decrease in the profit/loss balance in the Trading Division. Net income was the 4th highest in the bank's history.



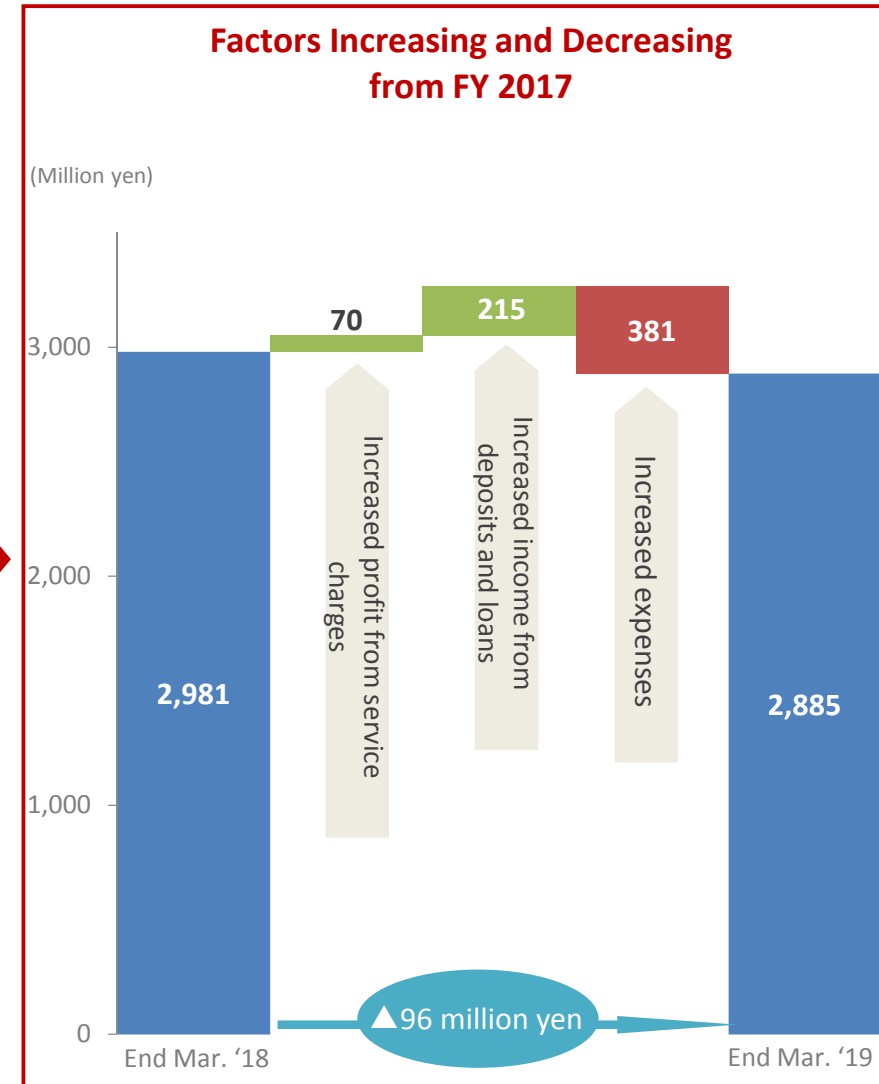
\* "Reduced corporate taxes, etc." incl. other profit and loss balances.

# Profit from Customer Services

The deposit and loan balance turned to positive, but total profit from services turned negative due to increased expenses.

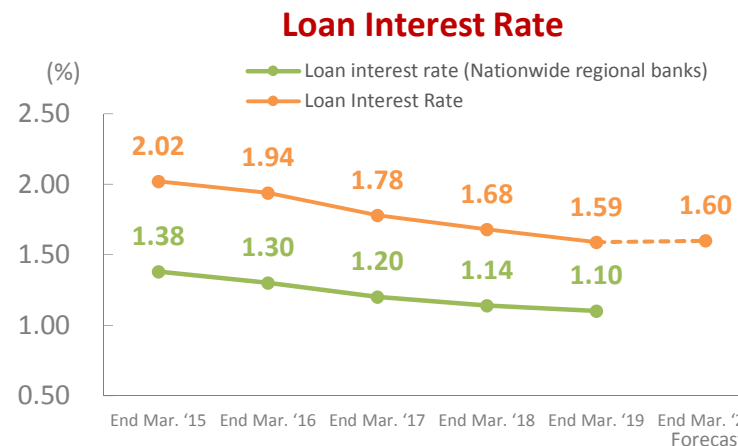
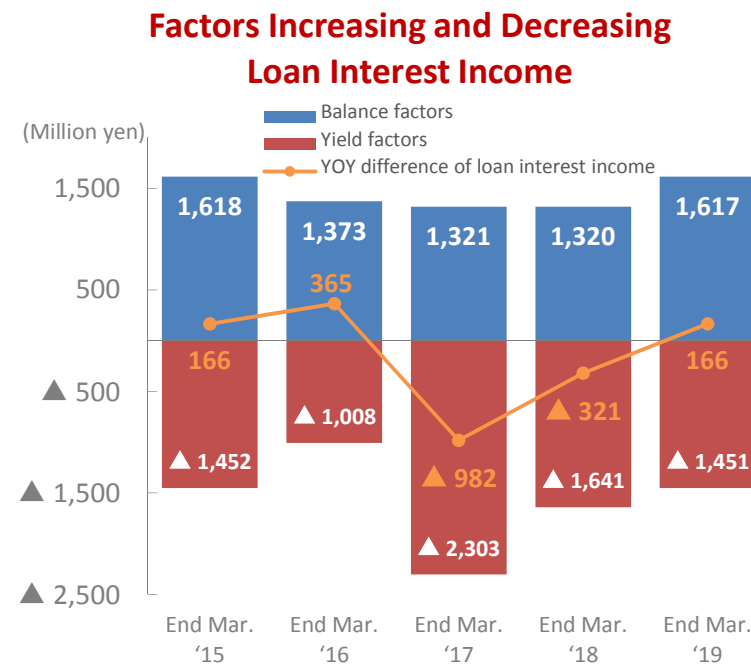
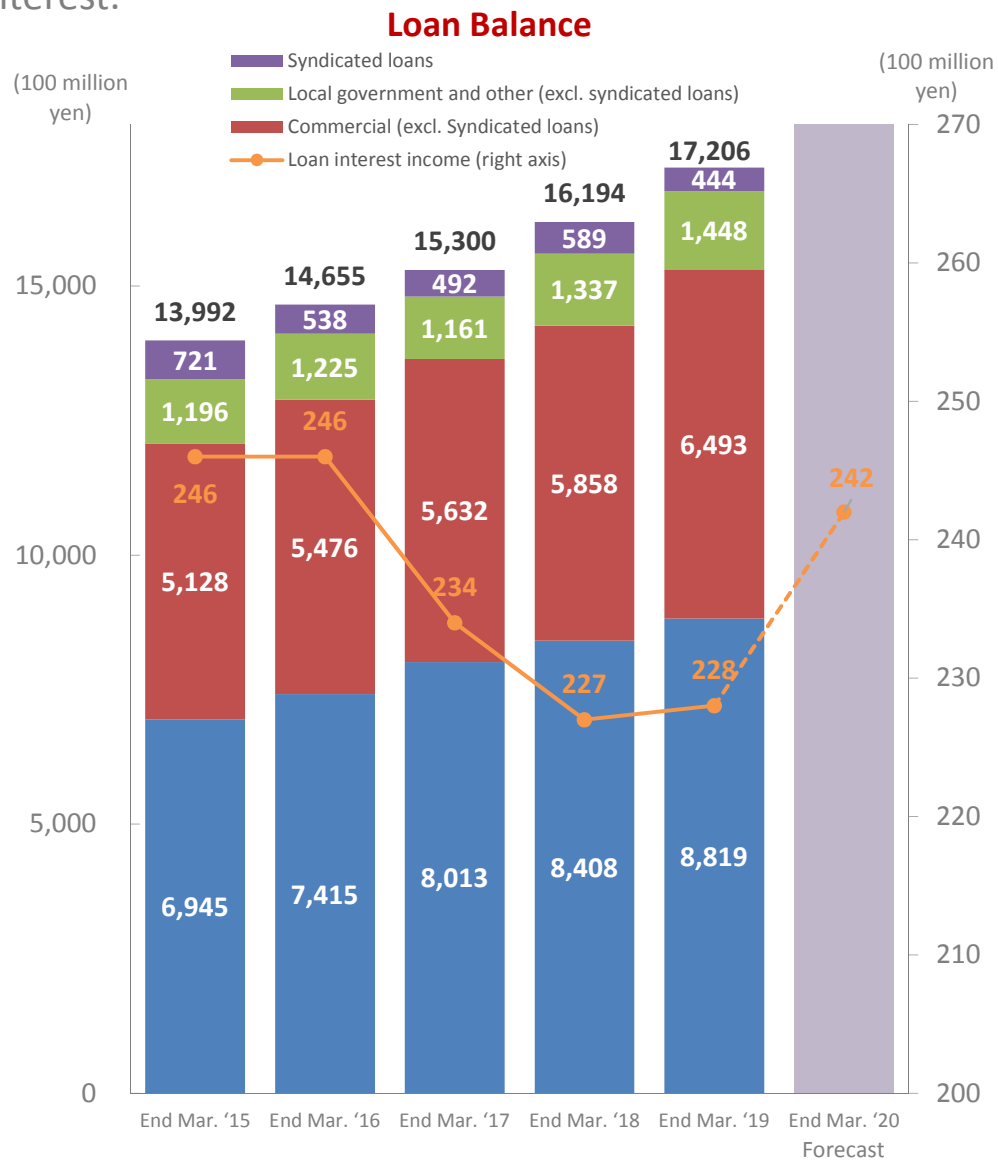


\* Profit from customer services = Deposit and loan balance + Profit from service charges - Expenses



# Loans

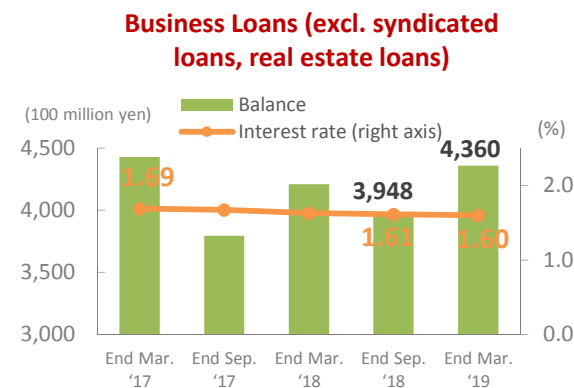
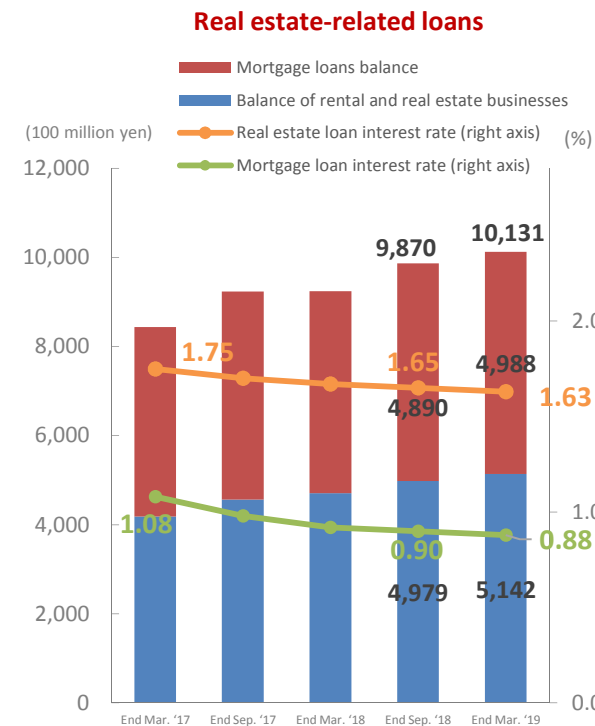
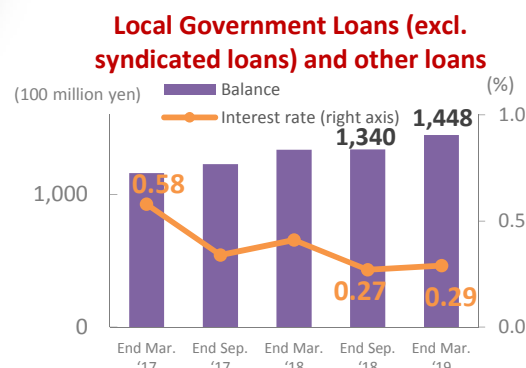
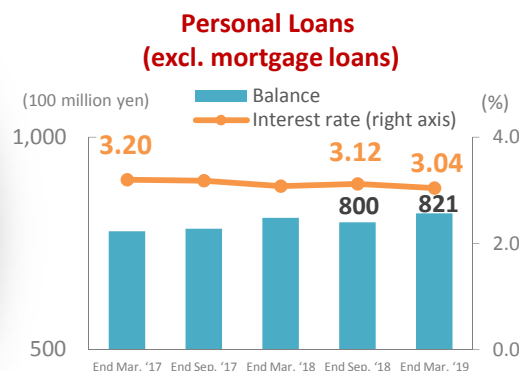
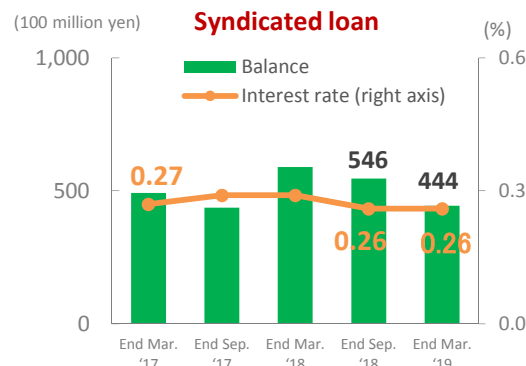
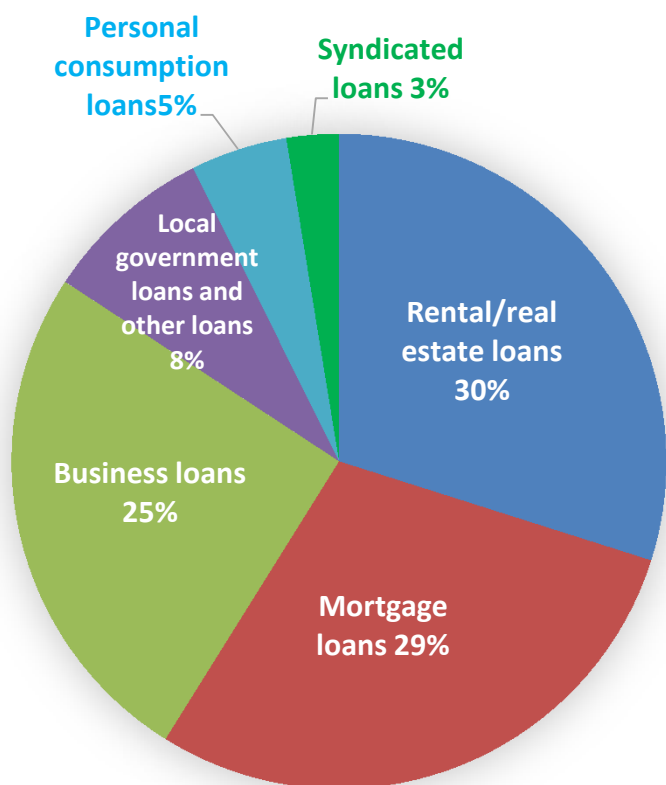
Although the yield declined, the balance steadily increased, turning into an increase in income from interest.



# Loans

Increased mortgage loans, especially lending to real estate agents. The interest rate charged to borrowers declined at a slower rate.

**BREAKDOWN OF LOAN BALANCES BY USE**

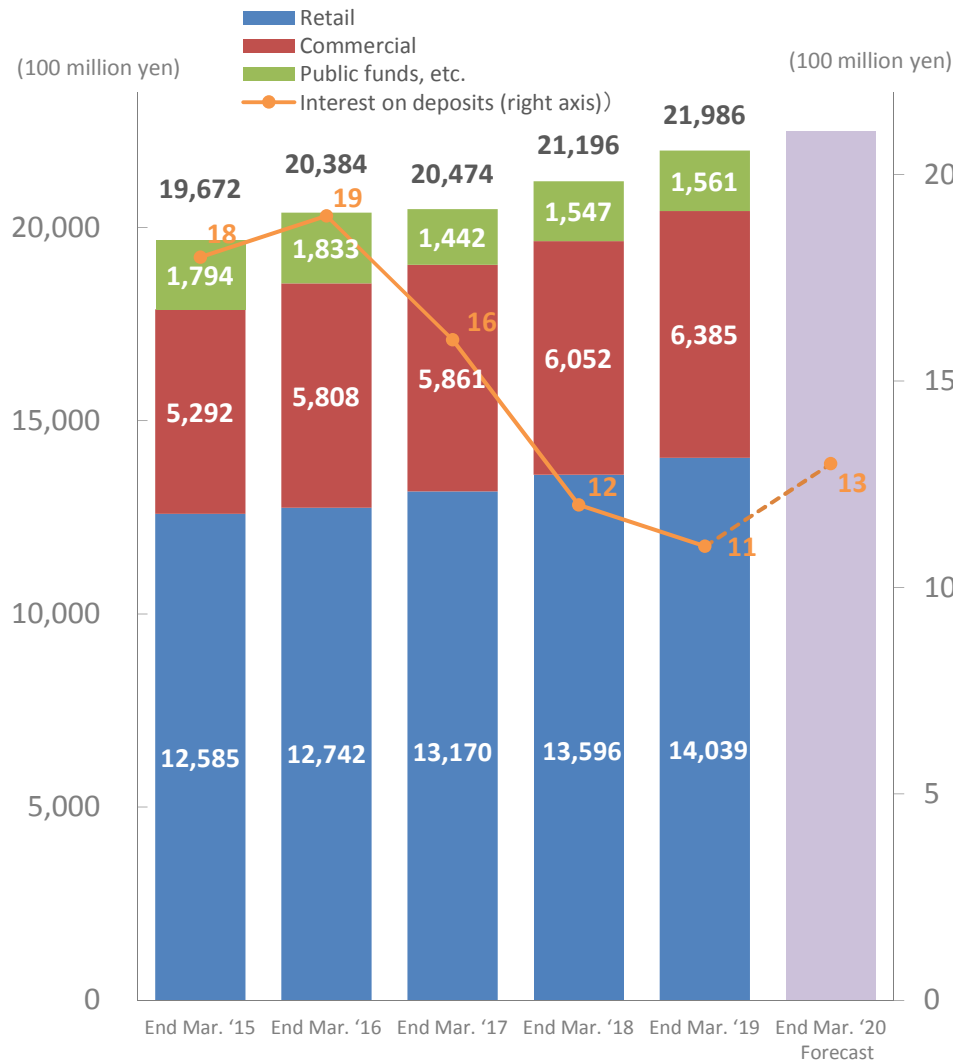


\* Loan-related fees (consumer loan fees, group credit life insurance premiums) are deducted from yield calculation.

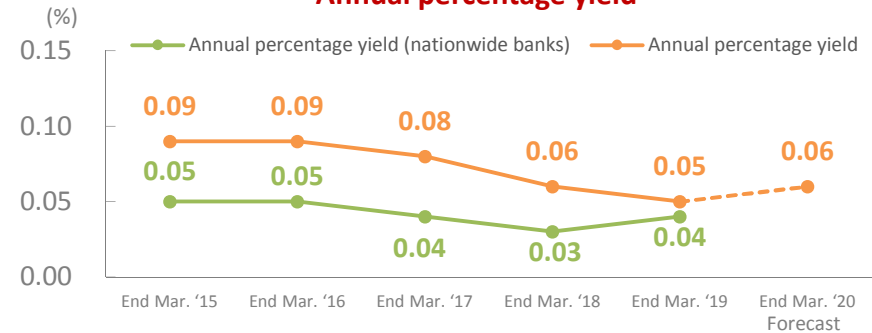
# Deposits, etc.

Deposits for both retail and corporate customers are steadily increasing. Interest on deposits dropped due to a decline in yields.

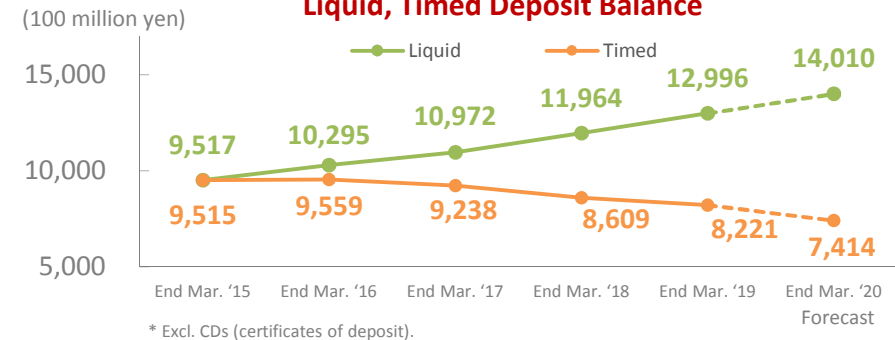
## Balance of deposits, etc.



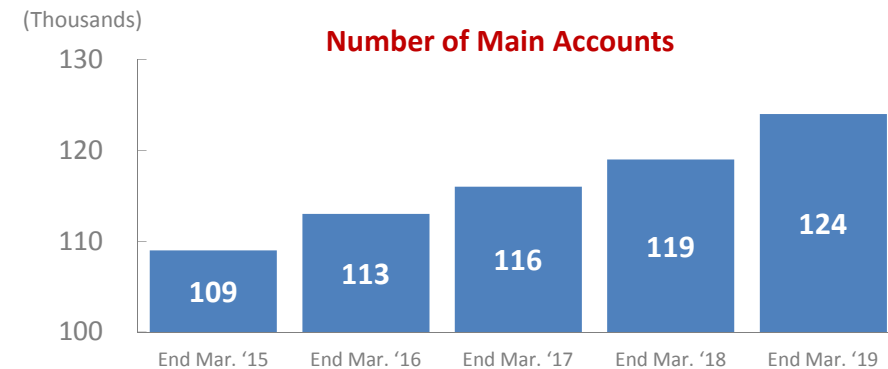
## Annual percentage yield



## Liquid, Timed Deposit Balance



## Number of Main Accounts

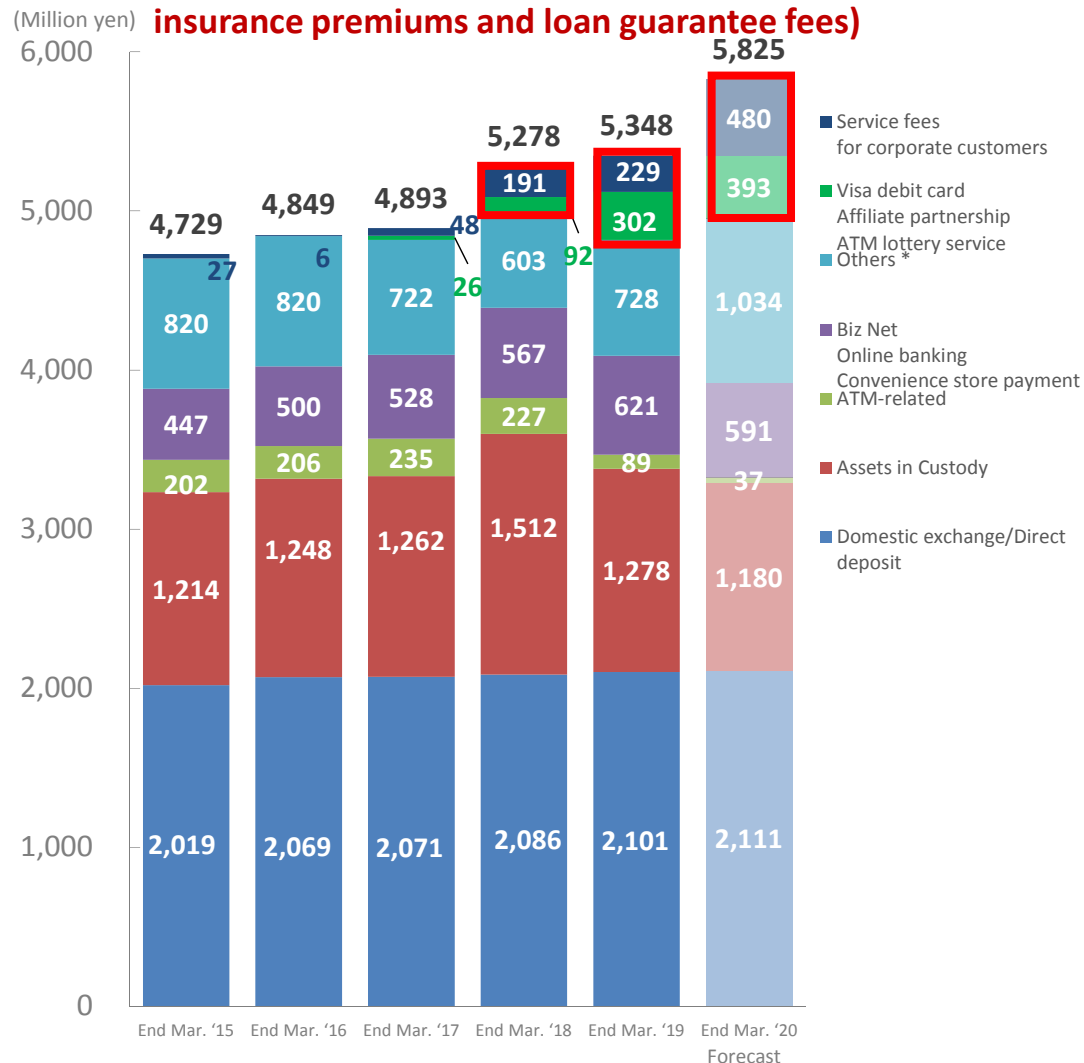


\* The main account is a personal account that is used for a certain service or product, in addition to using direct deposit of payroll, pension, or mortgage loan.

# Profit from Service Charges

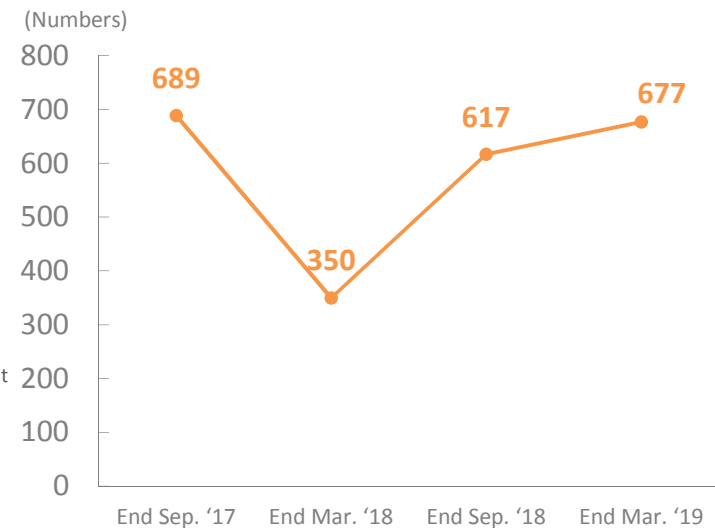
As the different types of revenue sources emerge, income from fees and charges is steadily increasing.

**Trend of Profit from Service Charges (excl. group credit life insurance premiums and loan guarantee fees)**



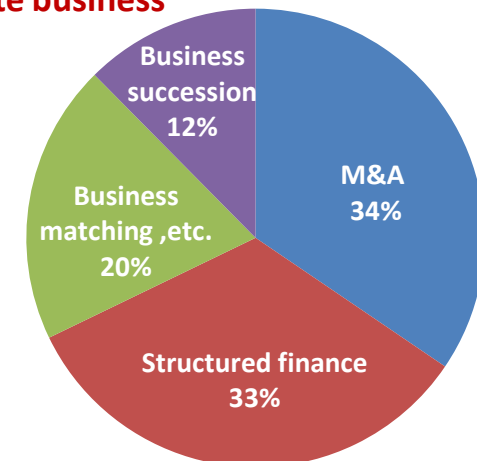
\* "Others" include debt guarantee fees, forex related fees, loan-related fees, safe deposit boxes, night deposits, and administration fees for outsourced loans.

**Number of visits for consulting activities**



\* September includes the results of the first half, and March includes the second half of the fiscal year.

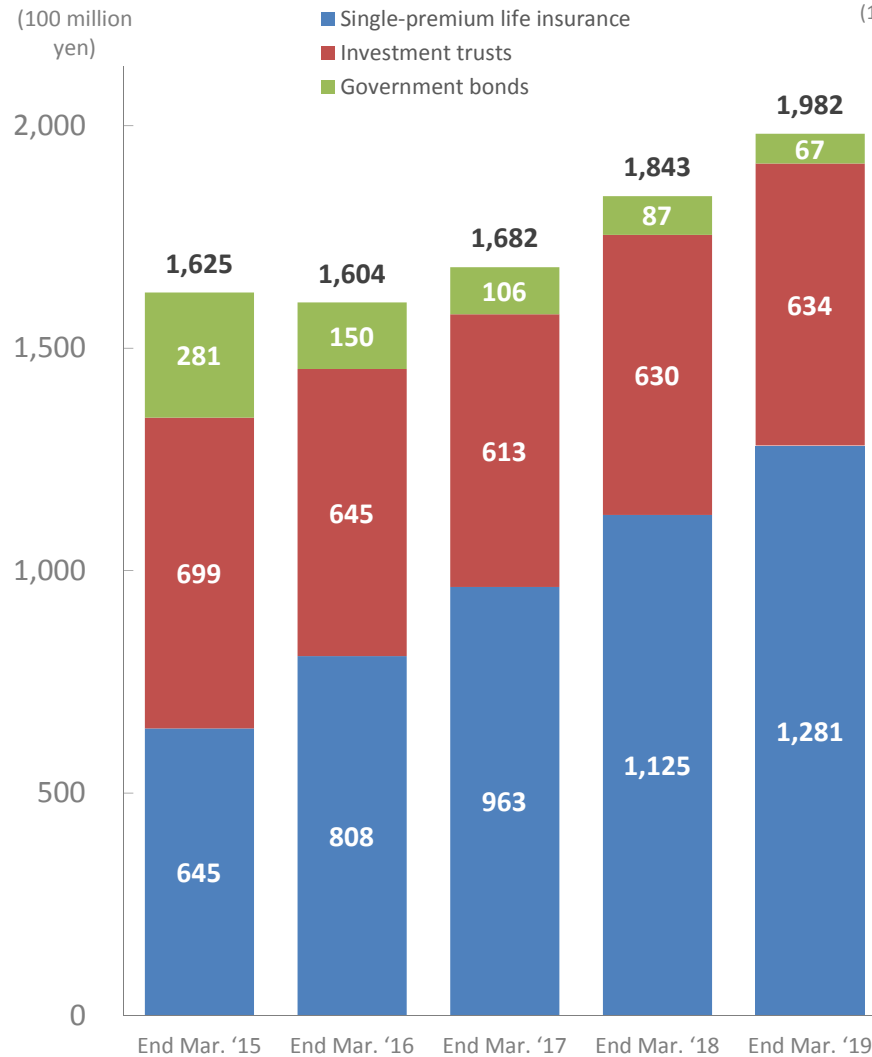
**Revenue results per division in corporate business**



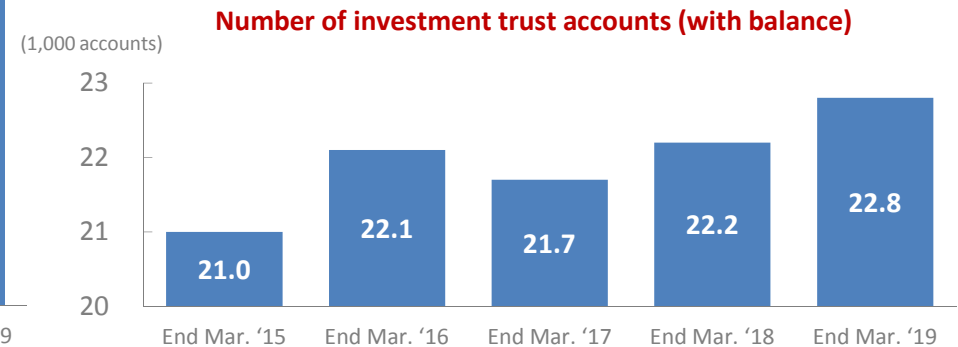
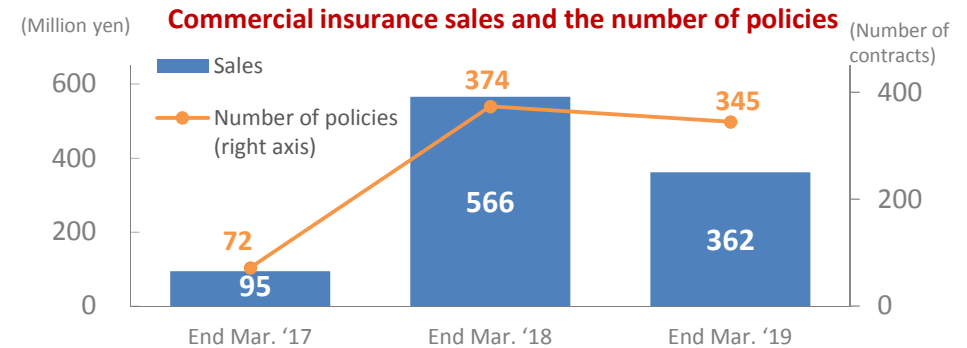
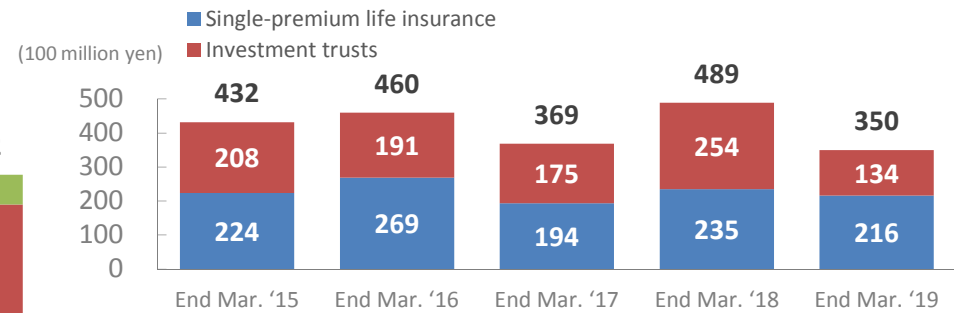
# Assets in Custody

Balance steadily increased thanks to sales of single-premium life insurance and investment trusts.

## Assets in custody balance

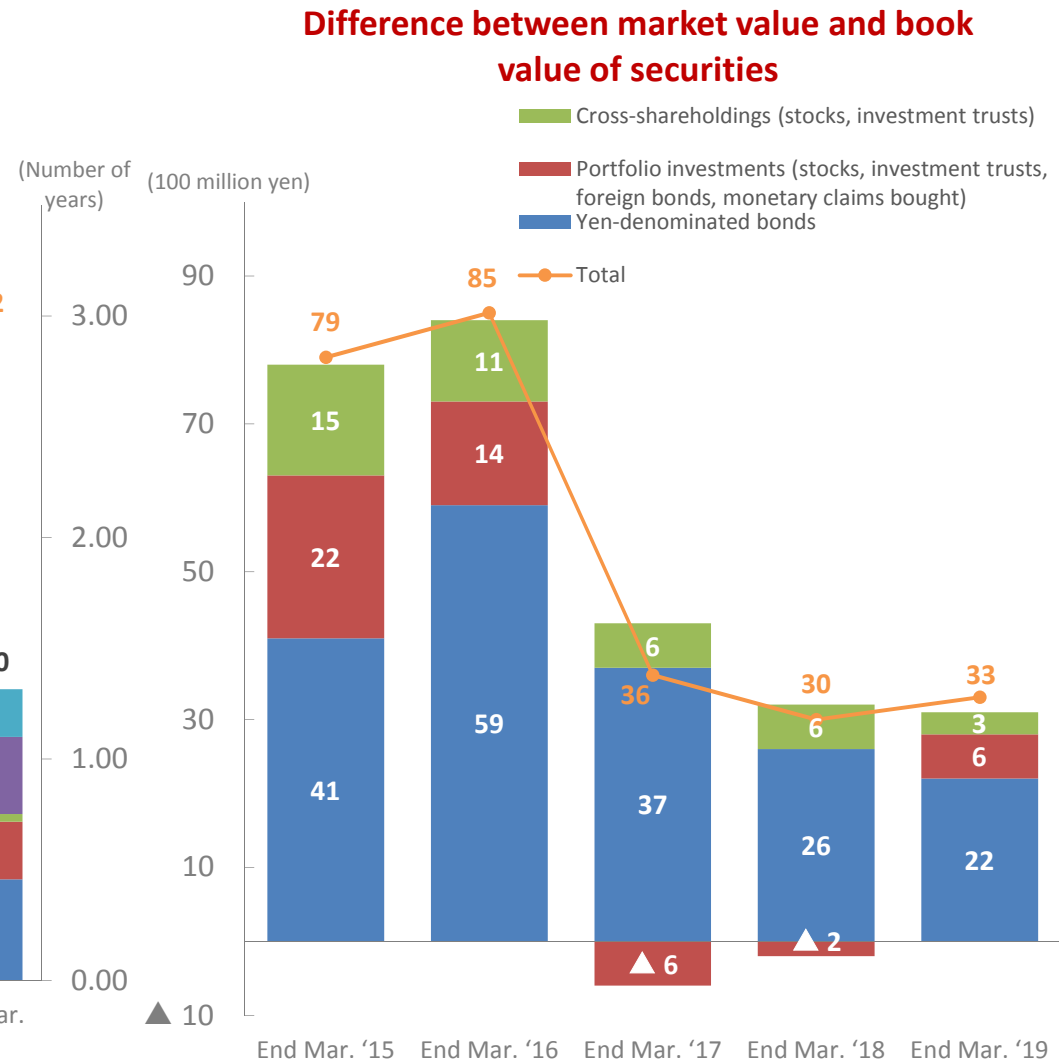
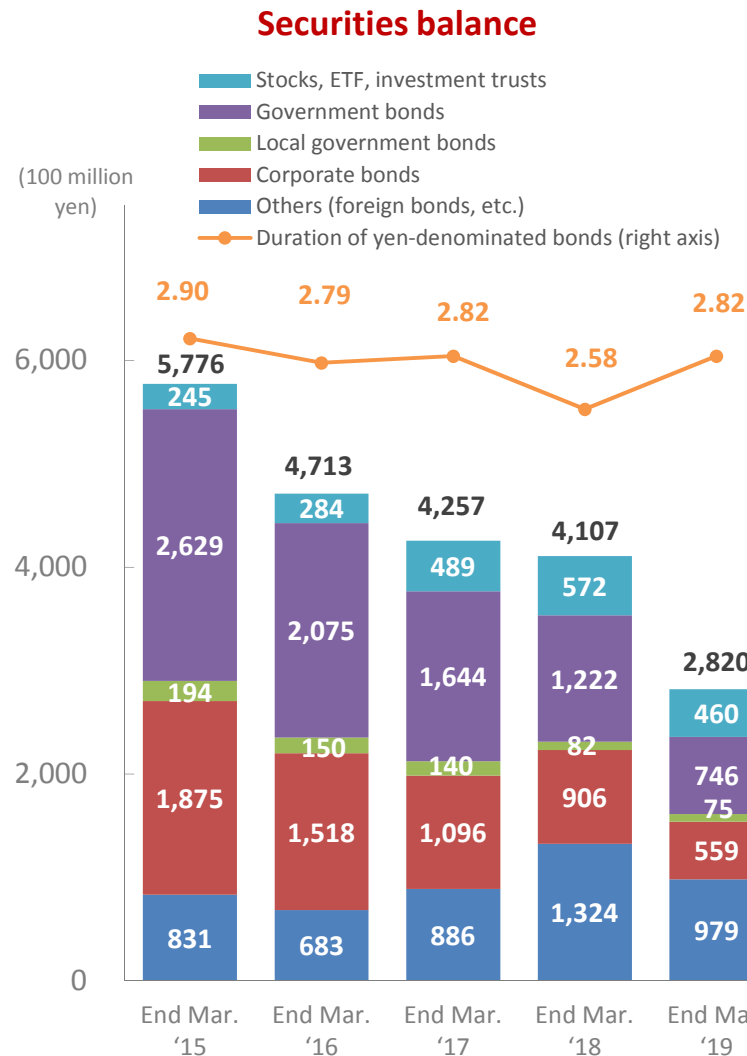


## Assets on custody sales revenue



# Securities

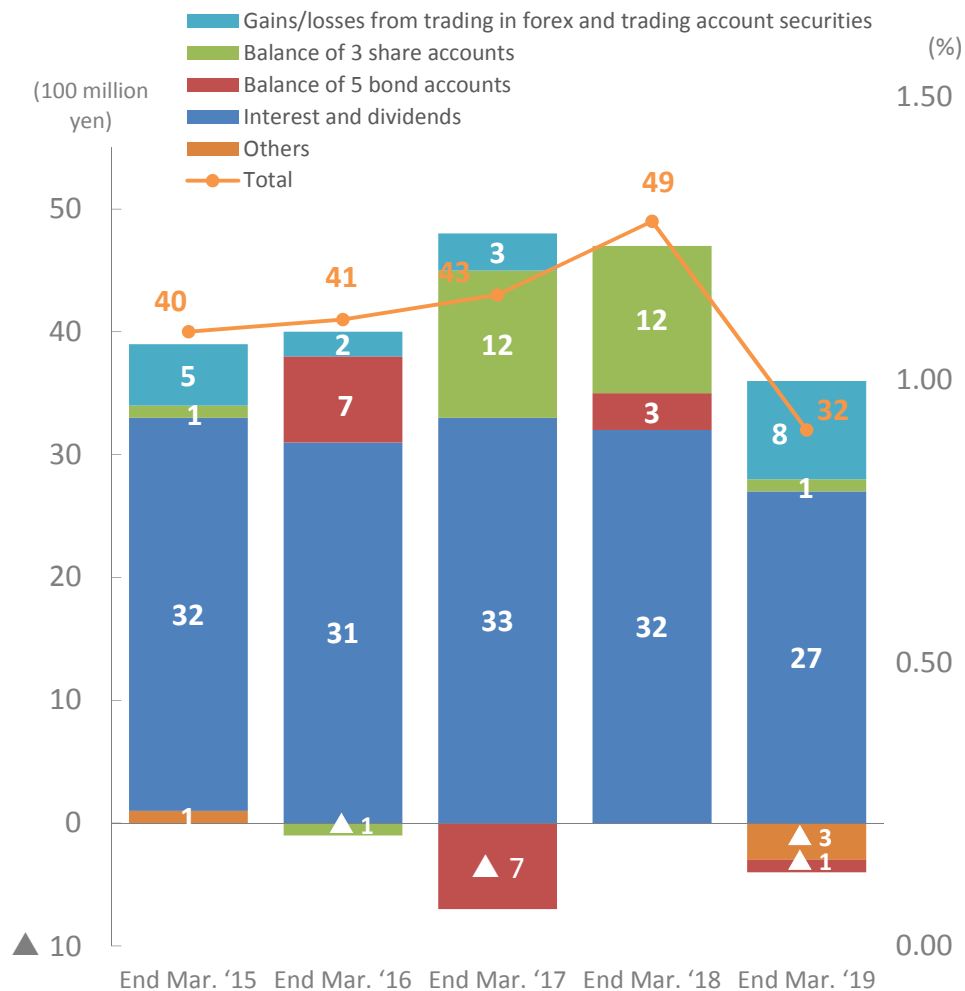
The balance decreased due to the redemption of government and corporate bonds and the sale of foreign bonds. The market value is greater than the book value.



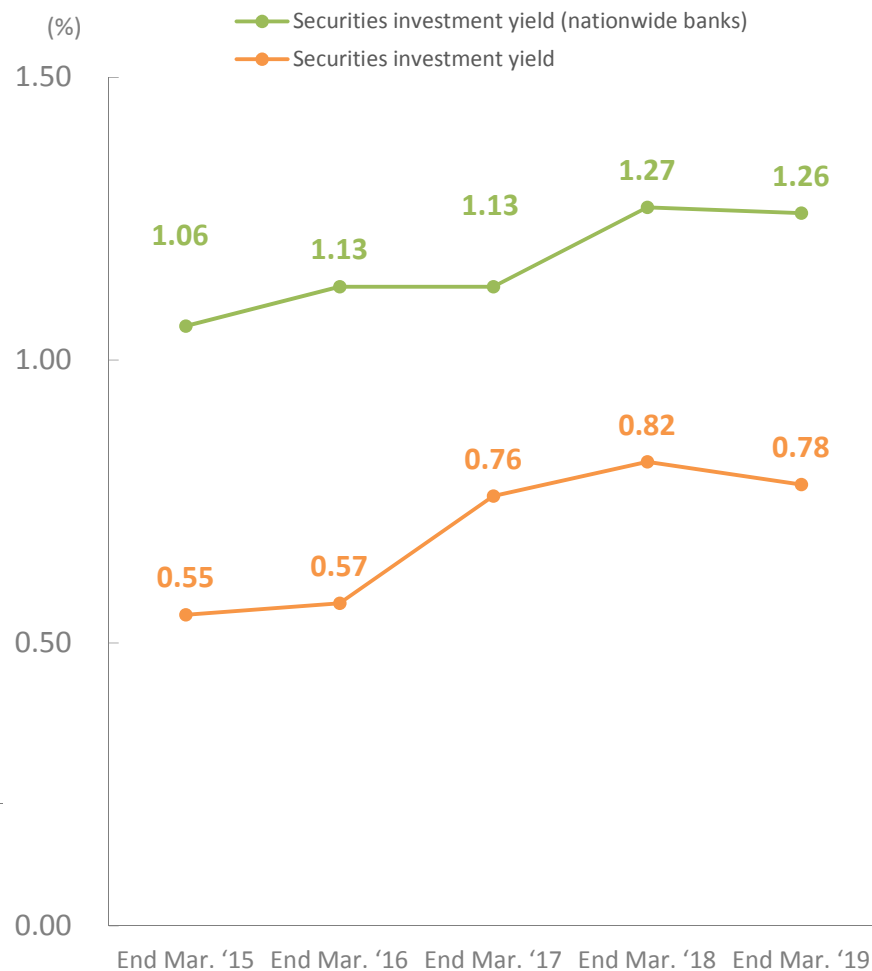
# Securities

Profit from forex trading increased, but the profit/loss balance in Trading Division decreased due to the decreased balance of 3 share accounts, etc.

**Profit/loss in Trading Division**

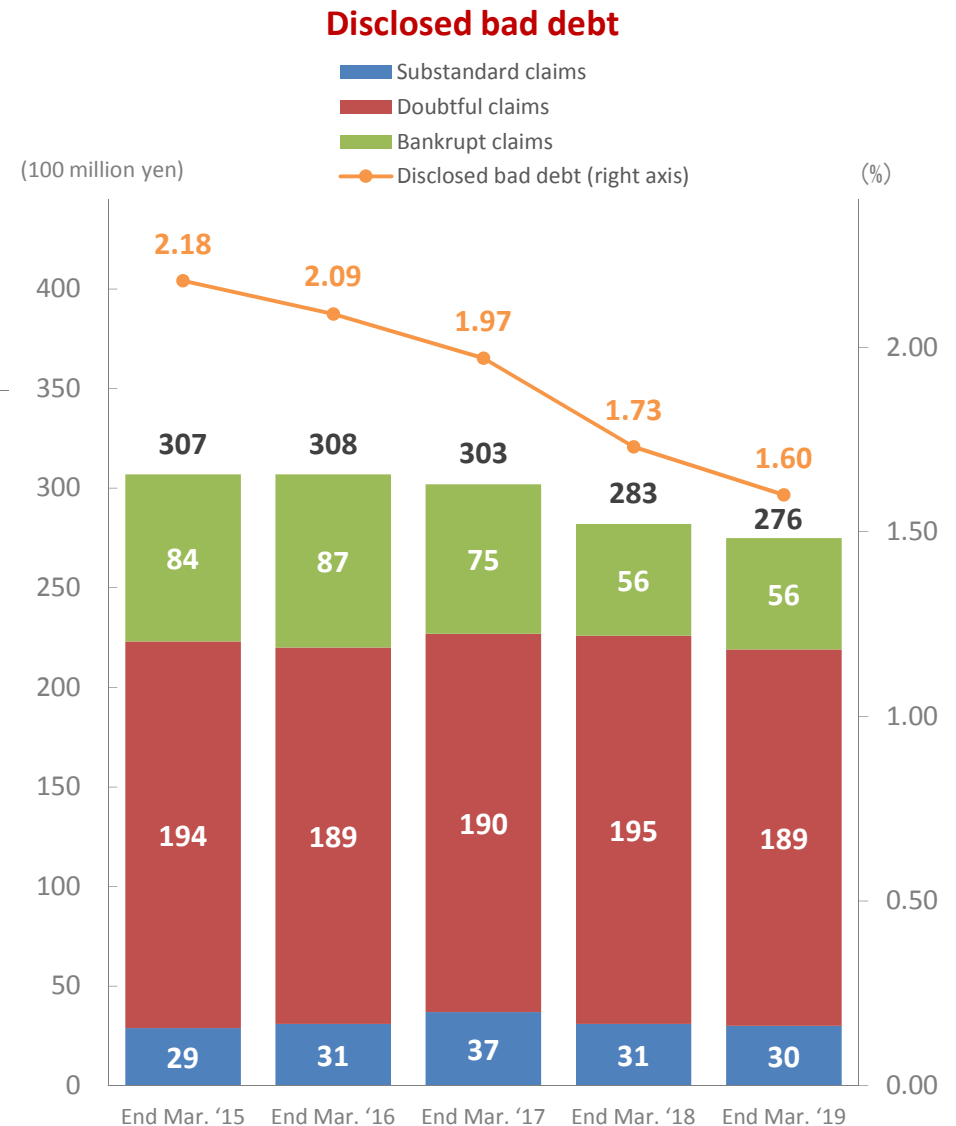
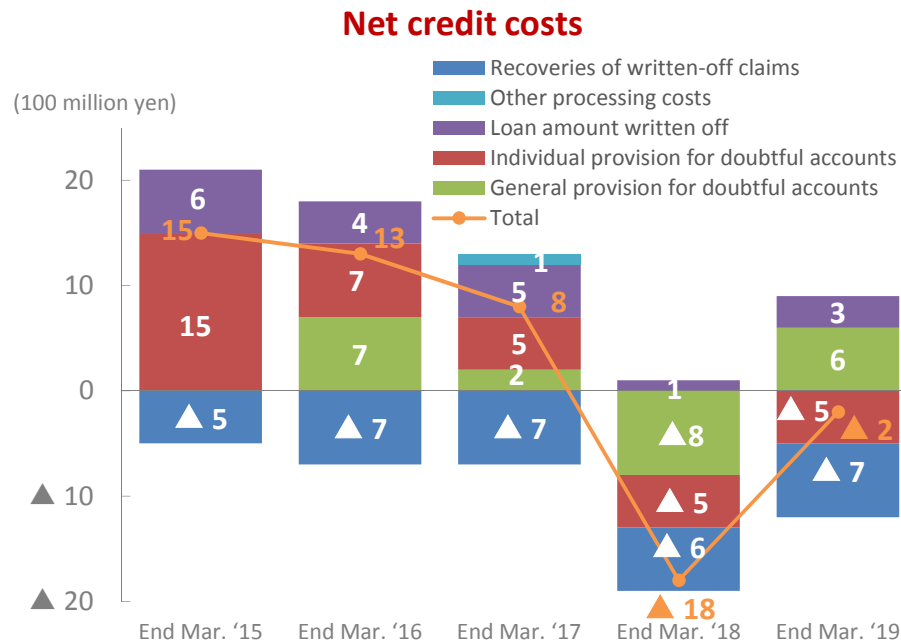


**Securities investment yield**



# Net Credit Costs/Disclosed Bad Debt

Net credit costs saw a significant increase mainly due to revised general allowance for doubtful accounts.

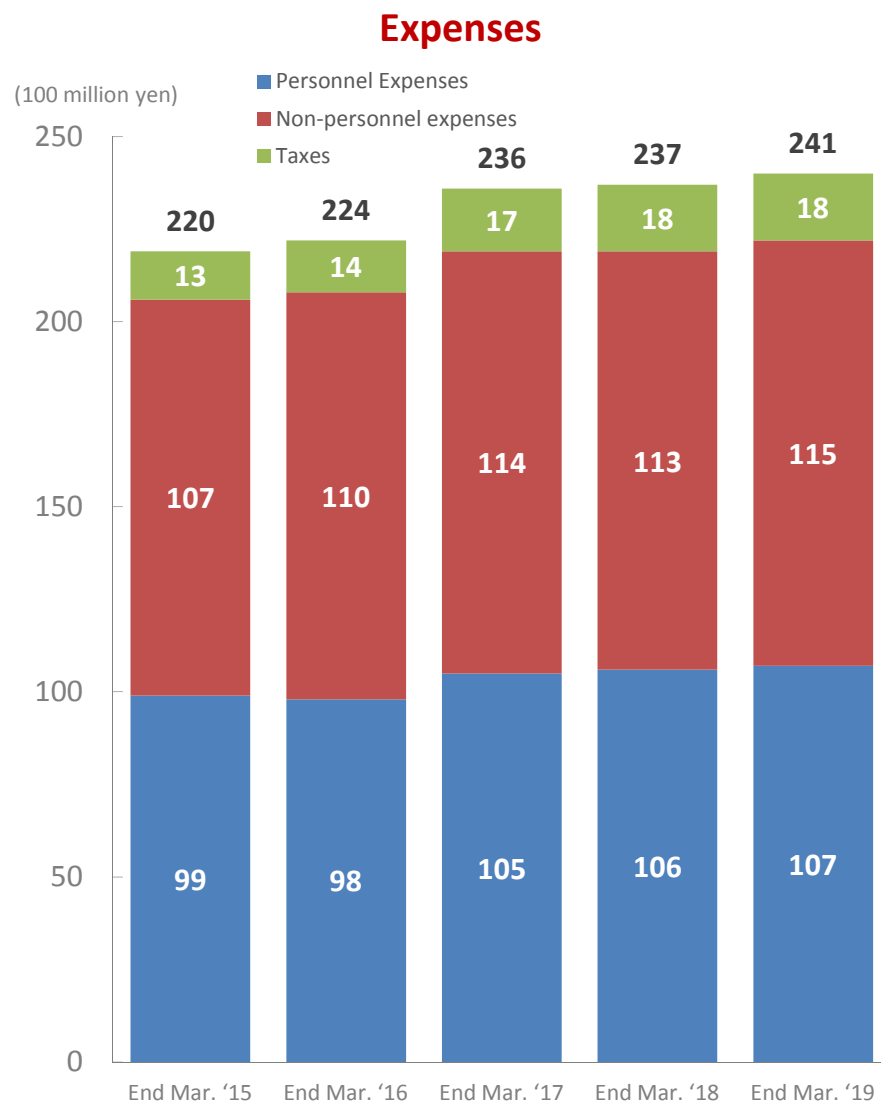


## More elaborate method of calculating general allowance for doubtful accounts

While we have seen constantly decreasing losses on loans due to strong economic conditions in recent years, we revised the calculation period to better prepare for the future. In order to reflect the impact of economic fluctuations, we have adopted a more elaborated method by calculating a longer period of 15 years, instead of the 5-period average previously used.

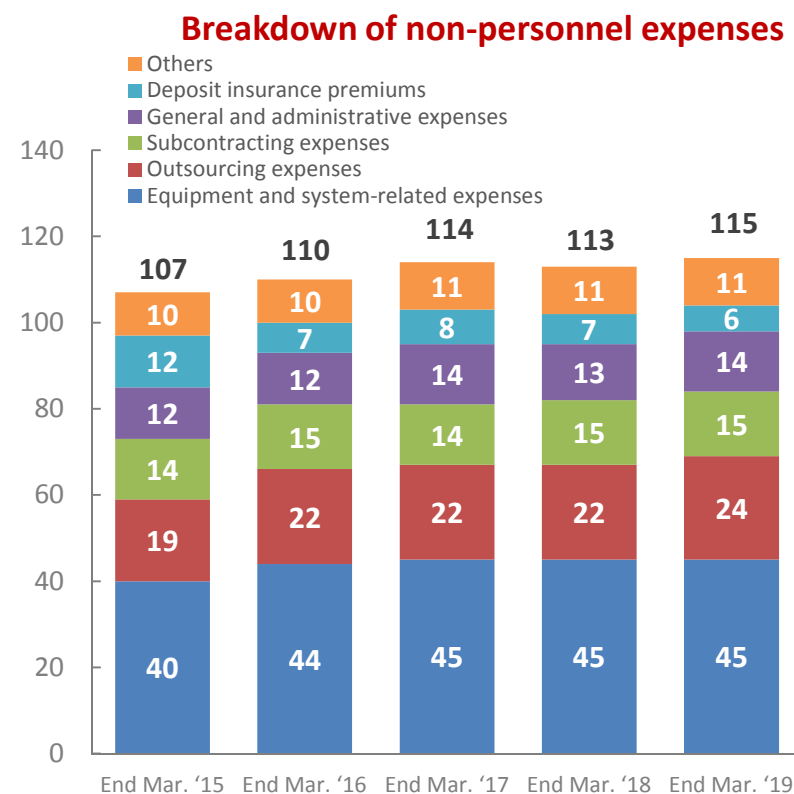
# Expenses

Expenses increased due to investment to improve various revenue sources, convenience, and productivity.



\* Personnel expenses include temporary services.

(100 million yen)



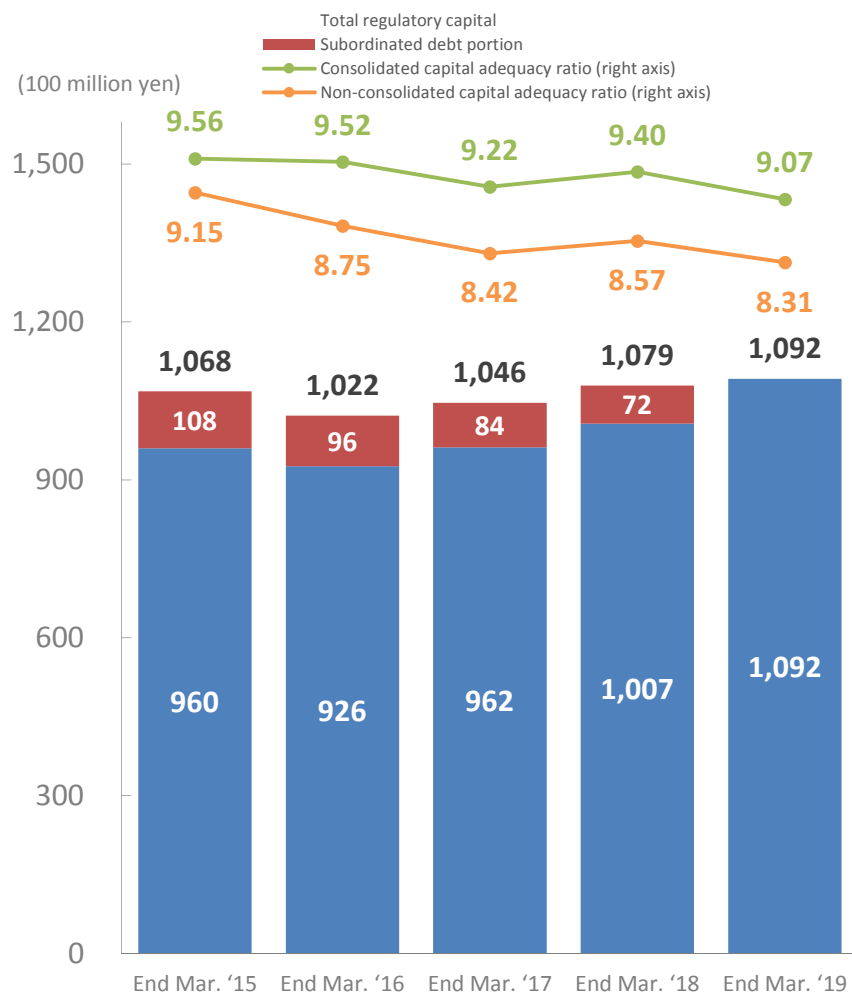
## Major expense factors in FY 2018 include:

- Expansion of services for bank card affiliates
- Issuance of corporate debit cards
- Deployment of instant card issuance machines in all branches
- Preparation to introduce the next-generation terminal in sales offices
- Abolition of policy limiting the age of management positions

# Capital Adequacy Ratio (CAR)

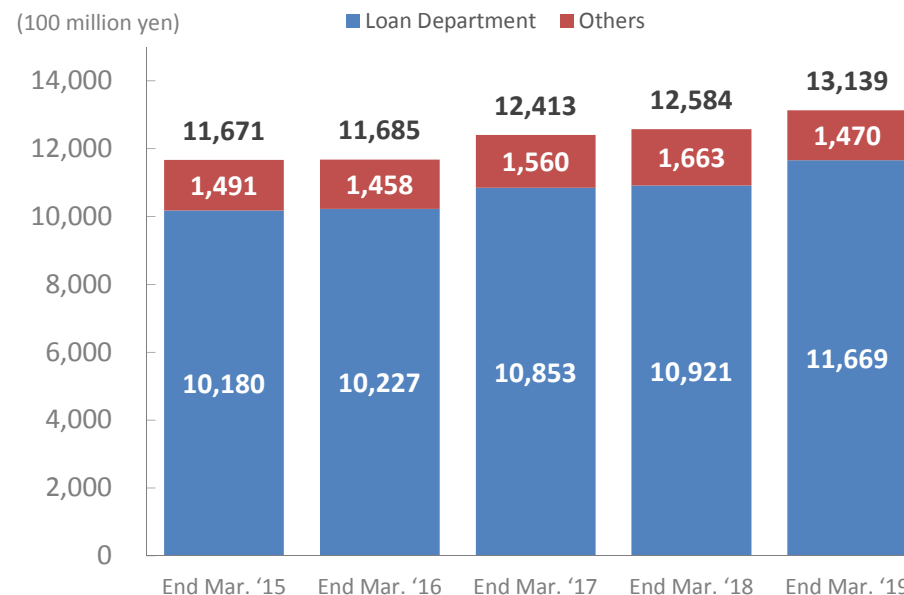
The capital adequacy ratio declined due to an increase in lending.

## Regulatory capital and capital adequacy rate

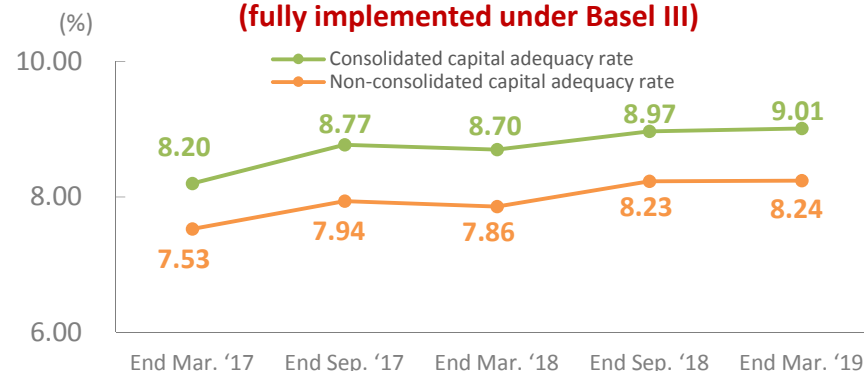


\* In Sep. 2018, public offering was made to raise capital (5.6 billion yen). In Oct. 2018, subordinated debt (12 billion yen) was repaid before the maturity date.

## Risk assets



## Capital adequacy rate (fully implemented under Basel III)



\* The fully implemented capital adequacy ratio was calculated by setting capital computation of subordinated debt and the difference in land revaluation as zero, and summing up the entire amount of intangible fixed assets and prepaid pension cost as adjusted capital.

# Forecast for FY 2019 (ending March 31, 2020)

Profit growth is expected for both non-consolidated and consolidated financial results driven by the improved balance of deposits and loans.

## Non-consolidated

(100 million yen)

	FY 2019 (ending Mar. '20)		FY 2018 (ended Mar. '19) Results
	Forecast	Year on Year	
Ordinary income	402	▲18	420
Ordinary profit	80	+7	73
Net income	55	+2	53

## Consolidated

(100 million yen)

	FY 2019 (ending Mar. '20)		FY 2018 (ended Mar. '19) Results
	Forecast	Year on Year	
Ordinary income	602	▲19	621
Ordinary profit	93	+7	86
Profit attributable to owners of the parent	62	+1	61

\* Year on year calculation is spreadsheet-based.



### 3 Business Strategy

# Target Figures (Customer Centric 2017 Mid-Term Management Plan)

Current mid-term management plan has been on track to achieve target numbers.

\* Target numbers are estimates for FY 2019

Achieved

Consolidated net income  
during the period  
More than 5 billion yen

Achieved

Consolidated capital  
adequacy rate  
8-9%

Achieved

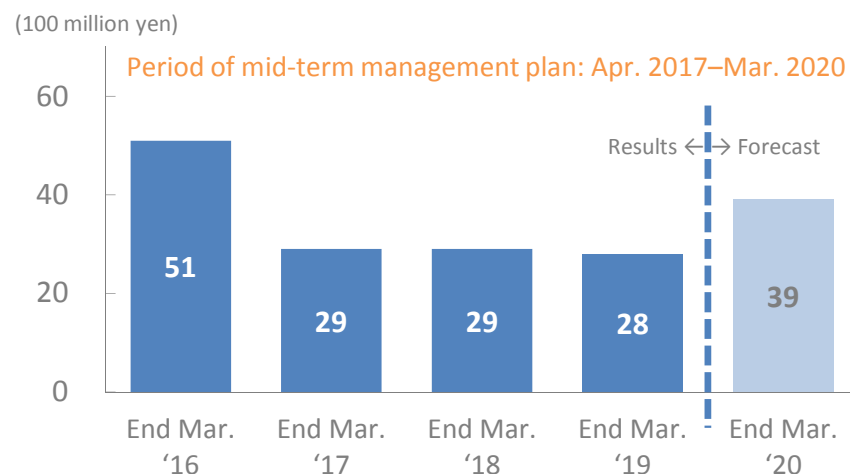
Average loan balance  
1.6 trillion yen

Expected  
results in  
FY 2019

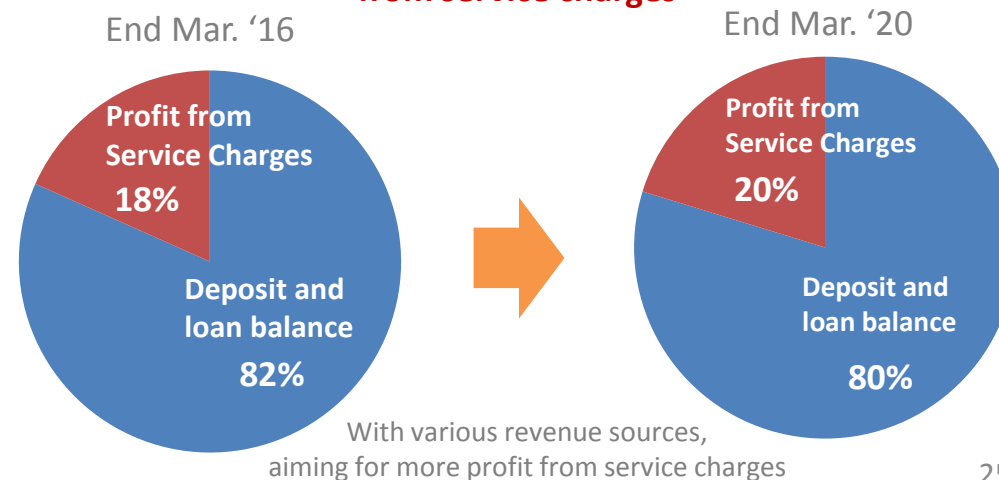
Average deposits balance  
2,160 billion yen

\* Deposits + CDs










## Profit from customer services



## Proportion of deposit/loan balance and profit from service charges



# Summary of Business Strategy

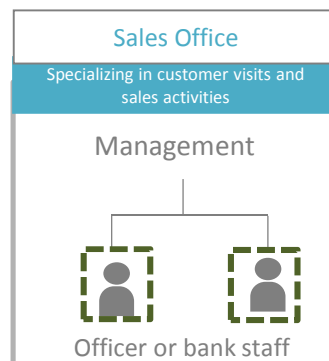
	Type of Business	Trend	Notable Initiatives
Increasing Revenues	Business Potential Evaluation and Sales		<ul style="list-style-type: none"> <li>■ Review the readiness of business potential evaluation and sales</li> <li>■ Make use of our original Business Potential Evaluation Sheet</li> <li>■ Review the interest rate guidelines</li> </ul>
	Corporate Business		<ul style="list-style-type: none"> <li>■ Establish the Corporate Business Division (business succession, M &amp; A, civil trust, structured finance)</li> </ul>
	Bank card related services		<ul style="list-style-type: none"> <li>■ Issue Ryugin Visa Debit Card</li> <li>■ Issue Corporate Business Debit Card</li> <li>■ Efficiency acquiring card affiliates by partnering with various organizations</li> </ul>
	Retail Business		<ul style="list-style-type: none"> <li>■ Review employee training system</li> <li>■ Abolish internal transfer of sales agents</li> <li>■ Start property inheritance consulting services for high-net-worth individuals</li> <li>■ Outbound sales for personal consumption loans and insurance products</li> </ul>
Reducing Costs	Branch Office Strategy		<ul style="list-style-type: none"> <li>■ Reduce branch offices with “branch-in-branch” (multiple branches in one location)</li> <li>■ Introduce communication-driven design for branch offices</li> </ul>
	IT Systems		<ul style="list-style-type: none"> <li>■ Use cloud service</li> <li>■ Adjust system expenses to the right level; tighten the policy of system budget management</li> </ul>
	Personnel Expenses		<ul style="list-style-type: none"> <li>■ Implement FTB (Flexible &amp; Traditional bank) project</li> <li>■ Establish a flat cash counter system (developing staff’s multi-skilling)</li> </ul>
Adapting to Business Environment Changes	Productivity improvement		<ul style="list-style-type: none"> <li>■ Streamline the sale of assets in custody (deploy the conversation recording system, “Azukari” archives, and prospectus management/issuance system)</li> <li>■ Hire diverse human resources (abolish the policy limiting the age of management positions, review the post-retirement age employment policy, and expand hiring of experienced workers)</li> <li>■ Promote temporary workers and women (promote hiring of temps, review promotion requirements, and open a company-led day care center)</li> </ul>
	Adapting to Changing Economic Conditions		<ul style="list-style-type: none"> <li>■ More elaborate method of calculating general allowance for doubtful accounts</li> <li>■ Tighten the standard of the application review process for hotels, condos, and apartment loans</li> </ul>

# Business Potential Evaluation and Sales

Understanding customer needs and reviewing employee training to provide the best solutions to customers.

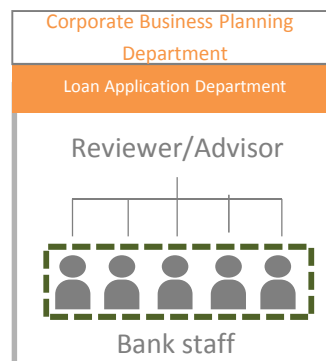
## Reviewing the preparedness of business potential evaluation and sales (Started in Oct. 2018)

- Divided tasks of business potential sales agents into “sales activities” in sales offices and “administrative tasks preparing loan application documents and conducting customer due diligence” at corporate headquarters.
- Intensive OJT at headquarters to promote faster skill development of young bankers.
- Started a pilot in Oct. 2018 and currently put into effect at 24 branches. Expected to implement in all branches in Oct. 2019.
- In pilot-run branches, the number of loan application documents prepared and hours of customer visits doubled.



### Purposes

- - Focus on customer visits to increase proposals
- - Improve proposal skills



### Purposes

- - Expedite loan application process
- Intensive OJT for young bankers to be ready for work in the early stage of their careers (standardized training)

## Make use of our original Business Potential Evaluation Sheet (Feb. 2018)

- The Business Potential Evaluation Sheet was created based on communication with the customer about strengths and weaknesses of the business, as well as a customer's financial information.
- Based on the business issues raised, our sales office and cooperate headquarters provide the best solutions.
- Since Apr. 2019, a new, simpler version of the Business Potential Evaluation Sheet has been created to be used for small and medium-sized businesses, focusing on quantitative analysis. This is used to identify the needs for stabilizing its cash flow.



## Revision of interest rate guidelines (Mar. 2019)

- In order to ensure appropriate interest rates that reflect credit risk, we have raised the interest rate standard, which should be complied by branch offices and corporate headquarters.

# Corporate Business

Establishing a system with various consulting services for corporate customers to increase income revenue from fees.

## Established the Corporate Business Division (Apr. 2017)

- Integrated consulting services for corporate customers.
- A clear fee structure was to aim to gain steady income from fees by fostering professionalism in bank staff and providing customer-centric services.
- A wide variety of professionals have been in place, including CPAs, SME management consultants, experienced workers who has worked in other banks or other industries.
- 26 staff members as of March 31, 2019.

## Service Details

### [Business succession]

- Targeting customers considering handing over treasury shares and/or business assets, our seasoned staff and certified tax accountants offer advice such as future directions for the company and how to avoid disputes.

### [Mergers and Acquisitions]

- Targeting customers who have no successors within their families or businesses, we offer advice on steps of the M & A process and address concerns and questions. Using our networks inside and outside Okinawa prefecture, we introduce potential businesses that may take over the business and assist in the process to completion.

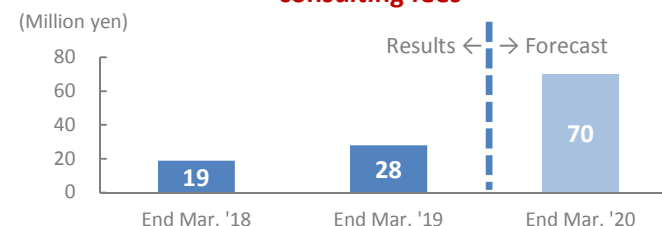
### [Civil Trusts]

- Targeting customers who are concerned about asset management of family members, we offer consulting services, including trust scheme design and recommendations.

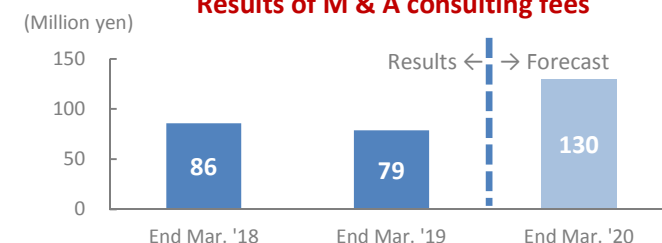
### [Structured Finance]

- Targeting corporate customers who wish to ensure long-term stable funds, we offer advice on placement of private bonds and assist with the arrangement of syndicated loans.

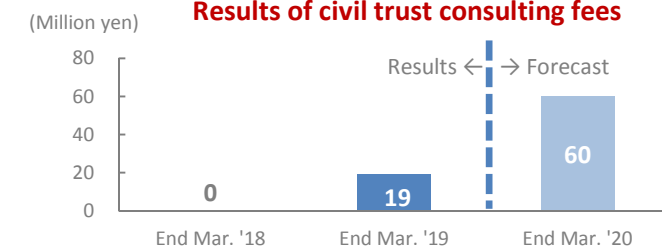
### Results of business succession consulting fees



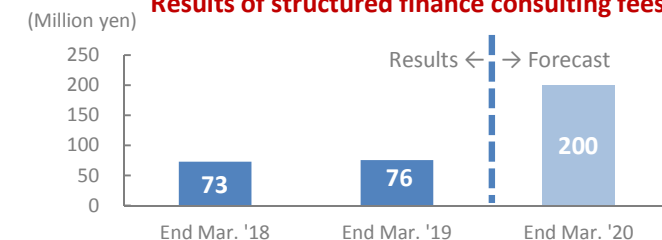
### Results of M & A consulting fees



### Results of civil trust consulting fees



### Results of structured finance consulting fees



# Bank Card Services (Ryugin Visa Debit Card)

Starting card service directly from our bank by issuing international card brands of Visa and Mastercard

## Issuance of Ryugin Visa Debit Card (Oct. 2015)

Mar. 2018 Support of 3-D Secure began

Jul. 2018 Immediate card issuance over the bank counter began

**Sep. 2018 Issuance of Ryugin Visa Business Debit Card for corporate customers began**

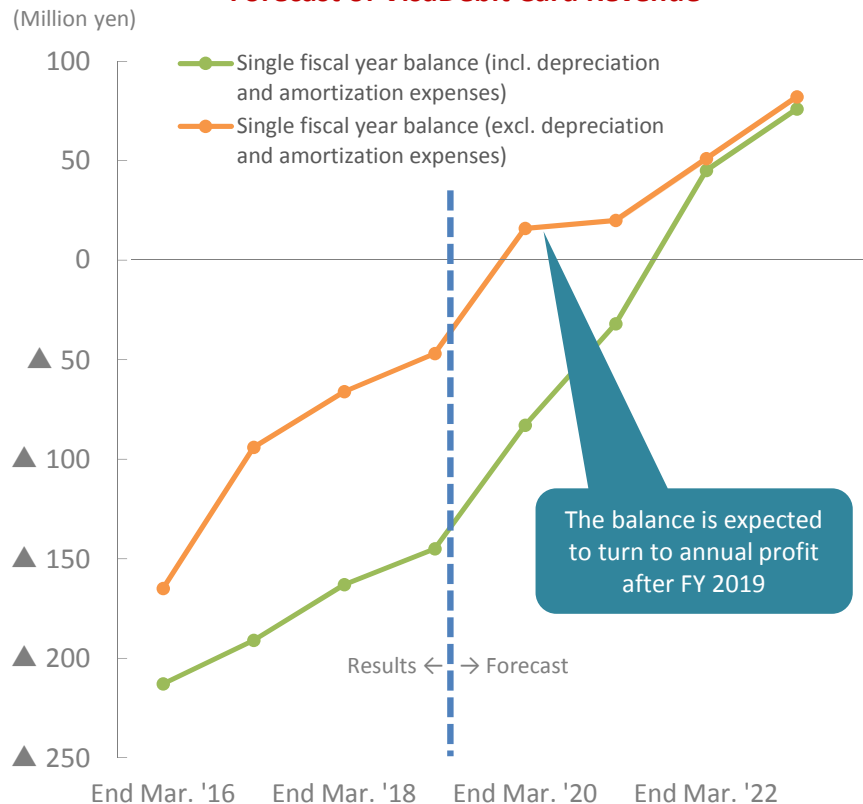
Apr. 2019 Number of cards issued exceeded 110 thousand

## Issuance of Business Debit Card for corporations (Sep. 2018)

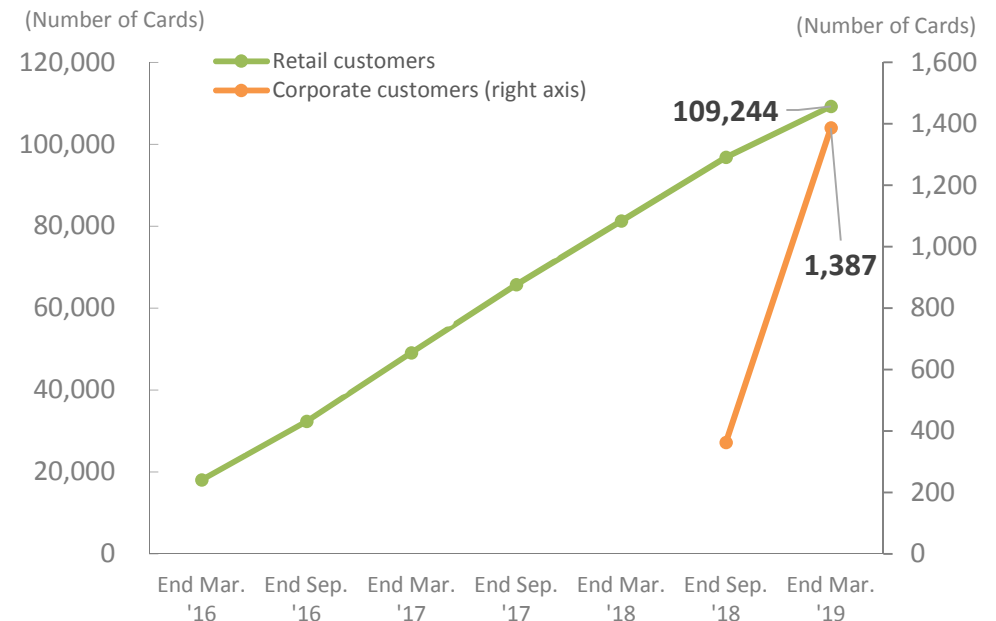
- Streamlined the expense payment operation for corporate customers; promoted the settlement process for B2B transactions.



### Forecast of VisaDebit Card Revenue



### Cumulative number of Ryugin Visa Debit Card issuance



# Bank Card Services (Card Affiliates)

Speeding up the process of gaining card affiliates by adding organizations as agencies.

## Efficiency acquiring card affiliates by partnering with various organizations

- Jun. 2018 Formed an affiliate partnership with The Hida Credit Cooperative(Gifu Prefecture)  
Formed an affiliate partnership with Zamami Village Tourism Association (Okinawa Prefecture)
- Nov. 2018 Formed an affiliate partnership with local chambers of commerce, including Ishigakijima, Miyakojima, and Kumejima
- Apr. 2019 Awarded by the Cabinet Office as a financial institution's "notable initiative example" investing in regional revitalization
- Sep. 2019 Formed an affiliate partnership with Amami Credit Union (Kagoshima Prefecture)



Oct. 11, 2017  
Press conference  
when forming an  
affiliate  
partnership with  
The Hida Credit  
Cooperative



Jun. 20, 2018  
Announcement of forming an affiliate  
partnership with Zamami Village Tourism  
Association

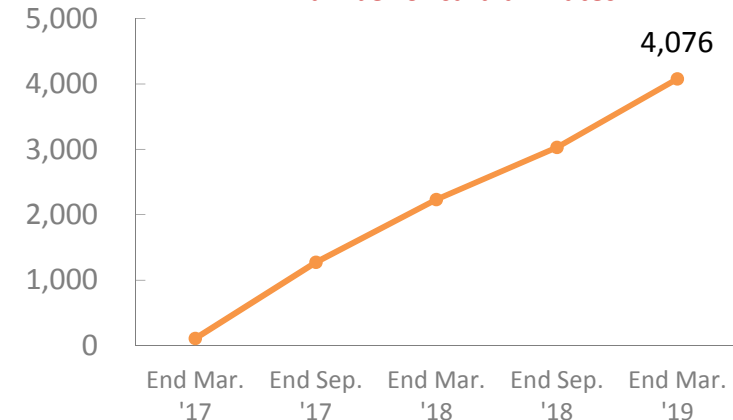


Apr. 16, 2019  
The Cabinet Office Award as a financial  
institution's "notable initiative example"  
investing in regional revitalization



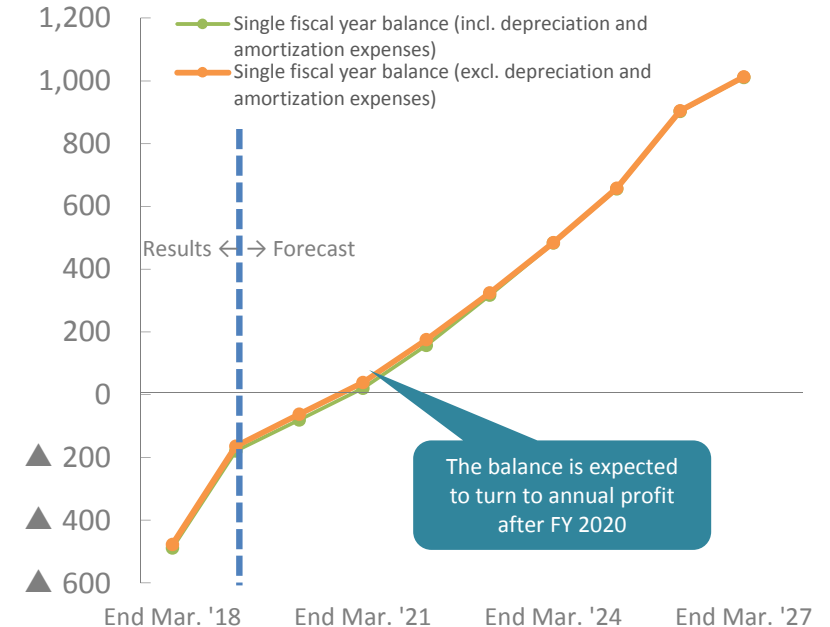
May 15, 2019  
Press conference when forming an  
affiliate partnership with Amami Credit  
Union

(Number of Affiliates)



(Million yen)

## Card affiliate partnership: Revenue forecast

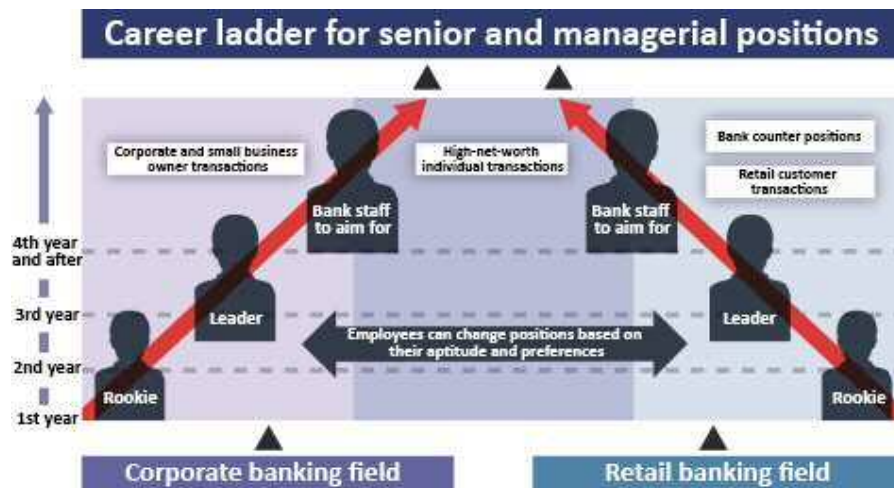


# Retail Business

Expanding private banking business by providing specialized employee training for retail customers and using unique tools.

## Restructuring the employee training system (Apr. 2019)

- Eliminated the hiring categories of “future management positions” and “clerical positions,” and changed the employee training program into two career fields of corporate and retail banking.
- Restructured the employee training period from previous first five years only to throughout the employment life cycle for all levels, including management.

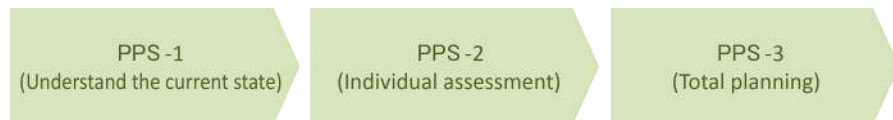


## Abolishing internal transfer of sales agents (Apr. 2019)

- In order to build strong customer relationships, the policy now allows sales agents to stay in the same branch without requiring to transfer, if the agents wish to stay.
- Meanwhile, in order to strengthen restriction of responsibilities and revitalize long-term employees, we have expanded the policy to allow employees to take consecutive days off.

## Starting property inheritance consulting services for high-net-worth individuals (Jun. 2018)

- Starting property inheritance consulting services, considering, 1. The method of dividing property; 2. Setting aside money for inheritance tax; and, 3. The lack of sufficient service in Okinawa Prefecture for customers who need to save on taxes.
- Targeting high-net-worth individuals over 60 years old with 300 million yen or more in assets.
- Providing the “Personal Support Sheet (PSS),” which lists assets and liabilities for individuals, as a fee-based service.
- Offering advice on how to 1. divide property, 2. set aside money for taxes, and 3. deal with inheritance taxes.
- Supporting customers as needed in making a will, assisting in advancement, and carrying out the sale of assets.

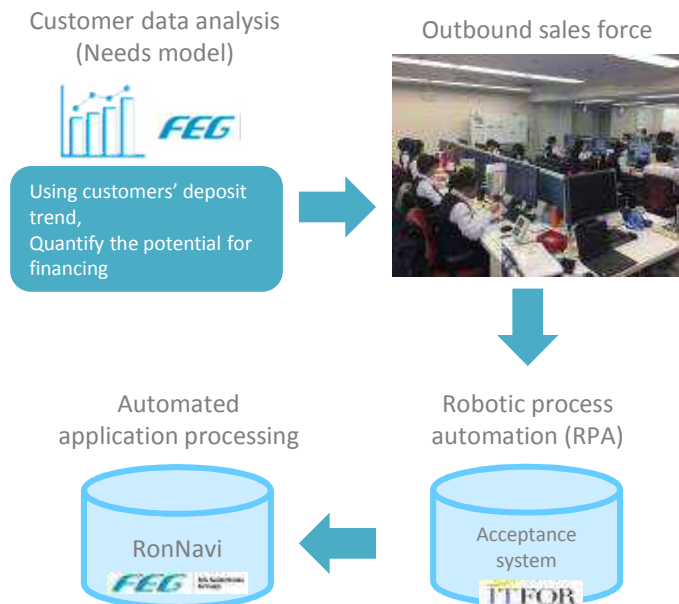


# Retail Business

Efficient outbound sales at the Direct Banking Center (DBC).

## Outbound sales for personal consumption loans and insurance products

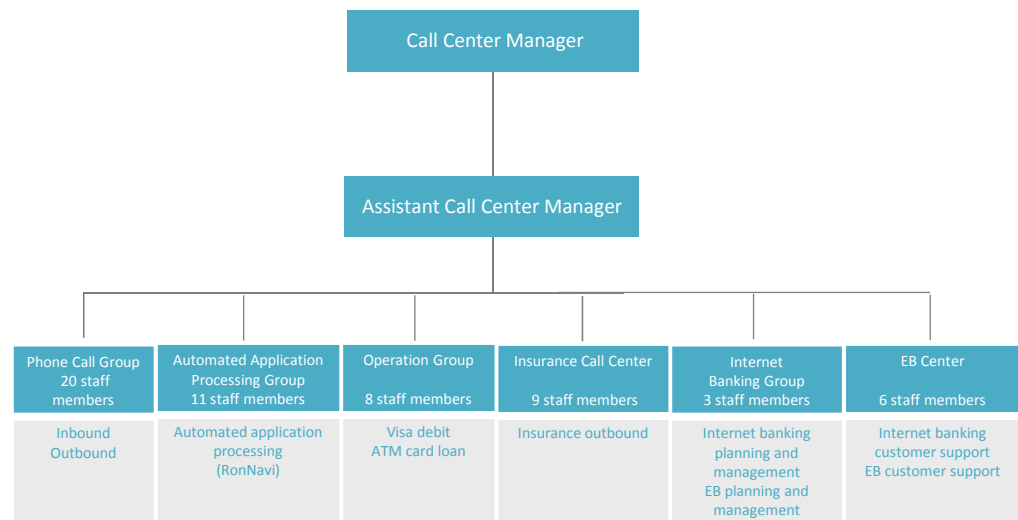
- Efficient outbound sales driven by customer data analysis (Needs model) from a third-party consulting service.
- 26 call center staff are in place from a specialized outsourcer.
- In addition to outbound sales, we carry out cross-selling. Introducing different products/services to existing customers, up-selling (e.g., proposing to refinance at another bank), and employment verification.



## History of DBC

- Jun. 1999 New Telephone Banking Center was established
- Oct. 2002 Automated application process of Unsecured Personal Loan put into service
- Oct. 2013 Automated application process of a personal consumption loan "RonNavi" put into service
- Apr. 2016 Outbound operation for personal consumption loans began
- Apr. 2017 Call center operation for insurance products began
- Nov. 2017 Implemented a RPA system "NICE Real-Time Solution" for the acceptance system

## Organizational chart and services of DBC



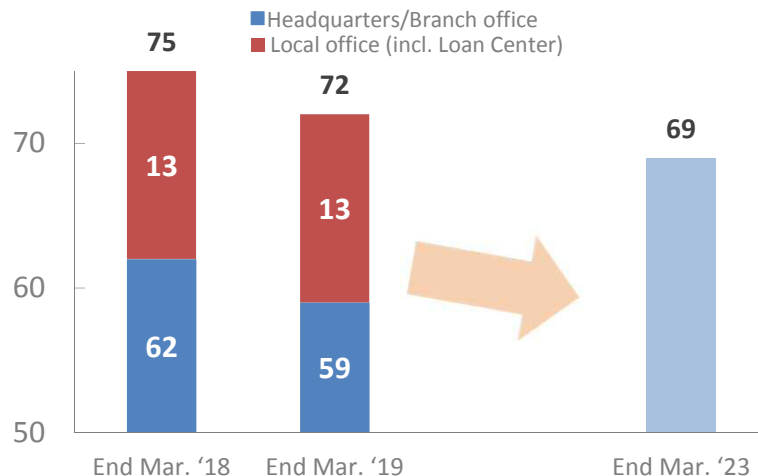
# Branch Office Strategy

Reduce the number of branch offices and costs with “branch-in-branch” (“B in B”: multiple branches in one location).

## Reduce branch offices with “branch-in-branch (B in B)”

- Implement a new revenue management system to manage profitability by branch down to the last detail.
- Merge low-profitability branches into B-in-B to save on non-personnel expenses and reduce fixed costs.

### Expected number of branch offices



\* “Branch-in-branch” was counted as one branch office.

### Headquarters (Newly opened in Mar. 2019)



## Introduce communications-driven design for branch offices

- Establish stylish branch offices different from traditional bank branches to attract local customers.
- Anticipating the trend toward reduced operations and cashless transactions, significantly reduce working spaces and expand spaces used to communicate with customers.

### GOOD DESIGN AWARD 2017

Gushikawa Branch (Opened in Feb. 2017)



### GOOD DESIGN AWARD 2018

Makiminato Branch (Opened in Mar. 2018)

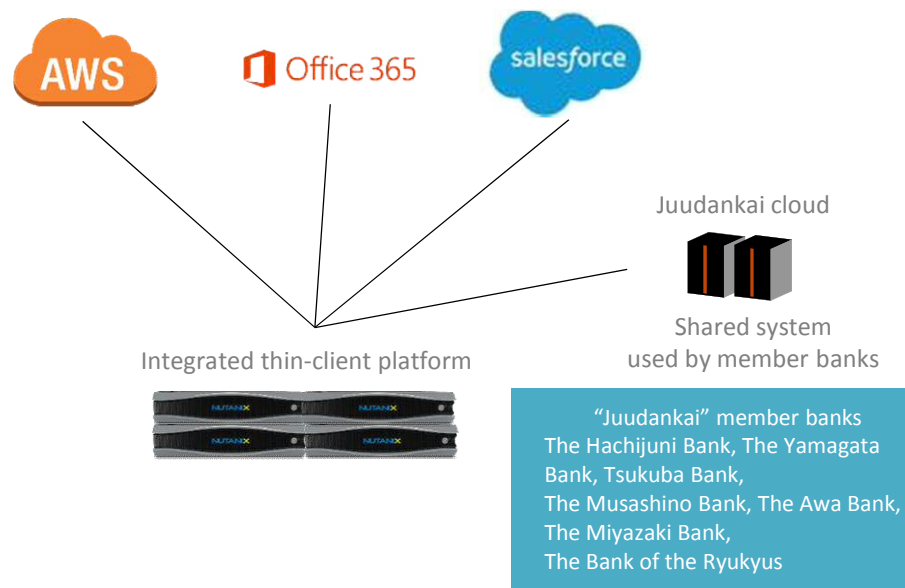


\* Photo: Koichi Shimamura Photography, Inc.

Making effective use of cloud services to aim to reduce system costs and expedite development.

## Making use of cloud services

- While maintaining the same robustness in accounting and information systems, we actively use cloud services for subsystems, aiming to reduce costs, improve convenience, and create new value.
- Multi-cloud is adopted for networking to maintain scalability and allow us to select the optimal cloud environment for flexible configuration.



## Results from cloud services

### Adopted cloud services for our website (Apr. 2018)



- The use of Amazon Web Services (AWS), which offers a high-security environment, has enhanced cybersecurity measures to protect against cyber-attacks such as DDoS attacks.

### Use of cloud for regulations/rules servers (Apr. 2019)



- The information of regulations and rules were used to be stored in different formats, but now the data can be searched and viewed at any time, from anywhere, and by any device (PCs, iPad, iPhone).
- Installing a regulation management server and a regulation release server on cloud has allowed us to administrate those servers for a large amount of data at low cost.

**Use of cloud for intranet**  
(Running as needed since Apr. 2019)



- Reduced costs for server updates.
- Advanced information sharing to enhance communication.
- Flexible response to work style changes.

**Development of call-answering system using Amazon Connect  
(Expected to put into operation in Jul. 2019)**



- Using cloud to integrate the first level of call support for 72 branch offices to reduce the workload of call staff.
- The use of cloud allows us to reduce running costs and costs of landline telephones.

# IT Systems

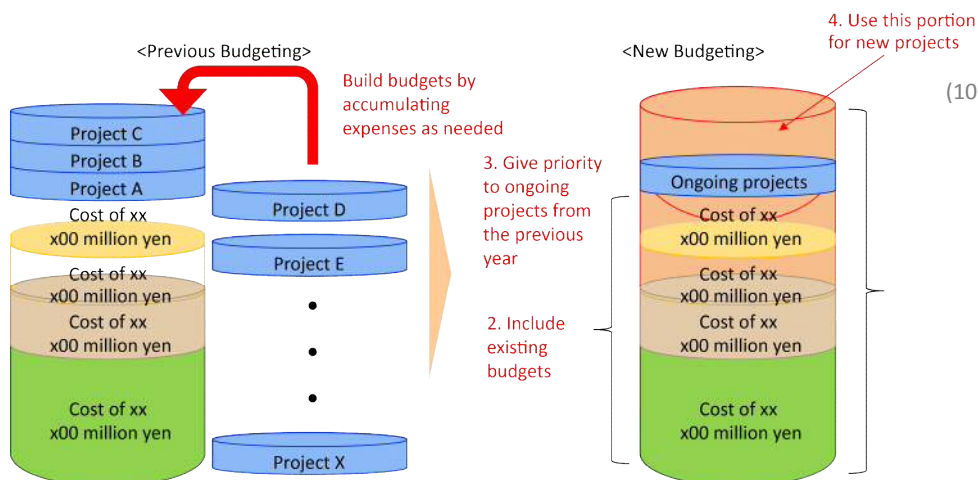
In order to control system investment and expenses, strictly applying rules related to system development investment.

## Adjusting system expenses to the right level

- As a general rule, any revenue improvement projects that have no prospect of profit (ROI of less than 20%) within five years are withdrawn.
- In principle, we don't allow EUC (end-user computing), which means the end-user divisions possess systems on their own without going through the system division.
- In general, price negotiations with vendors require involving the system division staff who handle the matter.

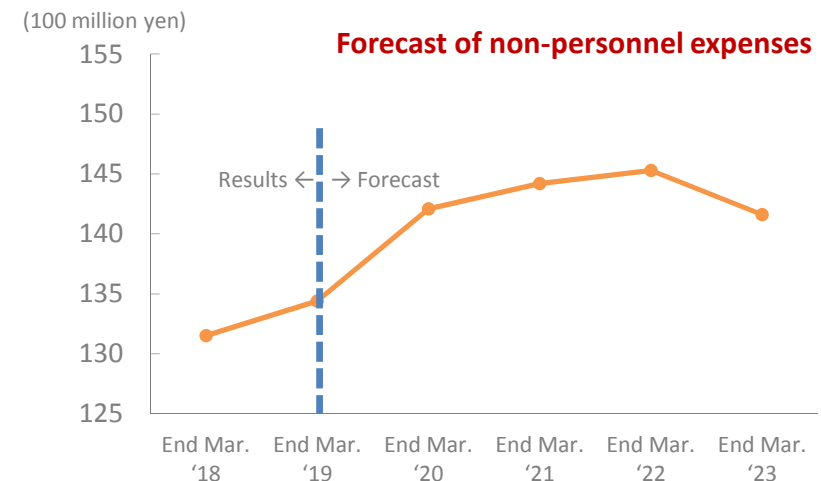
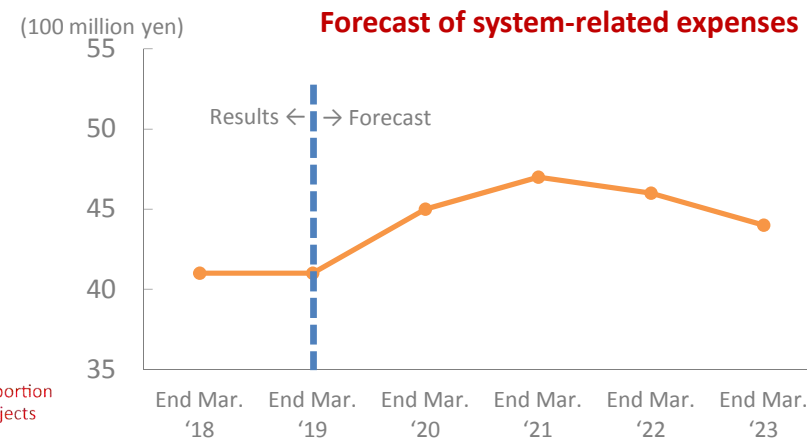
## Tightening the policy of system budget management

- In order to control increasing expenses, our new policy requires defining a cap for system expenses at the beginning of the year and operating within this budgeted amount.



## Outlook

- System-related expenses will increase for the time being due to large-scale investment for renewing the systems, expected to peak in FY 2020.
- Non-personnel expenses are also expected to peak in FY 2021 due to expense-reduction measures related to branch expansion and system investment.



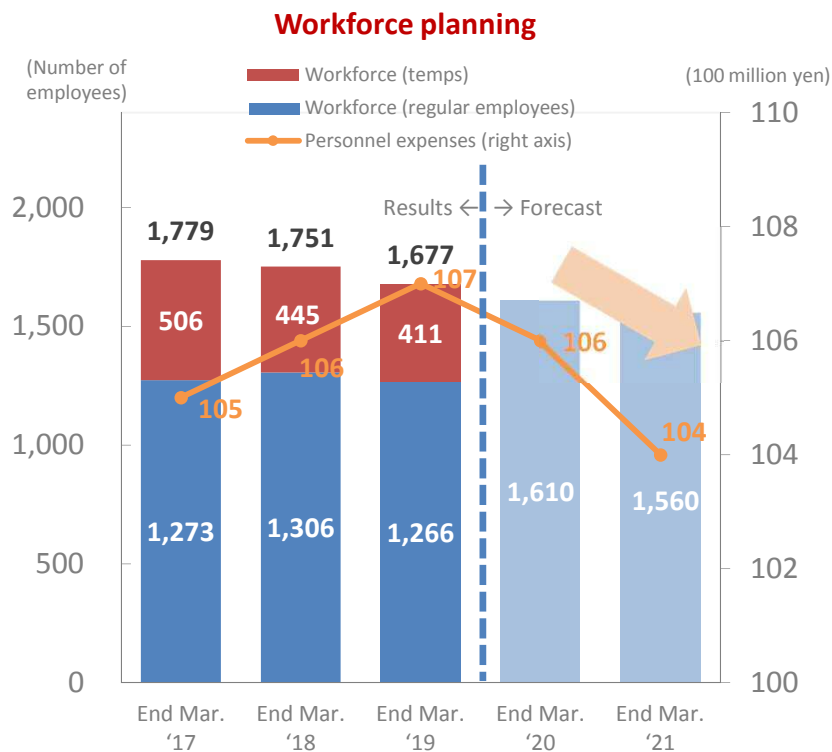
# Personnel Expenses

Reducing the labor force to bring down labor costs by trimming down tellers.

## Working toward reducing staff

In addition to trimming down tellers, the following plan will also be implemented to reduce the labor force and costs.

- Limit hiring of new graduates and temporary workers to fill positions.
- Promote external transfers.



\* Excl. externally transferred staff and employees on leave.

## FTB (Flexible & Traditional Bank) project (Expected to carry out the pilot in Oct. 2019)

- Use tablet devices, taking the initiative in significantly reducing the workload of bank counters and the number of tellers.
- Achieve paperless, "seal-less," and "operation-less."

FTB tablet screenshot image



## Establishing a flat cash counter system (developing staff's multi-skilling) (Oct. 2018)

- Establish a system by which all staff members working at bank counters (incl. asset management consulting) acquire the same skills in terms of counter tasks (multi-skilling).
- 1. Enhance profitability at the bank counter, 2. improve the readiness of business potential sales agents replaced by counter staff, and 3. Establish a structure that does not require a substitute for a counter position from another department.
- Review the placement of management positions to trim down tellers.

# Productivity Improvement (Streamlining Sales of Assets in Custody)

Used systems to significantly reduce the workload of sales agents of assets in custody.

## Deployed a conversation recording system (checked by a third person before signing a contract) (Oct. 2016)

- Aug. 2016 Implemented Skype for Business on tablet devices in sales offices.
- Oct. 2016 Deployed the conversation recording system to cut the process of creating negotiation records done by assets in custody sales agents.
- To enhance fair sales, third-party specialized staff at headquarters objectively check customers' understanding of critical information when selling products that involve risk before applying.
- Voice recording ensures maintaining evidence.
- Carried out study sessions to help sales agents acquire basic skills regarding assets in custody.

## Introduced “Azukari” archives (May 2015)

- Platform for digitizing and managing stored forms for assets in custody.
- Eliminated complex operational processes and reduced the workload of sales assistants.
- Prevented stored paper-based documents from piling up.
- Digitization helped reduce workload of auditors and others in examining documents.

## Deployed the system to manage and issue prospectus (Aug. 2018)

- The system allows sales office staff to print a prospectus from a multi-purpose color printer for each sale.
- Eliminated administrative tasks related to prospectuses and stored documents at sales offices, such as replacing, managing stock status and the latest versions, and monthly check, resulting in simplified operational processes.
- Prevents issuing expired prospectuses and other documents.

## Illustration of recording a conversation



# Productivity Improvement (Use of Diverse Human Resources)

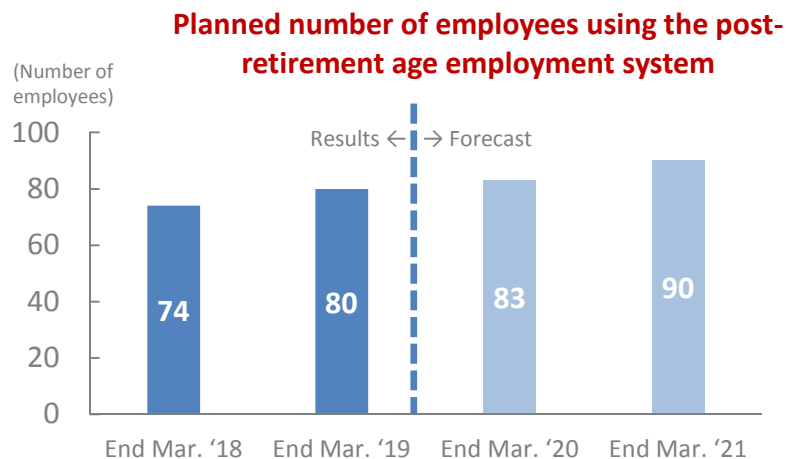
Initiatives to improve employee motivation and secure diverse human resources.

## Abolishing the policy limiting the age of management positions (Apr. 2018)

- Changed to policy that does not lower the salary of employees 55 or older and allows promotions and raising their salary.
- Established a balanced pay structure for raising the salary of management positions at a slower rate and putting more weight on merit.

## Revising the post-retirement age employment policy (Apr. 2018)

- Applicable to employees age 60–65
- Revised the policy that secures the annual salary equivalent to the bank clerk for employees with performance comparable to the bank clerk based on the performance review.
- Offering balanced compensation to improve their motivation and creating an environment that allows seasoned employees to work to the best of their ability.



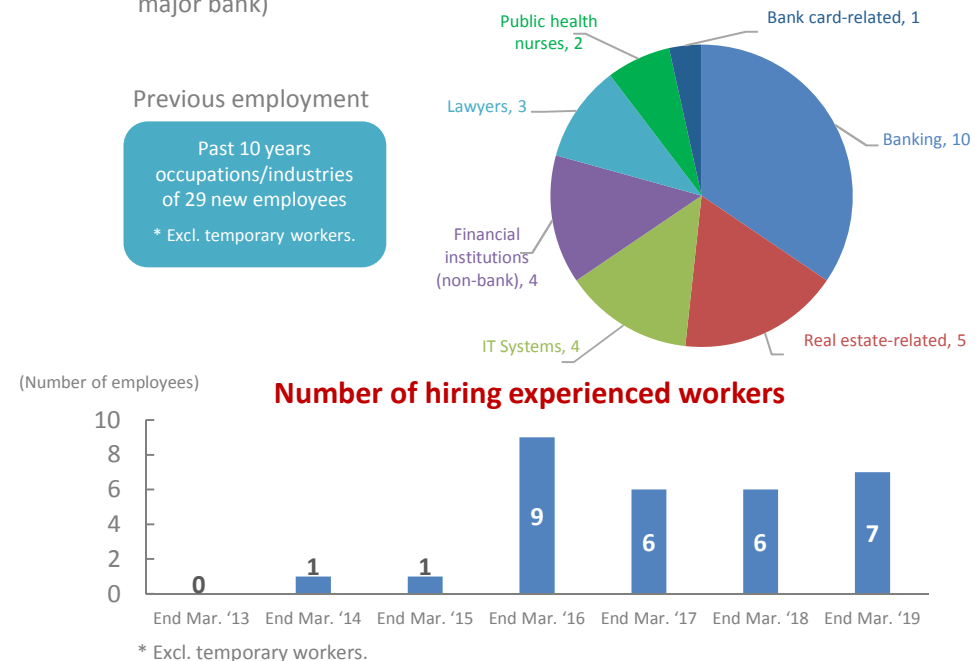
## Expanding hiring of experienced workers

### Purposes

- Secure specialists
- Revitalize the organization
- Remedy distorted employee age composition

### Success examples

- Loan Application Review Manager (previously worked at a major bank)
- Department Manager of Retail Department, Sales Management Division (previously worked a major bank)
- Department Manager of IT Systems Department, Business Management Division (previously worked a regional bank)
- Assistant Manager of Sales Promotion Department (previously worked at a major life insurance company)
- Assistant Manager of General Planning Department (previously worked a major bank)

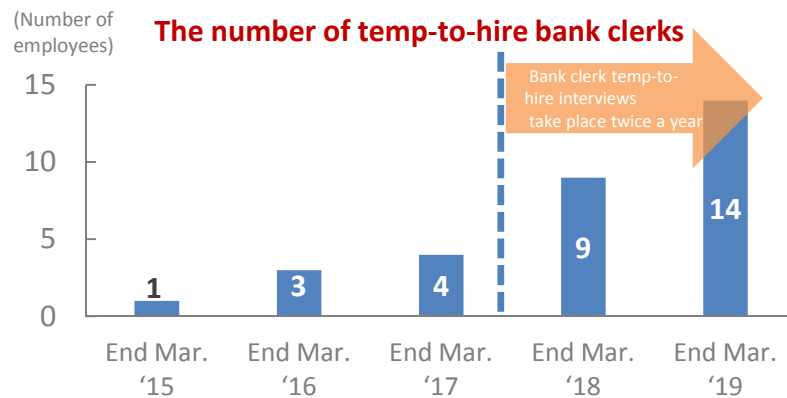


# Productivity Improvement (Promoting the Success of Temps and Female Employees)

Initiatives to make use of the power of temps and female employees, who account for a half of bank clerks, as useful resources of the organization.

## Promoting the hiring of temporary workers (Jul. 2017)

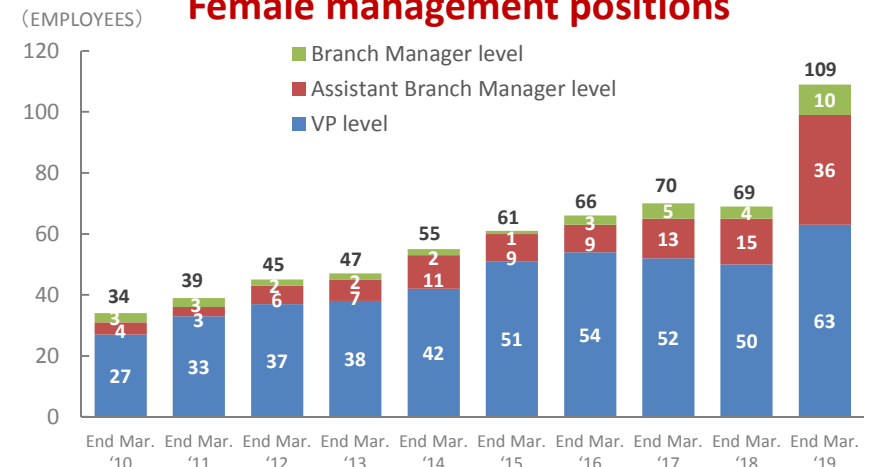
- Expanded the opportunity of bank clerk temp-to-hire interviews to twice from once a year.
- Clearly laid out promotion qualifications (certification, etc.) and eliminated the limit of years of service.



## Revising promotion requirements (Apr. 2018)

- In addition to required years of service for each requirement, maternity and childcare leaves are now factored in, giving more promotion opportunities for female employees with children.

## Female management positions



## Opening of a company-led day care center (Apr. 2019)

- Opened a company-led day care center "Nijihiro Tamago Day Care Center."
- Particularly accepting children ages 0-2, who tend to be on a day care waiting list, to improve employee benefits and provide support for female employees to prevent them from career loss.

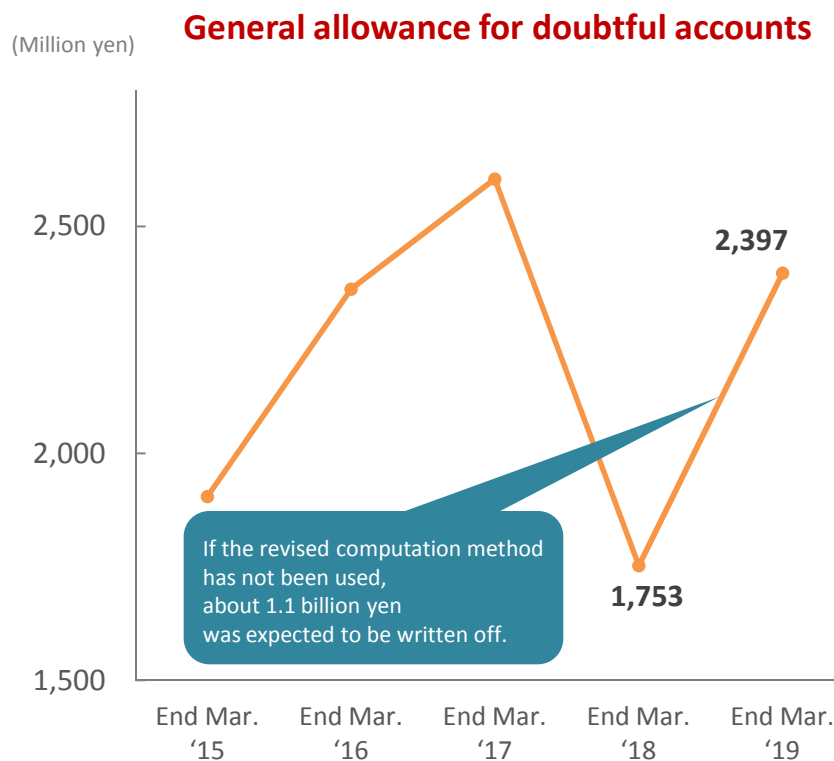


# Adapting to Changing Economic Conditions

Anticipating economic stagnation 2–3 years down the road and preparing to deal with it in the early stage.

## Adopting a more elaborate method of calculating general allowance for doubtful accounts (Jun. 2018)

- Instead of the 5-period average previously used, we have adopted a different method of calculating the 15-years average, which is less susceptible to economic fluctuations.



## Tightening the standard of the application review process for hotels, condos, and apartment loans (Oct. 2018)

- New hotels  
Changed to long-term loans and the perspective that reflects the risks of economic trends.  
As for loans over 100 million yen, we evaluate based on the break-even point of the occupancy rate, equity ratio, ADR (average daily rate), RevPAR (daily revenue per available room), etc. with a 25-year term or less as a standard.
- Condominiums  
Taking into account the borrower's personal traits/information, considering the risk of unsold units.  
At least 10% of the total cost of the ongoing project is expected.  
Taking into consideration the stance of other banks on the project, comparison with similar projects in the area, sales history of past projects, ownership status after the increase in the consumption tax.
- Apartments  
Started loan application reviews based on the DSCR, LTV ratio, and overall ranking index of the project. In addition, a stricter review is applied to the loans to acquire income properties by individuals.

■ Project scoring table

DSCR	LTV					
	Over 150%	Over 140% up to 150%	Over 130% up to 140%	Over 120% up to 130%	Over 110% up to 120%	Upto 110%
1.5% or higher	75	80	85	90	95	100
1.4% or higher, but less than 1.5	70	75	80	85	90	95
1.3% or higher, but less than 1.4	65	70	75	80	85	90
1.2% or higher, but less than 1.3	60	65	70	75	80	85
1.1% or higher, but less than 1.2	55	60	65	70	75	80
1.0% or higher, but less than 1.1	50	55	60	65	70	75
0.9% or higher, but less than 1.0	45	50	55	60	65	70
0.8% or higher, but less than 0.9	40	45	50	55	60	65
Less than 0.8%	35	40	45	50	55	60

(Reference)

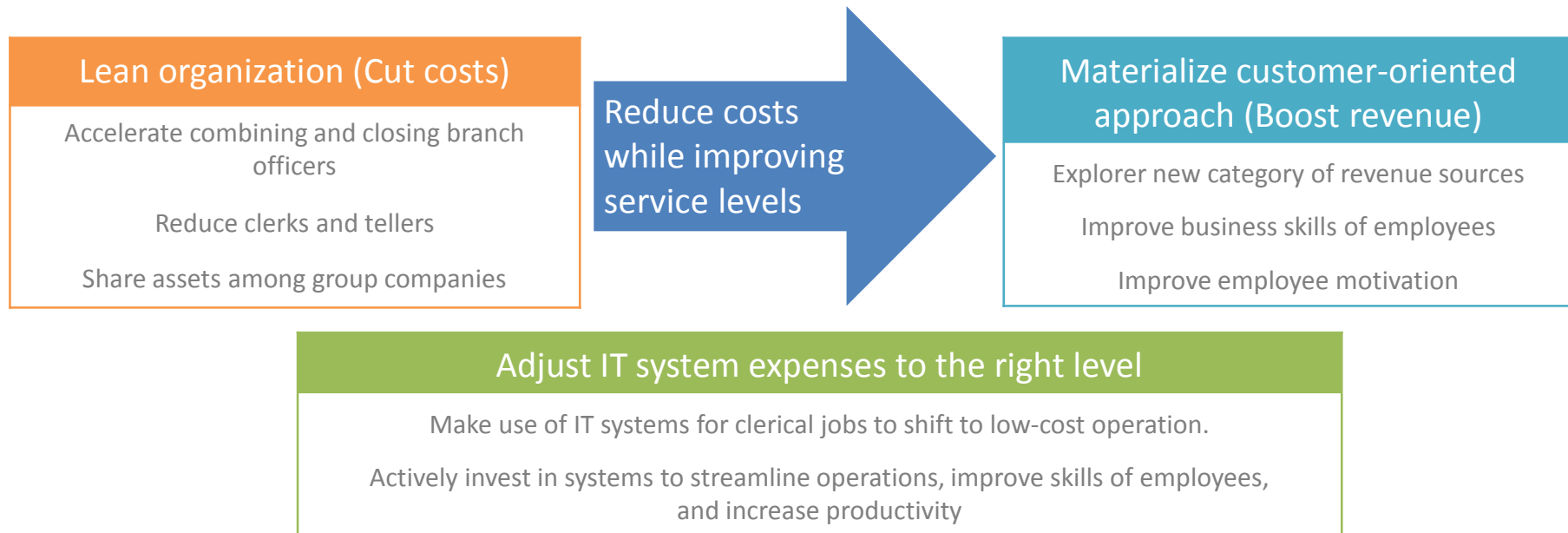
DSCR \*\*\* Debt Service Coverage Ratio (Debt Service Coverage Ratio: indicates ability to repay debt)  
Formula = Net Cash Flow (NCF) ÷ Annual repayment amount

LTV \*\*\* Loan To Value Ratio (Loan To Value Ratio: indicates the ratio of borrowings to assets)  
Formula = Loan balance ÷ Appraised value of property

➡ Project rank









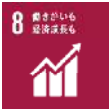

# Next Mid-Term Management Plan Concept

Assuming the negative interest rate policy would continue, we are aiming for the steady growth of the profit from services to customers (Deposit and Loan Balance + Profit from Service Charges – Expenses). The starting point is to maintain the capital adequacy ratio.



# ESG Initiatives

Aiming to materialize a sustainable society and improve corporate value in the medium to long term.

	Projects	Major Efforts
(E) Environmental	<ul style="list-style-type: none"> <li>● Saving energy </li> <li>● Carbon offsetting </li> <li>● Universal design </li> <li>● Paperless</li> </ul>	<ul style="list-style-type: none"> <li>• Became the first certified Nearly ZEB in Okinawa Prefecture (in headquarters) (76% energy saving based on the BEI: Building energy-efficiency index). </li> <li>• Implemented carbon offsetting in emissions of CO2 at the “Nice Heart Bazaar” (an event selling outstanding products from employment assistance offices, etc. in one place)</li> <li>• Implemented carbon offsetting by creating a universal design passbook using eco clothing, environmentally friendly material. </li> <li>• Reduced paper usage by setting a paperless meeting policy and using DocuWorks, PDF, document management systems, etc.</li> </ul>
(S) Social	<ul style="list-style-type: none"> <li>● Human rights </li> <li>● Regional revitalization</li> <li>● Local contribution activities</li> </ul>	<ul style="list-style-type: none"> <li>• Made same-sex partners eligible for mortgage loans with the joint home loan system for married couples. * A married same-sex couple registered on the family register in a municipal office as a partnership. </li> <li>• The Ryugin Regional Revitalization Support Private Placement Bonds A portion of the fee paid by customers to Bank of the Ryukyus when issuing the private bond are donated to schools in Okinawa Prefecture, educational and cultural institutions, or donated for the purpose of preserving traditional cultures, protecting environment, and promoting tourism, etc. </li> <li>• Ryugin Yuimaru Support Group, Ryugin Globalization Promotion, Bingata Design Contest Foundation, etc.</li> </ul>
(G) Governance	<ul style="list-style-type: none"> <li>● Women’s success  </li> <li>● Establishment of voluntary advisory body (designation, compensation)</li> </ul>	<ul style="list-style-type: none"> <li>• Opened a company-led day care center in Apr. 2019 to improve employee benefits and provide support for female employees to prevent their career loss. </li> <li>• Established the Corporate Governance Committee.</li> </ul>

# About This Presentation

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