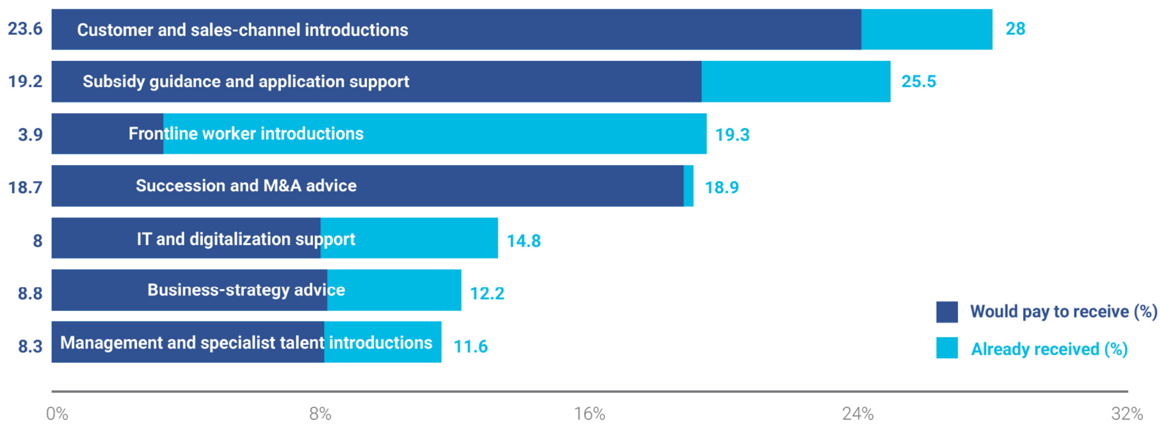
Japan's Regional Financial Institutions Strengthen Communities Beyond Lending

Across Japan, regional banks are expanding beyond lending to strengthen local businesses, support households and help communities navigate economic change. BY DANIEL DE BOMFORD AND BERNARD THOMPSON

Local Firms Want More Than Loans

Services companies would pay financial institutions to provide vs. services they have already received, 2026



Source: Japan Financial Services Agency, Enterprise Questionnaire Survey, June 30, 2026.

Across Japan, regional financial institutions are redefining their role in the communities they serve. Faced with demographic change, labor shortages and pressure on small businesses, banks are moving beyond traditional lending to support succession, digitalization, financial literacy and new market access. Their local knowledge and long-standing relationships increasingly make them central players in efforts to sustain regional economies. As the role of financial institutions expands beyond moneylending, Shinya Kubota, president and CEO of The Shiga Bank, looks to the Omi merchants of the past and emulates their spirit. "The Omi merchants were pioneers who traveled across Japan to conduct business, always bringing value back to their communities," he said. The bank is strengthening the region through environmental initiatives, succession planning and assistance for SMEs pursuing digitalization. In Japan, regional banks are growing especially important as facilitators of regional revitalization, and Shiga Bank's contributions extend well beyond its home prefecture. Its overseas network and partnerships with organizations including JETRO and JBIC help local companies pursue new markets, find partners and navigate regulations abroad. At home, Shigagin Energy is developing local renewable generation, while Shigagin Capital Partners provides investment and management support to companies facing succession challenges. Through this work, Shiga Bank is helping viable local businesses navigate ownership transitions, retain employment and preserve expertise that might otherwise disappear from the regional economy. These efforts reflect the bank's ambition to become a "Sustainability Design Company" that addresses regional social issues and reinvests the value it creates in the local economy. Rooted in the cooperative principle of mutual support, Johnan Shinkin Bank sees its role as returning value to the communities it serves. Chairman Minoru Hayashi says the institution aims to become a regional platform for solving problems beyond finance. Its initiatives include business-matching networks that support SME succession and collaboration, alongside a joint generative AI initiative that brings shinkin banks together to advance digitalization. By combining local relationships with external partnerships, Johnan is building a broader support system for small businesses. "The essence of a shinkin bank is to keep asking what it can do for the community," Hayashi said. Okinawa Financial Group is positioning regional banking as a foundation for everyday financial well-being. SMEs and tourism-related firms face rising costs and labor shortages, while families are navigating broader demographic and economic change. President Masayasu Yamashiro identifies education as a key tool for supporting the region. "I believe that improving financial literacy goes beyond simply acquiring knowledge; it leads to expanded opportunities for education and employment, and will ultimately contribute to raising the income levels of all Okinawa residents," he said. For The Yamanashi Chuo Bank, supporting regional prosperity means helping local businesses look beyond the limits of their immediate market. President Yoshiaki Furuya sees the bank's presence in both Yamanashi and Tokyo as a way to create new commercial links. "We aim to create a bidirectional, interactive relationship between Yamanashi and Tokyo," he said. By connecting regional companies with customers, partners and expertise in the capital, the bank is supporting sectors including tourism, wine and advanced manufacturing. These institutions show how regional banking in Japan is becoming closely tied to the long-term health of local communities. By supporting businesses, households and new connections beyond their home markets, they are helping regions adapt to structural pressures while preserving the economic foundations on which future growth depends.

"We believe our most important role is to function as a hub that connects a diverse range of domestic and international business partners and creates value."

Shinya Kubota
President and CEO, The Shiga Bank.

Johnan Shinkin Bank Powers Communities

Johnan Shinkin Bank is expanding its community-first mission through AI, sustainability and regional partnerships that strengthen Japan's small businesses.

By Daniel de Bomford, Bernard Thompson and Arthur Menkes.

When communities band together, it's incredible what they can achieve. Eighty years ago, Tokyo was being rebuilt from the ground up, and it was here that Johnan Shinkin Bank found its identity. A shinkin bank is a cooperative, community-based Japanese financial institution that serves local residents and small businesses by reinvesting deposits back into the region. Chairman Minoru Hayashi said the bank's mission is rooted in mutual support and returning value to the community. "That is our basic philosophy, and it is reflected in our approach to co-creation, the added value we provide, and the various services we offer," he said. In 2026, the bank adopted a new slogan: "Aiming to become a platform for the region and community."

Johnan Shinkin Bank is connecting people and businesses beyond the traditional realm of finance, extending its role from lender to convener, using finance, business matching, DX, talent, sustainability and external partnerships to act as local infrastructure for problem-solving. That mission is perhaps clearest in its "Yoi Shigoto Okoshi Fair," which brings together shinkin banks from across Japan. The fair has become a platform for matching companies across regions and industries through in-person events and an online network. Launched in 2012 in response to the Great East Japan Earthquake under the themes of regional revitalization and disaster support, the initiative drew more than 24,000 attendees from across Japan to Tokyo Big Sight last year, generating over 4,000 business meetings.

Embracing the spirit of community in the age of digital transformation (DX), Johnan Shinkin Bank is leading the joint shinkin bank research initiative, GEN x Shinkin Lab, in the utilization of generative AI. "The reason we created a joint initiative with other shinkin banks is simple: rather than having each institution shoulder unnecessary burdens and duplicate the same work, we can move much faster if we do together what can be done together," Hayashi said. Since its inception as a partnership between Kyoto Chuo Shinkin Bank and Johnan Shinkin Bank, it has expanded to include 37 institutions.

With so many banks working together, the pace of innovation increases, and Johnan Shinkin Bank has developed internal digital and AI capabilities. As the financial institutions closest to SMEs, these capabilities position the banks as the ideal partners to support businesses through their AI and DX journeys. Johnan Shinkin Bank is leading by example and is the only institution in the Japanese banking system to join RE100, proving it is action-led, rather than purely finance-led. The bank has shifted nearly all electricity used at its owned branches and offices to renewable energy and offsets the remainder with J-Credits. That record gives Johnan Shinkin Bank added credibility as it helps small and midsize companies pursue sustainability-linked loans, energy savings, emissions reductions and transition planning across the region. In addition, Johnan Shinkin Bank will launch an initiative in collaboration with IBM Japan to explore the potential to create new services for regional revitalization by leveraging a co-creation framework advanced by IBM Japan, Hitachi Ltd. and Amazon Web Services.

In a sector where profit-first finance is often prioritized, Johnan Shinkin Bank continues to follow a different path, one that emphasizes solving regional challenges and mutual support. "The essence of a shinkin bank is to keep asking what it can do for the community and to turn that into concrete action," Hayashi said. "If we do that properly, customers will identify with us, trust us, and business with us will naturally grow."

> "Our mission is to return value to local people and to the community as a whole."
>
> **Minoru Hayashi**, Chairman, Johnan Shinkin Bank.
> www.jsbank.co.jp

城南信用金庫

Yamanashi Chuo Bank Powers Local Revitalization

The Yamanashi Chuo Bank is redefining regional banking by connecting local industries, Tokyo networks and long-term investment to drive growth from Yamanashi.

By Daniel de Bomford, Bernard Thompson and Arthur Menkes.

As the sun rises over Yamanashi Prefecture, visitors gather at a viewing platform overlooking a rail bridge. Below them runs the Yamanashi maglev test line, where Japan has spent decades developing the next generation of high-speed rail. In the 1960s, the Shinkansen changed how the world thought about mobility. Today, the SCMaglev, which has reached speeds exceeding 600 kilometers per hour in testing, represents another leap forward. Its presence in Yamanashi is fitting. The prefecture sits close to Tokyo, yet has the space, infrastructure and industrial base to support ambitious research, advanced manufacturing and regional development.

The Yamanashi Chuo Bank Ltd. sees a similar opportunity in the region it serves. Japan's banking sector is entering a new phase after years of ultra-low interest rates, while regional communities face population decline, business succession challenges and the search for new engines of growth. For Yamanashi, those growth drivers are already in place: tourism, wine, fruit, jewelry, textiles, semiconductors, traditional crafts and proximity to the Tokyo metropolitan economy. The bank helps connect these assets with capital, expertise, customers and new markets. That ambition is captured in the bank's purpose, "Open Up a Bright Future from Yamanashi." It reflects a broader idea of what a regional financial institution can become.

> "Our business model centers on creating a bidirectional, interactive relationship between Yamanashi and Tokyo."
>
> **Yoshiaki Furuya**, President,
> Yamanashi Chuo Bank Ltd.
> **www.yamanashibank.co.jp**
>
> 山梨から豊かな未来をきりひらく
> 山梨中央銀行

Rather than focusing only on lending, deposits and conventional banking services, The Yamanashi Chuo Bank is positioning itself as a partner in regional value creation, helping local companies grow, supporting new business models and building stronger links between Yamanashi and Tokyo.

From Regional Bank to "Value Creation Company"

The bank's long-term vision, Value Creation Company 2034, signals a deliberate shift in how The Yamanashi Chuo Bank defines its role. Rather than remaining within the traditional boundaries of banking, the institution is expanding its focus to include regional problem-solving, brand development, business support and new frameworks for growth.

President Yoshiaki Furuya describes this as a continuous transformation aimed at addressing the challenges facing Yamanashi and its companies. The approach includes sustainable development, climate-related initiatives and efforts to strengthen the region's long-term vitality. "Through that process, we aim to enhance the value of the region, our client companies, and our own institution by creating shared value," he said.

The plan follows straightforward logic that a regional bank can only grow sustainably if its region also prospers. The Yamanashi Chuo Bank's ambition is to become a comprehensive regional financial group that helps secure the region's future, raise its appeal and attract new people, businesses and investment.

Roots in Yamanashi, Branches in Tokyo

Furuya describes the bank's business model as a bidirectional relationship between Yamanashi and Tokyo, with each region strengthening the other. The Yamanashi Chuo Bank is deeply rooted in its home prefecture, but its Tokyo network gives it access to capital, information, talent and customers that can support regional growth.

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Mount Fuji–Alps Alliance

Cooperation Agreement to Promote Tourism Revitalization

Rather than treating Yamanashi and Tokyo as separate markets, the bank sees them as complementary. Tokyo can bring investment, expertise and business connections to Yamanashi, while Yamanashi offers industries, landscapes and cultural assets with growth potential. This two-way relationship is central to the bank's vision of regional value creation.

That role is especially visible in tourism and regional development. Furuya describes the bank as a facilitator, able to bring capital and expertise from Tokyo into the local economy. Through the establishment of Yamanashi Regional Design Co., Ltd., the bank is expanding beyond conventional financial services and working with local stakeholders to address regional issues while creating long-term revenue opportunities.

One example is the bank's collaboration with a luxury cruise operator. Although Yamanashi has no port, the bank helps organize tours that bring passengers from nearby ports into the prefecture, including visits to Mount Fuji, Minobu Mountain and Kuonji Temple. It also showcases Yamanashi products onboard, including jewelry, wine, beverages and traditional leather crafts.

The example shows how the bank's role extends beyond lending. By understanding local businesses and connecting them with outside customers, The Yamanashi Chuo Bank is helping create demand, visibility and new sales channels for regional brands.

The region's growth story is not limited to tourism. Yamanashi also has an advanced manufacturing base, including semiconductor-related industries, which Furuya identifies as among the prefecture's most important sectors by GDP. "Yamanashi hosts a strong cluster centered on semiconductor manufacturing equipment," he said. "We support these companies and have staff seconded to semiconductor firms, gaining deep industry insight while contributing to sector development."

Yamanashi as a Model for Japan's Regional Revitalization

As Japan's demographic challenges intensify, regional prefectures such as Yamanashi face growing pressure to attract people, sustain local businesses and create new sources of economic momentum.

The Yamanashi Chuo Bank offers one model for how regional institutions can respond through sound banking, local knowledge, metropolitan networks and a broader role in regional development. The maglev test line offers a fitting parallel. The planned SCMaglev route is expected to dramatically shorten travel times between Tokyo, Nagoya and Osaka, strengthening links between major cities and the regions along the way.

Yamanashi has served as a testing ground for that next stage of Japanese mobility. Similarly, The Yamanashi Chuo Bank is positioning itself as a prototype for regional financial institutions seeking a larger role in revitalization.

From Yamanashi, the bank is building a model of value creation that connects local heritage with future growth. Its work suggests that regional renewal will not come from finance alone, but from institutions that can link communities, companies, capital and external markets around a shared vision for long-term prosperity.

Chuo Shinkansen (Linear Maglev)

Weeping Cherry Trees at Kuon-ji Temple, Mount Minobu

Special Public Opening (Gokaichō) at Kuon-ji Temple, Mount Minobu

> "The Moonshot concept embodies our determination to pursue a fundamentally new trajectory — management that is not a mere extension of the past but rather something bold and transformative, as if aiming for the moon."
>
> **Masayasu Yamashiro**
> President, Okinawa Financial Group, Inc.

Okinawa Financial Group Advances Financial Education and Growth

Okinawa Financial Group is linking stronger performance with financial education, DX and human capital to support Okinawa's long-term growth. BY DANIEL DE BOMFORD, BERNARD THOMPSON AND ARTHUR MENKES.

Crystal-clear waters and tropical greenery adorn Okinawa, the geographic gateway to Japan. Carved shisa lions watch over homes and temples, evidence of a cultural exchange that extends as far as the Middle East. For centuries, the chain of islands was a cultural crossroads and center of economic exchange in the Pacific. The lions now preside over a new transformation that once again leverages Okinawa's natural geographic advantages to be both the gateway to Japan and the financial crossroads of the Pacific.

However, the region faces economic challenges stemming from low income, shifting demographics and low financial literacy. The question for Okinawa, and perhaps all of Japan, is what kind of institution can turn local potential into durable growth?

From Bank to Regional Platform

Okinawa Financial Group Inc. is answering that question by providing economic and investment opportunities, sound financial education and a reimagining of banking services, realized through digital transformation (DX). With roots in local banking, it has evolved into a finance-centered comprehensive service group.

The group's second medium-term business plan is built around three connected strategies under the theme "Co-creating Growth — Growing Okinawa together." The first is to increase the value of local communities by supporting Okinawa's leading industries, strengthening local companies, addressing community issues, raising prefectural income, supporting asset formation and responding to climate change.

The second is human capital management: developing people who can deliver community value and business growth, while promoting diversity, senior and female participation and stronger employee motivation. The third is to build a base for growth through structural reform, group-wide synergies, market-driven services and higher corporate value. Together, these strategies tie the group's growth to Okinawa's long-term economic development and complement what President Masayasu Yamashiro calls its "Moonshot Strategy."

The Moonshot Strategy: Performance as Proof of Execution

Regional contribution depends on a stronger financial institution. For Okinawa Financial Group, the "Moonshot" strategy is not simply a set of ambitious earnings targets; it is the financial foundation for a broader regional role. "The Moonshot concept embodies our determination to pursue a fundamentally new trajectory — management that is not a mere extension of the past but rather something

bold and transformative, as if aiming for the moon," Yamashiro said.

The ambition reflects the belief that Okinawa Financial Group can only help raise Okinawa's economic potential if it has the profitability, capital strength and operational discipline to invest in people, technology and community-facing services. The strategy is already yielding results. The group revised its fiscal 2026 targets upward to Y71 billion ($439.5 million) in ordinary income, Y11 billion ($68.1 million) in net income and an ROE of about 6.2 percent. In May 2026, it lifted them again to Y80 billion ($495.3 million), Y12 billion ($74.29 million) and 6.7 percent, respectively.

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DX and Human Capital: Moving People to Higher-Value Work

The Moonshot strategy is built on DX, governance reform, cost optimization and the movement of staff from administrative tasks to lending and sales. "At the core, banking is about lending," Yamashiro said. "To strengthen this area, we have used digital transformation to streamline administrative functions, reducing headcount in back-office operations." The goal is to put more employees in front of customers, where they can identify financing needs, support business owners and help households make better financial decisions. By reducing routine processing and branch-counter work, Okinawa Financial Group is freeing staff to spend more time on advisory roles, relationship building and practical support for companies across Okinawa. That shift is central to the group's human capital strategy.

Okinawa Financial Group links its growth plan to developing people who can support regional value creation, with particular emphasis on strengthening corporate sales, improving lending expertise, expanding training and creating more opportunities for women and senior employees. In practice, this means the bank is trying to turn operational efficiency into human capability. Employees who once spent more time on paperwork can now focus on credit decisions, succession planning, asset formation, digital adoption and other areas where local businesses need guidance.

While DX has taken hold in Tokyo, regional areas like Okinawa have moved more slowly. Okinawa Financial Group sees that gap as part of its mission. The group is applying digital tools within the bank, but it is also bringing that expertise into the community, helping local businesses and governments modernize their operations. "We believe it is our mission to share our expertise widely — with corporations, local governments and individuals alike," Yamashiro said. By training its own people to become more consultative and digitally fluent, the group is also creating a channel through which Okinawa's broader economy can become more productive, resilient and competitive.

A Community Framework for Lifelong Financial Learning

Financial education is emerging as one of Okinawa Financial Group's clearest contributions to Okinawa's long-term development. The prefecture has struggled in national financial literacy surveys, ranking last in correct-answer rates in 2019 and 2022. Against this background, since December 2023, OFG has conducted outreach classes on financial and economic education at 159 junior high and high schools across the prefecture, providing learning opportunities to approximately 23,700 students. This collaborative effort among OFG group companies has inspired other companies in the prefecture, leading to an increase in initiatives involving partners outside the group.

The results of these efforts are steadily becoming apparent. In a financial literacy survey conducted in 2025, the percentage of people in Okinawa Prefecture who recognized that they had "received financial and economic education" rose to third place nationwide. Furthermore, the prefecture moved out of last place in terms of correct answer rates, demonstrating that financial and economic education is indeed taking root. Okinawa Financial Group set the following as its medium- to long-term goals: "to clearly break out of the bottom tier in the next survey in 2028" and "to raise the correct answer rate above the national average by 2031."

"Our primary goal is to create a society where children in Okinawa do not encounter or become entangled in financial problems," Yamashiro said, emphasizing the need for financial education. He pointed to social media and the internet, increasing the risk of young people being caught in financial trouble. He believes education from an early age will help them avoid risks. "Furthermore, I believe that improving financial literacy goes beyond simply acquiring knowledge; it leads to expanded opportunities for education and employment, and will ultimately contribute to raising the income levels of all Okinawa residents," he said. "I am convinced that nurturing individuals who understand money correctly and can proactively plan their lives will lead to the sustainable development of our region."

Okinawa Financial Group's transformation is ultimately a test of what a regional financial institution can become. By combining stronger earnings with financial education, DX, business support and community partnerships, the group is positioning itself as civic infrastructure for Okinawa's next stage of growth. Its bet is that a stronger bank can help build a more resilient, confident and prosperous region.

Okinawa Financial Group

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