



BANK

2019

Annual Report

Year Ended March 31, 2019

The Keiyo Bank, Ltd.

Message from the President



Toshiyuki Kumagai
President

We appreciate your continued patronage extended to the Keiyo Bank.

The Japanese economy is expected to continue following a moderate recovery path given the continuing improvements in employment and income despite increasing uncertainty regarding the global economy. Meanwhile, the business climate in which local financial institutions operate is becoming increasingly more severe due to the prolonged low-interest-rate policy, in addition to further progression of social problems such as the decreasing population, and also the aging population and the falling birthrate.

Under these circumstances, the Keiyo Bank is promoting the “α ACTION PLAN 2021”, our 18th mid-term business plan; this year marks the middle year. The basic policy of the plan is to become “a bank boasting the highest satisfaction from both customers and employees”. By engaging in the four key strategies below, we aim to build a sustainable business model for a company that does not waver even in the face of changes in the business environment.

Business operations tailored to customers’ needs

We established Keiyo Bank Capital & Consulting Co., Ltd. in April of this year in order to provide optimal solutions for the business issues our corporate customers face. By strengthening our ties with external experts, we are offering high-quality consulting services, business succession support, etc. With respect to individual customers, we are committed to our customer-first business operations, and are strengthening our support for asset building to the working generation and transferring financial assets between generations. We continue to strive to enhance higher added-value services and carry on business operations tailored to customers’ needs.

Establishment of omnichannel

To properly respond to diverse customer needs, we are promoting our omnichannel services. We are enhancing our services for non-face-to-face channels which proactively utilize information and communications technology (ICT), such as increasing the types of loan products for which customers can complete applications online, and strengthening our partnerships with fintech companies. In face-to-face channels, we are expanding the types of operations that customers can complete at our “interactive counters” without filling out any paper forms, etc. By shortening the waiting time and reducing the burden on customers, we are creating branches where customers can personally experience our high-quality consulting services.

Reforms to become a professional group where all employees can shine

In order to offer added-value (of “plus something”) services to our customers, we support diverse career development for our employees and strive to nurture professional human resources who possess expert knowledge, skills, and experience. Furthermore, by promoting diversity and work-style reforms, we create a working environment in which employees can achieve a work-life balance and each employee has a meaningful job while we also seek to boost productivity.

Low cost operations and profit growth

While improving the convenience for our customers, we are increasing the pace of efficiency improvements in our operations by shifting to paperless application procedures, etc. We are facilitating the transfer of clerical staff to sales positions by promoting the streamlining of branch operations, and enhancing the contact point with customers by implementing efficient branch strategies. We are also strengthening our commitment to low cost operations and efforts to grow profits.

In addition to these initiatives, we will improve “Environmental, Social and Governance” (ESG) and conduct operations with awareness of “Sustainability Development Goals” (SDGs), which the United Nations advocate. In particular, we recognize that compliance with laws and regulations is one of the priority issues for management and we are striving to further strengthen our compliance system. All officers and employees of the Keiyo Bank Group are determined to make utmost efforts to earn the trust and meet the expectations of all stakeholders. We therefore would like to seek your continued support of the Keiyo Bank.

July 2019

Corporate Profile

Name:	The Keiyo Bank, Ltd.
Date of foundation:	March 31, 1943
Capital:	JPY49.7 billion
Headquarters:	11-11, Fujimi 1-chome, Chuo-ku, Chiba City, Chiba Prefecture, Japan
Network of offices etc.:	281 locations in total:
Headquarters/branch offices:	120
Sub-branch offices:	2
ATM installments:	159
Employees:	2,010 people
Total assets:	JPY 4,890.7 billion
Deposits:	JPY 4,558.4 billion
Loans:	JPY 3,613.3 billion
Capital adequacy ratio:	10.78% (non-consolidated) 10.78% (consolidated) (Based on new standards for a domestically-operating banks)
Credit rating:	A ⁻ (by S&P Global Rating) A ⁺ (by Japan Credit Rating Agency)

(As of March 31, 2019)

Board of Directors and Corporate Auditors

President (Representative Director)

Toshiyuki Kumagai

Vice President (Representative Director)

Kiyoshi Hashimoto

Director

Director Senior Managing Executive Officer

Hiroshi Oshima

Director Managing Executive Officer

Ichiro Kimizuka

Satoru Akiyama

Tatsushi Ichikawa

Director (Outside Director)

Yasushi Saito

Katsusada Akiyama

Hiroshi Uchimura

Executive Officer

Managing Executive Officer

Kazuo Fujisaki

Seiji Sato

Executive Officer

Kenji Saito

Masato Nakatani

Genichi Ashiya

Katsuya Taniai

Hiromi Kosaka

Minoru Yoshida

Tomoyuki Kunii

Corporate Auditor

Standing Corporate Auditor

Masatsugu Miyama

Koichi Takahashi

Corporate Auditor (Outside Corporate Auditor)

Isao Ono

Masayuki Shigeta

Tsutomu Hanada

Summary of Performance Results (non-consolidated)

Operational results (non-consolidated basis)

Highlights

As for the operational results for FY2018 (ended March 31, 2019), the balances of deposits and loans posted a steady increase from the previous fiscal year.

In terms of revenue, because interest on loans and discounts exceeded that in the previous fiscal year for the first time in ten years, coupled with increased net fees and commissions, lower expenses, etc., the core net business profit, which indicates the earning power of the core business, increased JPY359 million to JPY18,560 million, the first increase in eight years.

In addition, the Keiyo Bank posted ordinary profit of JPY15,326 million and profit of JPY10,526 million.

* Core net business profit = Net business profit + Provision of general allowance for doubtful accounts
- Gains (losses) on bonds

Balance of Deposits

JPY4,558.4 billion (Annual increase of 3.0%)

Due to expansion of the salary deposit and pension payment transactions with our bank account holders, the balance of deposits increased to JPY4,558.4 billion as of March 31, 2019, up JPY136.8 billion from the previous fiscal year (i.e., an annual increase of 3.0%), mainly in deposits by individuals.

Balance of Loans

JPY3,613.3 billion (Annual increase of 4.6%)

As a result of our aggressive approach in promoting retail loans business, mainly housing loans, and loans to small and medium-sized companies, the balance of loans reached JPY3,613.3 billion as of March 31, 2019, up JPY158.9 billion from the previous fiscal year (i.e., an annual increase of 4.6%).

Core net business profit and Ordinary Profit and Profit

Core net business profit: JPY18.5 billion/Ordinary profit: JPY15.3 billion/Profit: JPY10.5 billion

Core net business profit was JPY18,560 million, up JPY359 million from the previous fiscal year, ordinary profit was JPY15,326 million, down JPY2,038 million from the previous fiscal year, and profit was JPY10,526 million, down JPY1,566 million from the previous fiscal year.

Capital Adequacy Ratio

10.78%

The capital adequacy ratio of the Keiyo Bank was 10.78%, down 0.17 percentage point from the previous fiscal year due to an increase in risk assets stemming from increased loans, and other factors. Nevertheless, this capital adequacy ratio was still relatively high.

Non-performing loans ratio

(based on the Act on Emergency Measures for Revitalizing the Financial Functions of Japan)

1.16%

The Keiyo Bank's non-performing loans ratio was 1.16% as of March 31, 2019, down 0.17 percentage point from the previous fiscal year, based on the Act on Emergency Measures for Revitalizing the Financial Functions of Japan.

* The lower the percentage of the non-performing loans ratio is, the stronger the financial institution is.

Balance of loans to small and medium-sized companies

JPY1,412.8 billion

As a result of strengthening our business operations and enhancing our consulting services based on business potential assessment, the balance of loans to small and medium-sized companies reached JPY1,412.8 billion, up JPY68.2 billion (i.e., annual increase of 5.0%) from the previous fiscal year.

Balance of housing loans

JPY1,461.8 billion

As a result of our aggressive approach in responding to customers' needs for housing finance, the balance of housing loans as of March 31, 2019 reached JPY1,461.8 billion, up JPY66.1 billion from the previous fiscal year (i.e., annual increase of 4.7%).

Balance of other loans (*)

JPY46.9 billion

The balance of other loans(*) reached JPY46.9 billion as of March 31, 2019, up JPY1.4 billion from the previous fiscal year (i.e., annual increase of 3.3%), as a result of our endeavor to offer a wide variety of loan products in response to various needs of our customers, in addition to increasing convenience for them in applying for such loan products.

* "Other loans" means consumer loans excluding housing loans.

Credit rating

The credit rating (the long-term obligor rating) for the Keiyo Bank given by S&P Global Ratings, one of the world's top three credit-rating companies, was "A-" as of June 30, 2019. The credit rating (the long-term obligor rating) by Japan Credit Rating Agency remained "A+" as of June 30, 2019. Both rating companies gave higher ranking appraisal to the Keiyo Bank.

(Unaudited)

Consolidated Balance Sheets

	Unit:JPY milion		Unit:Thousands of U.S. dollars
	2017	2018	2018
※Note			
Assets:			
Cash and due from banks	¥ 291,325	¥ 275,936	\$ 2,486,133
Call loans and bills bought	9,900	6,265	56,446
Trading account securities	4,195	4,247	38,264
Securities	928,118	888,553	8,005,703
Loans and bills discounted	3,454,643	3,613,625	32,558,113
Foreign exchanges	4,292	2,949	26,569
Other assets	31,898	40,335	363,411
Tangible fixed assets	65,706	63,385	571,087
Buildings, net	28,077	26,684	240,418
Land	31,175	31,106	280,259
Construction in progress	409	94	846
Other tangible fixed assets	6,043	5,499	49,545
Intangible fixed assets	4,471	5,661	51,004
Software	2,329	2,261	20,371
Software in progress	1,941	3,200	28,831
Other intangible fixed assets	200	199	1,792
Deferred tax assets	42	37	333
Customers' liabilities for acceptances and guarantees	4,400	3,915	35,273
Allowance for loan losses	△9,495	△9,545	△85,998
Total assets	4,789,498	4,895,368	44,106,387
Liabilities:			
Deposits	¥ 4,419,524	¥ 4,556,163	\$ 41,050,211
Negotiable certificates of deposit	13,500	16,000	144,157
Borrowed money	31,400	—	—
Foreign exchanges	225	173	1,558
Other liabilities	10,324	10,782	97,143
Provision for bonuses	1,281	1,245	11,217
Provision for directors' bonuses	66	66	594
Net defined benefit liability	2,631	2,669	24,047
Provision for directors' retirement benefits	5	5	45
Provision for loss on interest repayment	12	8	72
Provision for reimbursement of deposits	622	623	5,613
Provision for contingent loss	680	867	7,811
Deferred tax liabilities	6,316	3,349	30,173
Deferred tax liabilities for land revaluation	4,643	4,639	41,796
Acceptances and guarantees	4,400	3,915	35,273
Total liabilities	4,495,633	4,600,513	41,449,797
Net assets:			
Capital stock	¥ 49,759	¥ 49,759	\$ 448,319
Capital surplus	39,704	39,704	357,725
Retained earnings	167,453	174,810	1,575,006
Treasury shares	△12,947	△12,789	△115,226
Total shareholders' equity	243,970	251,485	2,265,834
Valuation difference on available-for-sale securities	40,483	33,642	303,108
Revaluation reserve for land	6,602	6,858	61,789
Remeasurements of defined benefit plans	△1,390	△1,663	△14,983
Total accumulated other comprehensive income	45,695	38,837	349,914
Share acquisition rights	346	293	2,639
Non-controlling interests	3,852	4,238	38,183
Total net assets	293,865	294,855	2,656,590
Total liabilities and net assets	4,789,498	4,895,368	44,106,387

Summary of Performance Results (consolidated)

	Unit:JPY milion		Unit:Thousands of U.S. dollars
	FY2017	FY2018	FY2018
※Note			
Ordinary income	¥ 65,139	¥ 67,465	\$ 607,847
Ordinary profit	17,787	15,670	141,183
Profit attributable to owners of parent	12,116	10,547	95,026
Comprehensive income	13,393	3,824	34,453
Total net assets	293,865	294,855	2,656,590
Total assets	4,789,498	4,895,368	44,106,387
Capital adequacy ratio (Based on standards for a domestically-operating bank)	10.98%	10.78%	10.78%

※Note:U.S.dollar amounts are shown solely for the purpose of convenience and calculated at the conversion rate of ¥110.99 to US\$1.00, the exchange rate prevailing on March 31, 2019

Consolidated Statements of (comprehensive) Income

	Unit:JPY million	Unit:Thousands of U.S. dollars	
	2017	2018	2018
	※Note		
Ordinary income	¥ 65,139	¥ 67,465	\$ 607,847
Interest income	49,713	48,735	439,093
Interest on loans and discounts	37,176	37,183	335,012
Interest and dividends on securities	11,961	10,934	98,513
Interest on call loans and bills bought	106	140	1,261
Interest on deposits with banks	468	466	4,198
Other interest income	0	9	81
Fees and commissions	10,662	11,370	102,441
Other ordinary income	1,569	1,380	12,433
Other income	3,193	5,979	53,869
Recoveries of written off claims	3	4	36
Other	3,190	5,974	53,824
Ordinary expenses	¥ 47,351	¥ 51,794	\$ 466,654
Interest expenses	860	811	7,306
Interest on deposits	567	503	4,531
Interest on negotiable certificates of deposit	3	2	18
Interest on call money and bills sold	△16	△14	△126
Interest on payables under securities lending transactions	306	320	2,883
Interest on borrowings and rediscounts	0	0	0
Fees and commissions payments	3,811	4,003	36,066
Other ordinary expenses	648	1,775	15,992
General and administrative expenses	38,389	37,418	337,129
Other expenses	3,641	7,785	70,141
Provision of allowance for loan losses	916	5,055	45,544
Other	2,725	2,730	24,596
Ordinary profit	¥ 17,787	¥ 15,670	\$ 141,183
Extraordinary income	106	—	—
Gain on disposal of non-current assets	106	—	—
Extraordinary losses	287	238	2,144
Loss on disposal of non-current assets	246	101	909
Impairment loss	41	137	1,234
Profit before income taxes	¥ 17,606	¥ 15,432	\$ 139,039
Income taxes - current	5,104	4,716	42,490
Income taxes - deferred	122	△23	△207
Total income taxes	5,227	4,693	42,283
Profit	12,378	10,739	96,756
Profit attributable to non-controlling interests	262	191	1,720
Profit attributable to owners of parent	¥ 12,116	¥ 10,547	\$ 95,026

Consolidated Statements of Comprehensive Income

	Unit:JPY million	Unit:Thousands of U.S. dollars	
	2017	2018	2018
	※Note		
Profit	¥ 12,378	¥ 10,739	\$ 96,756
Other comprehensive income	1,014	△6,914	△62,293
Valuation difference on available-for-sale securities	62	△6,638	△59,807
Remeasurements of defined benefit plans, net of tax	952	△276	△2,486
Comprehensive income	13,393	3,824	34,453
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	13,009	3,433	30,930
Comprehensive income attributable to non-controlling interests	383	390	3,513

The Keiyo Bank, Ltd.

Head Office

11-11,Fujimi 1-chome,Chuo-ku,Chiba City,Chiba 260-0015,Japan

Phone:+81 43 2222121

URL: <https://www.keiyobank.co.jp>

Treasury And Securities Division International Business Group

5-45,Chiba-Minato,Chuo-Ku,Chiba City,Chiba 260-0026,Japan

Phone:+81 43 3068271

Fax:+81 43 3017004

E-mail: kokusaigyom@keiyobk.jp

SWIFT Code:KEIB JP JT