



# 2016 Annual Report

Year Ended March 31, 2016

**The Keiyo Bank, Ltd.**

## Message from the Chairman and the President



Nobuo Kojima

Chairman of the Board

Toshiyuki Kumagai

President

We appreciate your continued patronage extended to the Keiyo Bank.

The Japanese economy has been affected, especially in its export and manufacturing activities, by the economic slowdown of emerging countries; however, it is expected to pick up gradually amid the steady recovery of employment and income of the Japanese workforce. Meanwhile, the Japanese financial institutions are required to handle difficult steering of their operations, due to further decrease in market interest rates and other factors as a result of the launch of the Bank of Japan's the Quantitative and Qualitative Easing with a Negative Interest Rate program.

Under these circumstances, the Keiyo Bank recorded a steady increase in the balances of deposits and loans respec-

tively in the fiscal year 2015 (ending March 31, 2016). In terms of revenue, the Keiyo Bank also posted positive operational results, including a renewed record-high net income. We feel that our achievement owes much to your support.

The Keiyo Bank is now implementing the “ $\alpha$  ACTION PLAN 2018”, which is our 17th mid-term business plan for 3 years from April 2015 to March 2018. Under this plan, we are determined to strive to achieve three operational goals of “active contribution to vitalization of the local economy”, “establishment of the operational base, looking into the future” and “enhancement of the management structure”, while attempting to respond to various changes in the financial sector .

Please be informed that the Board of Directors' meeting resolved the appointment of Nobuo Kojima as the Chairman of the Board and Toshiyuki Kumagai as the President, following the closing of the 110th Ordinary General Meeting of Shareholders. Under this new corporate structure, all of us, officers and employees alike, at the Keiyo Bank will strive to meet the trust and expectations of our customers, and further to contribute to achieving the sustainable growth of the economy of Chiba Prefecture. We therefore would like to seek your continued support to the Keiyo Bank.

July 2016



## 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.:	275 locations in total:
Headquarters/branch offices:	117
Sub-branch offices:	2
ATM installments:	156
Employees:	2,101 people
Total assets:	JPY 4,489.7 billion
Deposits:	JPY 4,096.1 billion
Loans:	JPY 3,098.8 billion
Capital adequacy ratio:	11.52% (non-consolidated) 11.54% (consolidated) (Based on new standards for a domestically-operating banks)
Credit rating:	A <sup>+</sup> (by Japan Credit Rating Agency) A <sup>-</sup> (by Standard & Poor's)

(As of March 31, 2016)

## Board of Directors and Corporate Auditors

### Chairman (Representative Director)

Nobuo Kojima

### President (Representative Director)

Toshiyuki Kumagai

### Senior Managing Director

### Senior Managing Executive Officer

(Representative Director)

Kiyoshi Hashimoto

### Director

### Managing Director Managing Executive Officer

Tsuguo Maru

Hiroshi Oshima

### Director Managing Executive Officer

Ichiro Kimizuka

### Director (Outside Director)

Yasushi Saito

Katsusada Akiyama

Hiroshi Uchimura

### Executive Officer

### Managing Executive Officer

Tetsuya Sakasai

### Executive Officer

Takeshi Shimomura

Satoru Akiyama

Kenji Saito

Masato Nakatani

Kazuo Fujisaki

Tatsushi Ichikawa

Seiji Sato

Genichi Ashiya

### Corporate Auditor

### Standing Corporate Auditor

Susumu Ozawa

Masatsugu Miyama

### Corporate Auditor (Outside Corporate Auditor)

Hiroshi Otsuka

Isao Ono

Masayuki Shigeta

## *Summary of Performance Results (non-consolidated)*

### **Operational results (non-consolidated basis)**

#### **Highlights**

As for the operational results for FY2015 (ending March 31, 2016), the balances of deposits and loans posted a steady increase continuously from the previous fiscal year.

In terms of revenue, the Keiyo Bank posted ordinary profit of JPY23,931 million and net income of JPY15,532 million. The latter was a record-high figure.

### **Balance of Deposits**

#### **JPY4,096.1 billion (Annual increase of 4.1%)**

Because of our endeavor to expand the salary deposit and pension payment transactions with our bank account holders, the balance of deposits increased to JPY4,096.1 billion as of March 31, 2016, up JPY163.4 billion from the previous fiscal year (i.e., an annual increase of 4.1% ), mainly in deposits by individuals.

### **Balance of Loans**

#### **JPY3,098.8 billion (Annual increase of 5.0%)**

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 JPY3,098.8 billion as of March 31, 2016, up JPY150.2 billion from the previous fiscal year (i.e., an annual increase of 5.0%).

### **Ordinary Profit and Net Income**

#### **Ordinary profit: JPY23.9 billion / Net income: JPY15.5 billion**

Ordinary profit for FY2015 was JPY23,931 million, down JPY1,485 million from the previous fiscal year. Net income for FY2015 was a record high of JPY15,532 million, up JPY432 million from the previous fiscal year.

### **Capital Adequacy Ratio**

#### **11.52%**

The capital adequacy ratio of the Keiyo Bank was 11.52%, down 0.04 percentage point from the previous fiscal year, as a result that the Keiyo Bank acquired 10 million of its own shares in July 2015 at the total purchase price of JPY 6,120 million in an attempt to increase its capital efficiency. 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)

**1.41%**

As a result of our endeavor to provide the consulting function, such as support for managerial improvement, to our customers facing various operational problems, the Keiyo Bank's non-performing loans ratio was 1.41% as of March 31, 2016, down 0.18 percentage point from the previous fiscal year, based on the Act on Emergency Measures for Revitalizing the Financial Functions of Japan. This ratio indicates soundness of our capital.

\* 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

**JPY1,200.4 billion**

Due to our aggressive approach in extending loans to small and medium-sized companies, mainly in the growing industries, the balance of loans to small and medium-sized companies reached JPY1,200.4 billion as of March 31, 2016, up JPY38.2 billion from the previous fiscal year (i.e., annual increase of 3.2%).

## Balance of housing loans

**JPY1,270.1 billion**

As a result of our aggressive approach in responding to customers' needs for housing finance, such as the launch of a new housing loan product named "Safe Living Package", the balance of housing loans as of March 31, 2016 reached JPY1,270.1 billion, up JPY74.0 billion from the previous fiscal year (i.e., annual increase of 6.1%).

## Balance of other loans (\*)

**JPY37.7 billion**

The balance of other loans (\*) reached JPY37.7 billion as of March 31, 2016, up JPY5.2 billion from the previous fiscal year (i.e., annual increase of 16.2%), 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 counterparty credit rating) for the Keiyo Bank given by Standard & Poor's, one of the world's top three credit-rating companies, was "A-" as of March 31, 2016. The credit rating (the long-term obligor rating) by Japan Credit Rating Agency remained "A+" as of March 31, 2016. Both rating companies gave higher ranking appraisal to the Keiyo Bank.

# Consolidated Balance Sheets

	Unit:JPY milion	Unit:Thousands of U.S. dollars	※Note
	2014	2015	2015
<b>Assets:</b>			
Cash and due from banks	¥ 310,161	¥ 336,389	\$ 2,985,356
Call loans and bills bought	2,742	7,780	69,047
Trading account securities	2,960	3,671	32,585
Securities	1,004,790	964,613	8,560,646
Loans and bills discounted	2,948,592	3,098,839	27,501,235
Foreign exchanges	2,194	1,699	15,079
Other assets	12,118	11,692	103,768
Tangible fixed assets	68,085	67,786	601,584
Buildings, net	16,487	28,886	256,356
Land	31,585	31,530	279,823
Construction in progress	13,823	926	8,218
Other tangible fixed assets	6,188	6,443	57,185
Intangible fixed assets	1,013	1,932	17,153
Software	660	1,000	8,882
Software in progress	153	731	6,494
Other intangible fixed assets	200	200	1,776
Deferred tax assets	69	67	601
Customers' liabilities for acceptances and guarantees	7,416	7,433	65,971
Allowance for loan losses	△9,723	△8,222	△72,971
<b>Total assets</b>	<b>4,350,421</b>	<b>4,493,684</b>	<b>39,880,056</b>
<b>Liabilities:</b>			
Deposits	¥ 3,931,633	¥ 4,095,472	\$ 36,346,043
Negotiable certificates of deposit	9,642	11,467	101,773
Call money and bills sold	2,403	—	—
Borrowed money	91,800	62,400	553,783
Foreign exchanges	157	137	1,217
Other liabilities	11,087	10,314	91,534
Provision for bonuses	1,266	1,294	11,491
Provision for directors' bonuses	82	82	727
Net defined benefit liability	2,181	6,791	60,272
Provision for directors' retirement benefits	7	8	76
Provision for loss on interest repayment	13	13	119
Provision for reimbursement of deposits	426	527	4,682
Provision for contingent loss	660	699	6,211
Deferred tax liabilities	9,714	9,276	82,324
Deferred tax liabilities for land revaluation	4,946	4,687	41,604
Acceptances and guarantees	7,416	7,433	65,971
<b>Total liabilities</b>	<b>4,073,441</b>	<b>4,210,607</b>	<b>37,367,834</b>
<b>Net assets:</b>			
Capital stock	¥ 49,759	¥ 49,759	\$ 441,602
Capital surplus	39,718	39,718	352,487
Retained earnings	138,880	151,110	1,341,055
Treasury shares	△7,342	△13,450	△119,367
Total shareholders' equity	221,016	227,137	2,015,778
Valuation difference on available-for-sale securities	46,046	49,029	435,117
Revaluation reserve for land	6,406	6,625	58,799
Remeasurements of defined benefit plans	585	△3,015	△26,758
Total accumulated other comprehensive income	53,038	52,639	467,159
Subscription rights to shares	271	315	2,803
Non-controlling interests	2,653	2,983	26,481
<b>Total net assets</b>	<b>276,980</b>	<b>283,077</b>	<b>2,512,222</b>
<b>Total liabilities and net assets</b>	<b>4,350,421</b>	<b>4,493,684</b>	<b>39,880,056</b>

## Summary of Performance Results (consolidated)

	Unit:JPY milion	Unit:Thousands of U.S. dollars	※Note
	FY2014	FY2015	FY2015
Ordinary income	¥ 71,762	¥ 70,526	\$ 625,902
Ordinary profit	25,574	24,041	213,359
Profit attributable to owners of parent	14,922	15,188	134,796
Comprehensive income	35,005	15,150	134,457
Total net assets	276,980	283,077	2,512,222
Total assets	4,350,421	4,493,684	39,880,056
Capital adequacy ratio (Based on standards for a domestically-operating bank)	11.69%	11.54%	11.54%

※Note: U.S. dollar amounts are shown solely for the purpose of convenience and calculated at the conversion rate of ¥112.68 to US\$1.00, the exchange rate prevailing on March 31, 2016



## Consolidated Statements of (comprehensive) Income

	Unit:JPY million	Unit:Thousands of U.S. dollars	
	2014	2015	※Note 2015
<b>Ordinary income</b>	<b>¥ 71,762</b>	<b>¥ 70,526</b>	<b>\$ 625,902</b>
Interest income	55,814	54,083	479,972
Interest on loans and discounts	41,779	40,295	357,611
Interest and dividends on securities	13,540	13,240	117,508
Interest on call loans and bills bought	73	69	619
Interest on deposits with banks	419	476	4,226
Other interest income	1	0	6
Fees and commissions	11,073	10,954	97,215
Other ordinary income	1,899	2,902	25,756
Other income	2,975	2,586	22,956
Reversal of allowance for loan losses	919	533	4,738
Recoveries of written off claims	9	1	9
Other	2,045	2,051	18,209
<b>Ordinary expenses</b>	<b>¥ 46,188</b>	<b>¥ 46,485</b>	<b>\$ 412,542</b>
Interest expenses	2,000	1,941	17,232
Interest on deposits	1,765	1,652	14,661
Interest on negotiable certificates of deposit	4	13	122
Interest on call money and bills sold	4	0	6
Interest on payables under securities lending transactions	147	201	1,790
Interest on borrowings and rediscounts	77	73	652
Fees and commissions payments	3,659	3,716	32,979
General and administrative expenses	37,845	38,100	338,127
Other expenses	2,682	2,727	24,203
Other	2,682	2,727	24,203
<b>Ordinary profit</b>	<b>¥ 25,574</b>	<b>¥ 24,041</b>	<b>\$ 213,359</b>
Extraordinary income	9	13	116
Gain on disposal of non-current assets	9	13	116
Extraordinary losses	552	284	2,528
Loss on disposal of non-current assets	204	284	2,528
Impairment loss	348	—	—
<b>Profit before income taxes</b>	<b>¥ 25,031</b>	<b>¥ 23,769</b>	<b>\$ 210,947</b>
Income taxes-current	7,777	6,953	61,710
Income taxes-deferred	2,125	1,309	11,625
Total income taxes	9,903	8,263	73,336
Profit	15,127	15,506	137,611
Profit attributable to non-controlling interests	204	317	2,815
<b>Profit attributable to owners of parent</b>	<b>¥ 14,922</b>	<b>¥ 15,188</b>	<b>\$ 134,796</b>

## Consolidated Statements of Comprehensive Income

	Unit:JPY million	Unit:Thousands of U.S. dollars	
	2014	2015	※Note 2015
Profit	¥ 15,127	¥ 15,506	\$ 137,611
Other comprehensive income	19,878	△355	△3,153
Valuation difference on available-for-sale securities	18,090	3,018	26,790
Revaluation reserve for land	512	246	2,185
Remeasurements of defined benefit plans, net of tax	1,275	△3,620	△32,129
Comprehensive income	35,005	15,150	134,457
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	34,675	14,817	131,497
Comprehensive income attributable to non-controlling interests	330	333	2,959

## **The Keiyo Bank, Ltd.**

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