



2017 Annual Report

Year Ended March 31, 2017

The Keiyo Bank, Ltd.

Message from the Chairman and the President



Toshiyuki Kumagai

President

Nobuo Kojima

Chairman of the Board

We appreciate your continued patronage extended to the Keiyo Bank.

The Japanese economy is expected to follow a moderate recovery path continuously into the months ahead, as there have been positive signs in exports and manufacturing output and a steady improvement in the employment and income of the Japanese workforce, which have led to a modest increase of personal spending. Meanwhile, amid acceleration of such social structural problems as the decreasing population, and also the aging population and the falling birthrate, various issues of concern have emerged in the regional society and economy. Thus, customer expectations run higher than ever for local financial institutions like the Keiyo Bank to get more actively involved in the effort for revitalizing the local economy, for instance, by advancing their intermediary financial functions and offering customer-oriented, quality financial services.

Under these circumstances, the Keiyo Bank has been implementing the “α ACTION PLAN 2018”, our 17th mid-term business plan for 3 years starting from April 2015; this FY2017 marks the final year. Under the subtitle “innovation and implementation” of this plan, we are determined to renew our efforts to achieve these 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” for the purpose of accomplishing our “growth into the next level”.

>> Active contribution to vitalization of the local economy

Since inception, the Keiyo Bank has carried on business operations under our “customer-first” policy. The Keiyo Bank well acknowledges the importance of growing together with the local communities in Chiba Prefecture

by promoting the offer of community-based financial services further. With respect to corporate customers, we will endeavor to understand their line of business and potential for growth well by communicating closely with their management people, and attempt to provide the best solutions to the issues of concern they face in day-to-day business operations, for instance, by proposing loans or support for their main business. With respect to individual customers, we will endeavor, in the spirit of performing “fiduciary duty” (meaning to perform customer-first business operations), to make available to them such high quality consulting functions as the offering of services and financial products that truly meet their diversified needs and interests, and of the support for their stable asset building.

>> Establishment of the operational base, looking into the future

In an attempt to deal appropriately with acceleration of the aging population and the falling birthrate, progress in introduction and enhancement of IT technologies and other changes in our business environment, the Keiyo Bank will promote “omnichannel” services which will enable customers to use our convenient services safely and comfortably at anytime, anywhere. We will endeavor to introduce innovative services to customers as well, for instance, by expanding our services via non-face-to-face channels, including the Internet Branch established in April this year, and also by increasing our “next-generation” branches which would enable paperless, ‘seal-less’ and ‘passbook-less’ banking transactions and avoid some paper work at the bank counter. In addition, the Keiyo Bank will try to nurture highly-specialized human resources and promote the diversity in order to continue offering added value (of “plus something”) services to our customers. We will also attempt to increase our productivity by promoting “work style reform” in the workplace.

>> Enhancement of the management structure

The Keiyo Bank will endeavor to deal appropriately with various risks in our business environment such as uncertainty of the overseas economy and the prolonged low-interest financial policy, and try to enhance awareness within the Keiyo Bank of the importance of being compliant by strictly abiding by applicable laws and regulations and our corporate philosophy. The Keiyo Bank will also attempt to achieve a sustainable growth and enhance the mid- to-long term corporate value, by reinforcing our corporate governance and carrying on business operations in light of our corporate social responsibility (CSR).

All officers and employees of the Keiyo Bank Group are determined to make utmost efforts to be able to meet expectations of all stakeholders. We therefore would like to seek your continued support to the Keiyo Bank.

July 2017

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.:	277 locations in total:
Headquarters/branch offices:	117
Sub-branch offices:	2
ATM installments:	158
Employees:	2,119 people
Total assets:	JPY 4,595.1 billion
Deposits:	JPY 4,238.8 billion
Loans:	JPY 3,271.2 billion
Capital adequacy ratio:	11.23% (non-consolidated) 11.26% (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, 2017)

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

Director Managing Executive Officer

Hiroshi Oshima

Ichiro Kimizuka

Tetsuya Sakasai

Director (Outside Director)

Yasushi Saito

Katsusada Akiyama

Hiroshi Uchimura

Executive Officer

Managing Executive Officer

Satoru Akiyama

Executive Officer

Takeshi Shimomura

Kenji Saito

Masato Nakatani

Kazuo Fujisaki

Tatsushi Ichikawa

Seiji Sato

Genichi Ashiya

Katsuya Taniai

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 FY2016 (ending March 31, 2017), the balances of deposits and loans posted a steady increase from the previous fiscal year.

In terms of revenue, the Keiyo Bank posted ordinary profit of JPY17,239 million and net income of JPY11,616 million.

Balance of Deposits

JPY4,238.8 billion (Annual increase of 3.4%)

Due to expansion of the salary deposit and pension payment transactions with our bank account holders, the balance of deposits increased to JPY4,238.8 billion as of March 31, 2017, up JPY142.6 billion from the previous fiscal year (i.e., an annual increase of 3.4%), mainly in deposits by individuals.

Balance of Loans

JPY3,271.2 billion (Annual increase of 5.5%)

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 JPY3,271.2 billion as of March 31, 2017, up JPY172.3 billion from the previous fiscal year (i.e., an annual increase of 5.5%).

Ordinary Profit and Net Income

Ordinary profit: JPY17.2 billion / Net income: JPY11.6 billion

Ordinary profit for FY2016 was JPY17,239 million, down JPY6,692 million from the previous fiscal year. Net income for FY2016 was JPY11,616 million, down JPY3,915 million from the previous fiscal year.

Capital Adequacy Ratio

11.23%

The capital adequacy ratio of the Keiyo Bank was 11.23%, down 0.28 percentage point from the previous fiscal year. Nevertheless, this capital adequacy ratio was still relatively high.

The Keiyo Bank acquired 3 million shares of its own in May 2016 at the total purchase price of JPY 1,269 million.

Non-performing loans ratio

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

1.46%

The Keiyo Bank's non-performing loans ratio was 1.46% as of March 31, 2017, up 0.05 percentage point from the previous fiscal year, based on the Act on Emergency Measures for Revitalizing the Financial Functions of Japan. This ratio still 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

JPY1,236.3 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 JPY1,236.3 billion as of March 31, 2017, up JPY80.7 billion from the previous fiscal year (i.e., annual increase of 6.9%).

Balance of housing loans

JPY1,331.8 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, 2017 reached JPY1,331.8 billion, up JPY61.6 billion from the previous fiscal year (i.e., annual increase of 4.8%).

Balance of other loans (*)

JPY42.2 billion

The balance of other loans (*) reached JPY42.2 billion as of March 31, 2017, up JPY4.5 billion from the previous fiscal year (i.e., annual increase of 11.9%), 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 S&P Global Ratings, one of the world's top three credit-rating companies, was "A—" as of March 31, 2017. The credit rating (the long-term obligor rating) by Japan Credit Rating Agency remained "A+" as of March 31, 2017. Both rating companies gave higher ranking appraisal to the Keiyo Bank.

Consolidated Balance Sheets

	Unit:JPY million	Unit:Thousands of U.S. dollars	※Note
	2015	2016	2016
Assets:			
Cash and due from banks	¥ 336,389	¥ 214,970	\$ 1,916,130
Call loans and bills bought	7,780	6,082	54,213
Trading account securities	3,671	4,192	37,372
Securities	964,613	1,013,957	9,037,864
Loans and bills discounted	3,098,839	3,271,474	29,160,123
Foreign exchanges	1,699	2,861	25,505
Other assets	11,692	17,854	159,147
Tangible fixed assets	67,786	67,236	599,308
Buildings, net	28,886	28,594	254,880
Land	31,530	31,275	278,773
Construction in progress	926	871	7,766
Other tangible fixed assets	6,443	6,494	57,888
Intangible fixed assets	1,932	3,304	29,455
Software	1,000	1,642	14,642
Software in progress	731	1,461	13,028
Other intangible fixed assets	200	200	1,783
Deferred tax assets	67	60	538
Customers' liabilities for acceptances and guarantees	7,433	6,159	54,905
Allowance for loan losses	△8,222	△9,729	△86,726
Total assets	4,493,684	4,598,425	40,987,839
Liabilities:			
Deposits	¥ 4,095,472	¥ 4,237,075	\$ 37,766,961
Negotiable certificates of deposit	11,467	13,500	120,331
Call money and bills sold	—	—	—
Borrowed money	62,400	32,400	288,797
Foreign exchanges	137	106	945
Other liabilities	10,314	8,923	79,538
Provision for bonuses	1,294	1,292	11,520
Provision for directors' bonuses	82	66	588
Net defined benefit liability	6,791	4,056	36,157
Provision for directors' retirement benefits	8	2	22
Provision for loss on interest repayment	13	15	141
Provision for reimbursement of deposits	527	573	5,112
Provision for contingent loss	699	628	5,602
Deferred tax liabilities	9,276	5,762	51,367
Deferred tax liabilities for land revaluation	4,687	4,643	41,387
Acceptances and guarantees	7,433	6,159	54,905
Total liabilities	4,210,607	4,315,206	38,463,379
Net assets:			
Capital stock	¥ 49,759	¥ 49,759	\$ 443,531
Capital surplus	39,718	39,704	353,906
Retained earnings	151,110	158,239	1,410,464
Treasury shares	△13,450	△12,973	△115,642
Total shareholders' equity	227,137	234,730	2,092,259
Valuation difference on available-for-sale securities	49,029	40,541	361,364
Revaluation reserve for land	6,625	6,602	58,853
Remeasurements of defined benefit plans	△3,015	△2,342	△20,876
Total accumulated other comprehensive income	52,639	44,802	399,341
Subscription rights to shares	315	287	2,563
Non-controlling interests	2,983	3,398	30,295
Total net assets	283,077	283,219	2,524,460
Total liabilities and net assets	4,493,684	4,598,425	40,987,839

Summary of Performance Results (consolidated)

	Unit:JPY million	Unit:Thousands of U.S. dollars	※Note
	FY2015	FY2016	FY2016
Ordinary income	¥ 70,526	¥ 66,570	\$ 593,372
Ordinary profit	24,041	17,666	157,472
Profit attributable to owners of parent	15,188	11,634	103,707
Comprehensive income	15,150	4,156	37,047
Total net assets	283,077	283,219	2,524,460
Total assets	4,493,684	4,598,425	40,987,839
Capital adequacy ratio (Based on standards for a domestically-operating bank)	11.54%	11.26%	11.26%

※Note: U.S. dollar amounts are shown solely for the purpose of convenience and calculated at the conversion rate of ¥112.19 to US\$1.00, the exchange rate prevailing on March 31, 2017

Consolidated Statements of (comprehensive) Income

	Unit:JPY million	Unit:Thousands of U.S. dollars	
	2015	2016	※Note 2016
Ordinary income	¥ 70,526	¥ 66,570	\$ 593,372
Interest income	54,083	51,112	455,586
Interest on loans and discounts	40,295	38,269	341,111
Interest and dividends on securities	13,240	12,301	109,650
Interest on call loans and bills bought	69	70	625
Interest on deposits with banks	476	470	4,193
Other interest income	0	0	5
Fees and commissions	10,954	10,434	93,004
Other ordinary income	2,902	3,297	29,390
Other income	2,586	1,726	15,391
Reversal of allowance for loan losses	533	—	—
Recoveries of written off claims	1	9	84
Other	2,051	1,717	15,306
Ordinary expenses	¥ 46,485	¥ 48,903	\$ 435,899
Interest expenses	1,941	1,105	9,855
Interest on deposits	1,652	837	7,469
Interest on negotiable certificates of deposit	13	2	20
Interest on call money and bills sold	0	△5	△45
Interest on payables under securities lending transactions	201	249	2,224
Interest on borrowings and rediscounts	73	21	187
Fees and commissions payments	3,716	3,812	33,983
Other ordinary expenses	—	26	236
General and administrative expenses	38,100	39,035	347,942
Other expenses	2,727	4,923	43,881
Provision of allowance for loan losses	—	2,832	25,249
Other	2,727	2,090	18,632
Ordinary profit	¥ 24,041	¥ 17,666	\$ 157,472
Extraordinary income	13	4	39
Gain on disposal of non-current assets	13	4	39
Extraordinary losses	284	558	4,975
Loss on disposal of non-current assets	284	439	3,920
Impairment loss	—	118	1,054
Profit before income taxes	¥ 23,769	¥ 17,113	\$ 152,537
Income taxes-current	6,953	5,330	47,512
Income taxes-deferred	1,309	△128	△1,142
Total income taxes	8,263	5,202	46,369
Profit	15,506	11,910	106,167
Profit attributable to non-controlling interests	317	276	2,460
Profit attributable to owners of parent	¥ 15,188	¥ 11,634	\$ 103,707

Consolidated Statements of Comprehensive Income

	Unit:JPY million	Unit:Thousands of U.S. dollars	
	2015	2016	※Note 2016
Profit	¥ 15,506	¥ 11,910	\$ 106,167
Other comprehensive income	△355	△7,754	△69,120
Valuation difference on available-for-sale securities	3,018	△8,428	△75,124
Revaluation reserve for land	246	—	—
Remeasurements of defined benefit plans, net of tax	△3,620	673	6,003
Comprehensive income	15,150	4,156	37,047
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	14,817	3,820	34,052
Comprehensive income attributable to non-controlling interests	333	335	2,994

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