



2020
Annual Report

Year Ended March 31, 2020

The Keiyo Bank, Ltd.

Message from the President



Toshiyuki Kumagai
President

We appreciate your continued patronage extended to the Keiyo Bank.

In addition, we would like to extend our sincere sympathies to those infected with the novel coronavirus disease (COVID-19), their families, and all those affected by COVID-19.

We are pleased to announce the “Keiyo Bank 2020 Annual Report.” We hope you will deepen your understanding of the Keiyo Bank by reading this report.

The Japanese economy is rapidly deteriorating due to stagnation in corporate production activities and household consumption activities caused by the spread of COVID-19, and various issues have been emerging in the local communities. We, as local financial institutions, are required to be more actively involved in the revitalization of the economy of local communities than ever before by demonstrating the function of financial intermediaries and by providing customer-oriented, high-quality services. In such an environment, we will address the following issues to “maintain a firm connection with our customers in the future.”

Active Contribution to the Real Economy

In order to support those affected by the spread of COVID-19 and recovery from the devastating damage caused by typhoons in 2019, we will further strengthen our financial facilitation system and give full play to our consulting functions. For corporate customers, we will support “business and employment” by smoothly addressing new loans and flexibly responding to changes in repayment conditions. In addition, with respect to individual customers, we will support “life and property” by sincerely approaching each individual, such as by providing advice on loan repayment and appropriate after-sales support for long-term asset management. The spread of COVID-19 has significantly changed social lifestyles, including means of communication with customers and work styles. With the aim of adapting to the ‘new era with COVID-19,’ we are pursuing further digitalization, such as by enhancing paperless operations and non-face-to-face communication channels. We will continue to actively contribute to the real economy in local communities by practicing sales that are closely tied to customers.

Upgrade of the Business Management System

In order to continue to be a bank that is trusted by residents of the local communities, it is essential to upgrade our business management system. The Keiyo Bank will work to further strengthen its risk management system, including credit risk, as well as its compliance system, which it regards as one of the priority issues for management. We will also enhance our efforts to protect customers by preventing financial crime such as money laundering and by thoroughly managing customer information. In addition, the Keiyo Bank aims to further increase its corporate value over the mid- to -long term by enhancing corporate governance and by implementing management with awareness of the Sustainable Development Goals (SDGs).

Through these initiatives, 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 2020

18th Mid-term Business Plan					
α ACTION PLAN 2021 - “Further Advancements”					
Basic Policy (Slogan) - “A Bank Boasting the Highest Satisfaction From Both Customers and Employees.”					
Business Plan Period	April 2018 to March 2021 (3 years)				
Key Strategies	1. Business operations tailored to customers’ needs				
	2. Establishment of omnichannel				
	3. Reforms to become a professional group where all employees can shine				
	4. Low cost operations and profit growth				
Numerical Targets	Profit: JPY15.0 billion	Fees and commissions: JPY15.0 billion	OHR: approx. 60%	Balance of deposits: JPY5 trillion	Balance of loans: JPY4 trillion

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.:	284 locations in total:
Headquarters/branch offices:	120
Sub-branch offices:	2
ATM installments:	162
Employees:	1,984 people
Total assets:	JPY 4,990.2 billion
Deposits:	JPY 4,668.2 billion
Loans:	JPY 3,694.2 billion
Capital adequacy ratio:	10.85% (non-consolidated) 10.83% (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, 2020)

Board of Directors and Corporate Auditors

President (Representative Director)

Toshiyuki Kumagai

Vice President (Representative Director)

Kiyoshi Hashimoto

Director

Director Senior Managing Executive Officer

Satoru Akiyama

Director Managing Executive Officer

Tatsushi Ichikawa

Kazuo Fujisaki

Seiji Sato

Director (Outside Director)

Yasushi Saito

Katsusada Akiyama

Hiroshi Uchimura

Tomoko Tobe

Executive Officer

Managing Executive Officer

Katsuya Taniai

Hiromi Kosaka

Executive Officer

Genichi Ashiya

Minoru Yoshida

Tomoyuki Kunii

Yasuhiko Suba

Hideaki Ushikawa

Go Fujita

Corporate Auditor

Standing Corporate Auditor

Koichi Takahashi

Kazuhiro Hieda

Corporate Auditor (Outside Corporate Auditor)

Isao Ono

Tsutomu Hanada

Jun-ichi Iwahara

Summary of Performance Results (non-consolidated)

Operational results (non-consolidated basis)

Highlights

As for the operational results for FY2019 (ended March 31, 2020), the balances of deposits and loans posted a steady increase from the previous fiscal year.

Ordinary profit decreased by JPY7,517 million from the previous fiscal year to JPY7,808 million, and profit decreased by JPY5,015 million to JPY5,511 million due to an increase in credit costs.

Balance of deposits

JPY4,668.2 billion (Annual increase of 2.4%)

Due mainly to the salary deposits and pension payments with our bank account holders, the balance of deposits increased to JPY4,668.2 billion as of March 31, 2020, up JPY109.7 billion from the previous fiscal year (i.e., an annual increase of 2.4%).

Balance of loans

JPY3,694.2 billion (Annual increase of 2.2%)

As a result of our approach mainly for loans for individuals such as housing loans, the balance of loans reached JPY3,694.2 billion as of March 31, 2020, up JPY80.8 billion from the previous fiscal year (i.e., an annual increase of 2.2%).

Ordinary profit and profit

Ordinary profit: JPY7.8 billion/Profit: JPY5.5 billion

Ordinary profit decreased by JPY7,517 million from the previous fiscal year to JPY7,808 million, and profit decreased by JPY5,015 million to JPY5,511 million due to a temporary increase in credit costs caused by implementing a preventive provision against changes in business conditions at business partners and the spread of COVID-19.

Capital adequacy ratio

10.85%

The capital adequacy ratio increased by 0.07 percentage points from the previous fiscal year to 10.85%, mainly due to an increase in equity capital.

Non-performing loans ratio

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

1.26%

The Keiyo Bank's non-performing loans ratio was 1.26% as of March 31, 2020, up 0.09 percentage points from the previous fiscal year, based on the Act on Emergency Measures for Revitalizing the Financial Functions of Japan.

Balance of loans to small and medium-sized companies, etc.

JPY2,995.9 billion

As a result of our response to the financial needs of the residents of the local communities, the balance of loans to small and medium-sized companies, etc., as of March 31, 2020 reached JPY2,995.9 billion, up JPY35.7 billion from the previous fiscal year (i.e., annual increase of 1.2%).

* loans to small and medium-sized companies, etc. = loans for individuals + loans for small and medium-sized companies

Balance of housing loans

JPY1,529.6 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, 2020 reached JPY1,529.6 billion, up JPY67.7 billion from the previous fiscal year (i.e., annual increase of 4.6%).

Balance of other loans (*)

JPY48.3 billion

The balance of loans for individuals and other (*) reached JPY48.3 billion as of March 31, 2020, up JPY1.4 billion from the previous fiscal year (i.e., annual increase of 3.1%), 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, 2020. The credit rating (the long-term obligor rating) by Japan Credit Rating Agency remained "A+" as of June 30, 2020. Both rating companies gave higher ranking appraisal to the Keiyo Bank.

(Unaudited)

Consolidated Balance Sheets

	Unit:JPY million	Unit:Thousands of U.S. dollars	※Note
	2018	2019	2019
Assets:			
Cash and due from banks	¥ 275,936	¥ 250,132	\$ 2,298,373
Call loans and bills bought	6,265	3,980	36,570
Trading account securities	4,247	3,931	36,120
Securities	888,553	933,367	8,576,375
Loans and bills discounted	3,613,625	3,694,413	33,946,641
Foreign exchanges	2,949	3,498	32,141
Other assets	40,335	39,748	365,230
Tangible fixed assets	63,385	61,313	563,383
Buildings, net	26,684	25,388	233,281
Land	31,106	31,059	285,390
Construction in progress	94	134	1,231
Other tangible fixed assets	5,499	4,731	43,471
Intangible fixed assets	5,661	6,222	57,171
Software	2,261	1,966	18,064
Software in progress	3,200	4,056	37,269
Other intangible fixed assets	199	199	1,828
Deferred tax assets	37	6,809	62,565
Customers' liabilities for acceptances and guarantees	3,915	3,940	36,203
Allowance for loan losses	△9,545	△12,635	△116,098
Total assets	4,895,368	4,994,723	45,894,725
Liabilities:			
Deposits	¥ 4,556,163	¥ 4,665,243	\$ 42,867,251
Negotiable certificates of deposit	16,000	17,000	156,206
Foreign exchanges	173	135	1,240
Other liabilities	10,782	15,242	140,053
Provision for bonuses	1,245	1,307	12,009
Provision for bonuses for directors (and other officers)	66	61	560
Retirement benefit liability	2,669	2,507	23,035
Provision for retirement benefits for directors (and other officers)	5	2	18
Provision for loss on interest repayment	8	5	45
Provision for reimbursement of deposits	623	799	7,341
Provision for contingent loss	867	1,165	10,704
Deferred tax liabilities	3,349	363	3,335
Deferred tax liabilities for land revaluation	4,639	4,639	42,626
Acceptances and guarantees	3,915	3,940	36,203
Total liabilities	4,600,513	4,712,416	43,300,707
Net assets:			
Share capital	¥ 49,759	¥ 49,759	\$ 457,217
Capital surplus	39,704	39,704	364,825
Retained earnings	174,810	171,957	1,580,051
Treasury shares	△12,789	△8,432	△77,478
Total shareholders' equity	251,485	252,989	2,324,625
Valuation difference on available-for-sale securities	33,642	20,065	184,370
Revaluation reserve for land	6,858	7,198	66,139
Remeasurements of defined benefit plans	△1,663	△2,744	△25,213
Total accumulated other comprehensive income	38,837	24,519	225,296
Share acquisition rights	293	346	3,179
Non-controlling interests	4,238	4,451	40,898
Total net assets	294,855	282,306	2,594,009
Total liabilities and net assets	4,895,368	4,994,723	45,894,725

Summary of Performance Results (consolidated)

	Unit:JPY million	Unit:Thousands of U.S. dollars	※Note
	FY2018	FY2019	FY2019
Ordinary income	¥ 67,465	¥ 68,081	\$ 625,571
Ordinary profit	15,670	8,182	75,181
Profit attributable to owners of parent	10,547	5,564	51,125
Comprehensive income	3,824	△8,875	△81,549
Total net assets	294,855	282,306	2,594,009
Total assets	4,895,368	4,994,723	45,894,725
Capital adequacy ratio (Based on standards for a domestically-operating bank)	10.78%	10.83%	10.83%

※Note:U.S.dollar amounts are shown solely for the purpose of convenience and calculated at the conversion rate of ¥108.83 to US\$1.00, the exchange rate prevailing on March 31, 2020

Consolidated Statements of (comprehensive) Income

	Unit:JPY million	Unit:Thousands of U.S. dollars	※Note
	2018	2019	2019
Ordinary income	¥ 67,465	¥ 68,081	\$ 625,571
Interest income	48,735	47,930	440,411
Interest on loans and discounts	37,183	36,557	335,909
Interest and dividends on securities	10,934	10,818	99,402
Interest on call loans and bills bought	140	87	799
Interest on deposits with banks	466	466	4,281
Other interest income	9	0	0
Fees and commissions	11,370	10,849	99,687
Other ordinary income	1,380	1,801	16,548
Other income	5,979	7,499	68,905
Recoveries of written off receivables	4	3	27
Other	5,974	7,496	68,878
Ordinary expenses	¥ 51,794	¥ 59,899	\$ 550,390
Interest expenses	811	778	7,148
Interest on deposits	503	454	4,171
Interest on negotiable certificates of deposit	2	2	18
Interest on call money and bills sold	△14	△12	△110
Interest on payables under securities lending transactions	320	334	3,069
Interest on borrowings and rediscounts	0	0	0
Fees and commissions payments	4,003	4,447	40,861
Other ordinary expenses	1,775	471	4,327
General and administrative expenses	37,418	37,067	340,595
Other expenses	7,785	17,134	157,438
Provision of allowance for loan losses	5,055	13,188	121,179
Other	2,730	3,945	36,249
Ordinary profit	¥ 15,670	¥ 8,182	\$ 75,181
Extraordinary income	—	235	2,159
Gain on disposal of non-current assets	—	235	2,159
Extraordinary losses	238	329	3,023
Loss on disposal of non-current assets	101	127	1,166
Impairment loss	137	202	1,856
Profit before income taxes	¥ 15,432	¥ 8,087	\$ 74,308
Income taxes - current	4,716	5,514	50,666
Income taxes - deferred	△23	△3,198	△29,385
Total income taxes	4,693	2,316	21,280
Profit	10,739	5,771	53,027
Profit attributable to non-controlling interests	191	206	1,892
Profit attributable to owners of parent	¥ 10,547	¥ 5,564	\$ 51,125

Consolidated Statements of Comprehensive Income

	Unit:JPY million	Unit:Thousands of U.S. dollars	※Note
	2018	2019	2019
Profit	¥ 10,739	¥ 5,771	\$ 53,027
Other comprehensive income	△6,914	△14,646	△134,576
Valuation difference on available-for-sale securities	△6,638	△13,558	△124,579
Remeasurements of defined benefit plans, net of tax	△276	△1,088	△9,997
Comprehensive income	3,824	△8,875	△81,549
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	3,433	△9,093	△83,552
Comprehensive income attributable to non-controlling interests	390	217	1,993

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