



**BANK**

2018

# Annual Report

Year Ended March 31, 2018

**The Keiyo Bank, Ltd.**

## Message from the President



**Toshiyuki Kumagai**  
President

We appreciate your continued patronage extended to the Keiyo Bank.

The Japanese economy continues to experience a moderate recovery path, whereas social structural problems over a long time of period such as the decreasing population, and also the aging population and the falling birthrate, have further progressed. Thus, customer expectations run higher 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.

Under these circumstances, the Keiyo Bank started the “ $\alpha$  ACTION PLAN 2021”, our 18th mid-term business plan for 3 years started from April 2018. 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 achieve “further advancements”.

### **Business operations tailored to customers’ needs**

We established a “Corporate Business Division” in the headquarters in order to strengthen initiatives to support companies with financing and productivity improvement through business potential assessment by starting dialogues with their management people. We prepared a system to provide optimized solutions to solve business issues. With respect to individual customers, we further promoted customer-first business operations (fiduciary duty) and newly established a “Retail Business Division” to support asset building and inheritance. We continue to strive to enhance higher added-value services and to carry on business operations tailored to customers’ needs.

### **Establishment of omnichannel**

The Keiyo Bank will strengthen our initiatives in the field of fintech in addition to enhancing our services for non-face-to-face channels which proactively utilize information and communications technology (ICT), enabling customers to use our convenient services safely and comfortably at anytime, anywhere. In face-to-face channels, we are steadily opening “next-generation” branches and establish an environment for customers to use our services conveniently. We will also make reforms to create a consulting area in which more in-depth discussions can take place.

### **Reforms to become a professional group where all employees can shine**

In order to offer added-value (of “plus something”) services to our customers, the Keiyo Bank will establish diverse career forms and a system of talent development, evaluation, and remuneration which fits each and every employee. Furthermore, we will provide employee support to promote diversity and strive to nurture professional human resources and human resources who possess a wide array of knowledge, skills, and experience.

With “work style reforms”, we will promote work-life balance among our employees and review the business operations as we seek to boost productivity.

### **Low cost operations and profit growth**

As we concentrate on business operations from a customer’s perspective, we will conduct business process re-engineering (BPR) to further boost competitiveness and promote low cost operations. In addition to transferring clerical staff to sales positions, the Keiyo Bank will attempt to grow profits through efficient strategies, such as implementing an area system in operations. Through these initiatives, we aim to achieve a sustainable growth and enhance the mid- to -long term corporate value.

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. 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 2018

## 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.:	285 locations in total:
Headquarters/branch offices:	120
Sub-branch offices:	2
ATM installments:	163
Employees:	2,085 people
Total assets:	JPY 4,785.2 billion
Deposits:	JPY 4,421.5 billion
Loans:	JPY 3,454.3 billion
Capital adequacy ratio:	10.95% (non-consolidated) 10.98% (consolidated) (Based on new standards for a domestically-operating banks)
Credit rating:	A <sup>-</sup> (by S&P Global Rating) A <sup>+</sup> (by Japan Credit Rating Agency) (As of March 31, 2018)

## 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

Tetsuya Sakasai

Satoru Akiyama

#### **Director** (Outside Director)

Yasushi Saito

Katusada Akiyama

Hiroshi Uchimura

### **Executive Officer**

#### **Managing Executive Officer**

Tatsushi Ichikawa

#### **Executive Officer**

Kenji Saito

Masato Nakatani

Kazuo Fujisaki

Seiji Sato

Genichi Ashiya

Katsuya Taniai

Hiromi Kosaka

### **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 FY2017 (ended March 31, 2018), 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 JPY17,364 million and profit of JPY12,093 million. The Keiyo Bank posted ordinary profit and profit growth for the first time in four and two years, respectively.

### Balance of Deposits

#### JPY4,421.5 billion (Annual increase of 4.3%)

Due to expansion of the salary deposit and pension payment transactions with our bank account holders, the balance of deposits increased to JPY4,421.5 billion as of March 31, 2018, up JPY182.7 billion from the previous fiscal year (i.e., an annual increase of 4.3%), mainly in deposits by individuals.

### Balance of Loans

#### JPY3,454.3 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 JPY3,454.3 billion as of March 31, 2018, up JPY183.1 billion from the previous fiscal year (i.e., an annual increase of 5.5%).

### Ordinary Profit and Profit

#### Ordinary profit: JPY17.3 billion / Profit: JPY12.0 billion

Ordinary profit for FY2017 was JPY17,364 million, up JPY125 million from the previous fiscal year. Profit for FY2017 was JPY12,093 million, up JPY476 million from the previous fiscal year.

### Capital Adequacy Ratio

#### 10.95%

The capital adequacy ratio of the Keiyo Bank was 10.95%, down 0.27 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)

### 1.33%

The Keiyo Bank's non-performing loans ratio was 1.33% as of March 31, 2018, down 0.13 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

### JPY1,344.6 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 JPY1,344.6 billion as of March 31, 2018, up JPY108.2 billion from the previous fiscal year (i.e., annual increase of 8.7%).

## Balance of housing loans

### JPY1,395.6 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, 2018 reached JPY1,395.6 billion, up JPY63.8 billion from the previous fiscal year (i.e., annual increase of 4.7%).

## Balance of other loans (\*)

### JPY45.4 billion

The balance of other loans(\*) reached JPY45.4 billion as of March 31, 2018, up JPY3.1 billion from the previous fiscal year (i.e., annual increase of 7.3%), 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, 2018. The credit rating (the long-term obligor rating) by Japan Credit Rating Agency remained "A+" as of June 30, 2018. Both rating companies gave higher ranking appraisal to the Keiyo Bank.

## Consolidated Balance Sheets

	Unit:JPY milion		Unit:Thousands of U.S. dollars
	2016	2017	2017
※Note			
<b>Assets:</b>			
Cash and due from banks	¥ 214,970	¥ 291,325	\$ 2,742,140
Call loans and bills bought	6,082	9,900	93,185
Trading account securities	4,192	4,195	39,486
Securities	1,013,957	928,118	8,736,050
Loans and bills discounted	3,271,474	3,454,643	32,517,347
Foreign exchanges	2,861	4,292	40,399
Other assets	17,854	31,898	300,244
Tangible fixed assets	67,236	65,706	618,467
Buildings, net	28,594	28,077	264,278
Land	31,275	31,175	293,439
Construction in progress	871	409	3,849
Other tangible fixed assets	6,494	6,043	56,880
Intangible fixed assets	3,304	4,471	42,083
Software	1,642	2,329	21,922
Software in progress	1,461	1,941	18,269
Other intangible fixed assets	200	200	1,882
Deferred tax assets	60	42	395
Customers' liabilities for acceptances and guarantees	6,159	4,400	41,415
Allowance for loan losses	△9,729	△9,495	△89,373
<b>Total assets</b>	<b>4,598,425</b>	<b>4,789,498</b>	<b>45,081,871</b>
<b>Liabilities:</b>			
Deposits	¥ 4,237,075	¥ 4,419,524	\$ 41,599,435
Negotiable certificates of deposit	13,500	13,500	127,070
Borrowed money	32,400	31,400	295,557
Foreign exchanges	106	225	2,117
Other liabilities	8,923	10,324	97,176
Provision for bonuses	1,292	1,281	12,057
Provision for directors' bonuses	66	66	621
Net defined benefit liability	4,056	2,631	24,764
Provision for directors' retirement benefits	2	5	47
Provision for loss on interest repayment	15	12	112
Provision for reimbursement of deposits	573	622	5,854
Provision for contingent loss	628	680	6,400
Deferred tax liabilities	5,762	6,316	59,450
Deferred tax liabilities for land revaluation	4,643	4,643	43,702
Acceptances and guarantees	6,159	4,400	41,415
<b>Total liabilities</b>	<b>4,315,206</b>	<b>4,495,633</b>	<b>42,315,822</b>
<b>Net assets:</b>			
Capital stock	¥ 49,759	¥ 49,759	\$ 468,364
Capital surplus	39,704	39,704	373,719
Retained earnings	158,239	167,453	1,576,176
Treasury shares	△12,973	△12,947	△121,865
<b>Total shareholders' equity</b>	<b>234,730</b>	<b>243,970</b>	<b>2,296,404</b>
Valuation difference on available-for-sale securities	40,541	40,483	381,052
Revaluation reserve for land	6,602	6,602	62,142
Remeasurements of defined benefit plans	△2,342	△1,390	△13,083
<b>Total accumulated other comprehensive income</b>	<b>44,802</b>	<b>45,695</b>	<b>430,111</b>
Share acquisition rights	287	346	3,256
Non-controlling interests	3,398	3,852	36,257
<b>Total net assets</b>	<b>283,219</b>	<b>293,865</b>	<b>2,766,048</b>
<b>Total liabilities and net assets</b>	<b>4,598,425</b>	<b>4,789,498</b>	<b>45,081,871</b>

## Summary of Performance Results (consolidated)

	Unit:JPY milion		Unit:Thousands of U.S. dollars
	FY2016	FY2017	FY2017
※Note			
Ordinary income	¥ 66,570	¥ 65,139	\$ 613,130
Ordinary profit	17,666	17,787	167,422
Profit attributable to owners of parent	11,634	12,116	114,043
Comprehensive income	4,156	13,393	126,063
Total net assets	283,219	293,865	2,766,048
Total assets	4,598,425	4,789,498	45,081,871
Capital adequacy ratio (Based on standards for a domestically-operating bank)	11.26%	10.98%	10.98%

※Note:U.S.dollar amounts are shown solely for the purpose of convenience and calculated at the conversion rate of ¥106.24 to US\$1.00, the exchange rate prevailing on March 31, 2018

## Consolidated Statements of (comprehensive) Income

	Unit:JPY milion	Unit:Thousands of U.S. dollars	
	2016	2017	2017
	※Note		
<b>Ordinary income</b>	<b>¥ 66,570</b>	<b>¥ 65,139</b>	<b>\$ 613,130</b>
Interest income	51,112	49,713	467,931
Interest on loans and discounts	38,269	37,176	349,924
Interest and dividends on securities	12,301	11,961	112,584
Interest on call loans and bills bought	70	106	997
Interest on deposits with banks	470	468	4,405
Other interest income	0	0	0
Fees and commissions	10,434	10,662	100,357
Other ordinary income	3,297	1,569	14,768
Other income	1,726	3,193	30,054
Recoveries of written off claims	9	3	28
Other	1,717	3,190	30,026
<b>Ordinary expenses</b>	<b>¥ 48,903</b>	<b>¥ 47,351</b>	<b>\$ 445,698</b>
Interest expenses	1,105	860	8,094
Interest on deposits	837	567	5,336
Interest on negotiable certificates of deposit	2	3	28
Interest on call money and bills sold	△5	△16	△150
Interest on payables under securities lending transactions	249	306	2,880
Interest on borrowings and rediscounts	21	0	0
Fees and commissions payments	3,812	3,811	35,871
Other ordinary expenses	26	648	6,099
General and administrative expenses	39,035	38,389	361,342
Other expenses	4,923	3,641	34,271
Provision of allowance for loan losses	2,832	916	8,621
Other	2,090	2,725	25,649
<b>Ordinary profit</b>	<b>¥ 17,666</b>	<b>¥ 17,787</b>	<b>\$ 167,422</b>
Extraordinary income	4	106	997
Gain on disposal of non-current assets	4	106	997
Extraordinary losses	558	287	2,701
Loss on disposal of non-current assets	439	246	2,315
Impairment loss	118	41	385
<b>Profit before income taxes</b>	<b>¥ 17,113</b>	<b>¥ 17,606</b>	<b>\$ 165,719</b>
Income taxes - current	5,330	5,104	48,042
Income taxes - deferred	△128	122	1,148
Total income taxes	5,202	5,227	49,199
Profit	11,910	12,378	116,509
Profit attributable to non-controlling interests	276	262	2,466
<b>Profit attributable to owners of parent</b>	<b>¥ 11,634</b>	<b>¥ 12,116</b>	<b>\$ 114,043</b>

## Consolidated Statements of Comprehensive Income

	Unit:JPY milion	Unit:Thousands of U.S. dollars	
	2016	2017	2017
	※Note		
Profit	¥ 11,910	¥ 12,378	\$ 116,509
Other comprehensive income	△7,754	1,014	9,544
Valuation difference on available-for-sale securities	△8,428	62	583
Remeasurements of defined benefit plans, net of tax	673	952	8,960
Comprehensive income	4,156	13,393	126,063
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	3,820	13,009	122,449
Comprehensive income attributable to non-controlling interests	335	383	3,605

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

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