

A banner image at the top of the page. It features a blue and white background with the words 'Annual Report' in a large, light blue font. Overlaid on this are several colorful diagonal lines in red, green, and yellow. A hand holding a red pen is visible on the right side, appearing to write on a document.

Annual Report

Activities in Fiscal 2015

Review of Operations (non-consolidated)

Financial Summary (Non-Consolidated)

Increased revenue and earnings for three consecutive periods

Financial Summary (Non-Consolidated) (Billions of Yen)			
	FY2015	Year-on-year change	FY2014
Ordinary revenue	40.2	+1.5	38.7
Business gross profit (a)	31.7	+0.5	31.2
Expenses (b)	22.4	+0.4	22.0
Real net business profit (c=a-b)	9.3	+0.2	9.1
Net credit costs (d)	1.3	▲0.2	1.5
Other extraordinary gain/loss (e)	0.3	▲0.1	0.4
Ordinary profit (f=c-d+e)	8.3	+0.3	8.0
Net income	5.0	+0.8	4.2

* Increase and decrease is presented on a financial statement basis.

Financial Summary (Consolidated)

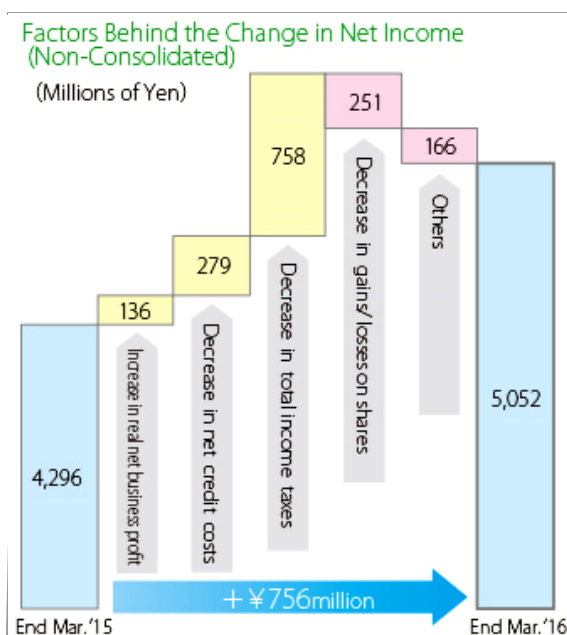
Besides Individual Contributory Factors, Making OCS into Subsidiary Increased Revenue and Earnings

Financial Summary (Consolidated) (Billions of Yen)			
	FY2015	Year-on-year change	FY2014
Ordinary revenue	59.9	+4.9	55.0
Ordinary expenses	49.8	+4.4	45.4
Ordinary profit	10.0	+0.5	9.5
Extraordinary gains or losses	4.0	+3.5	0.5
Gain on negative goodwill	4.3	+3.8	0.5
Net income for the period attributable to the owners of parent company	10.3	+4.8	5.5

* Due to revision under the Accounting Standard for Business Combinations "consolidated net income" has been revised to "net income for the period attributable to the owners of parent company."
* Increase and decrease is presented on a financial statement basis.

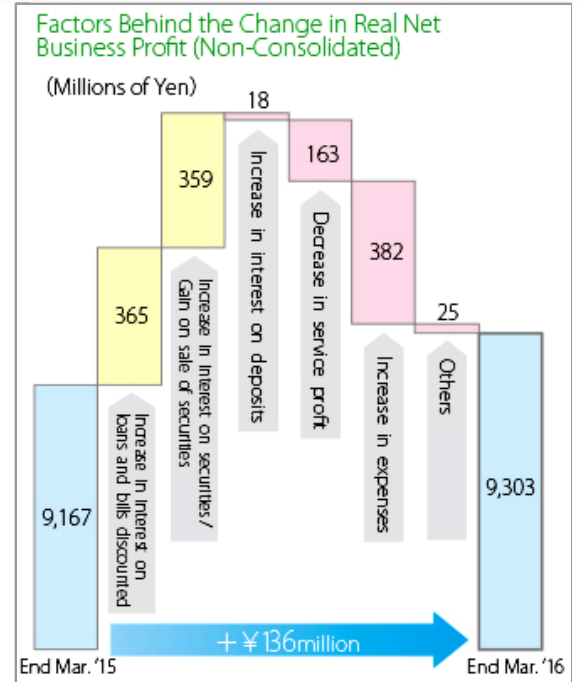
Factors Behind the Change in Net Income (Non-Consolidated)

Increase in Actual Business Net Income, Increase in Net Income due to Decreased Credit Limit Costs/Income Taxes



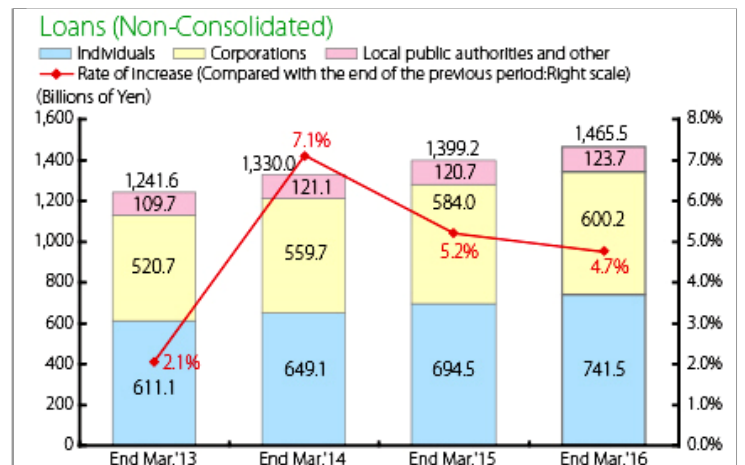
Factors Behind the Change in Real Net Business Profit (Non-Consolidated)

Increases for Three Consecutive Periods Due to Increased Loan Interest/Gain on Sale of Securities



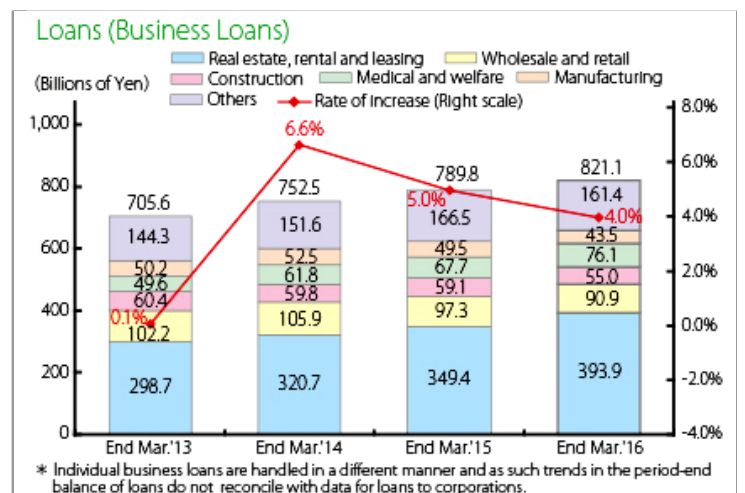
Loans (Non-Consolidated)

Favorable increases in both private and corporate businesses



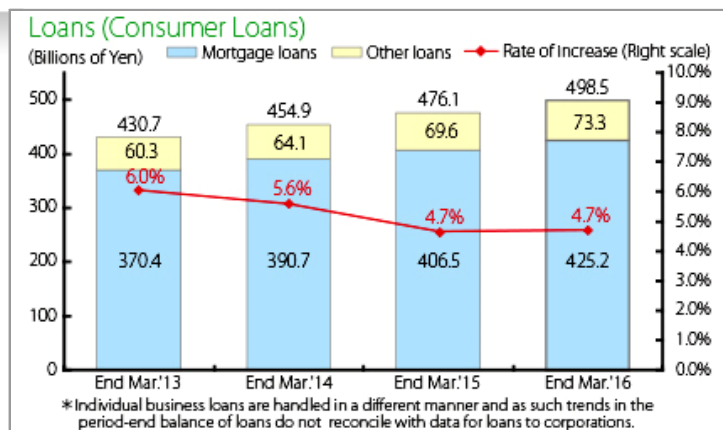
Loans (Business Loans)

Increase centered on real estate industry and medical welfare



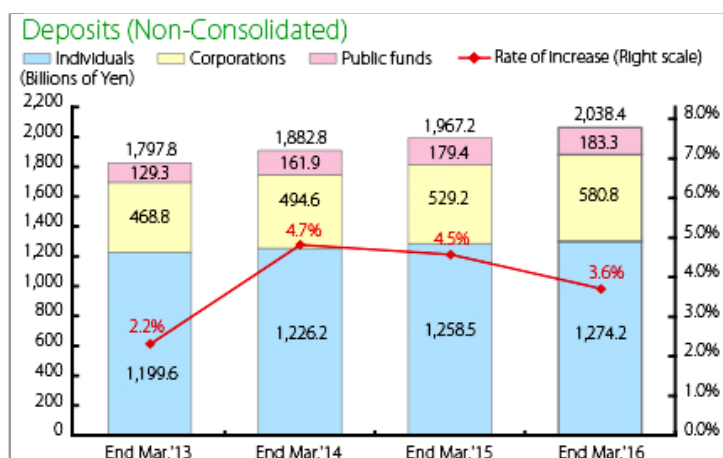
Loans (Consumer Loans)

Steadily increased due to new product sales and product revisions



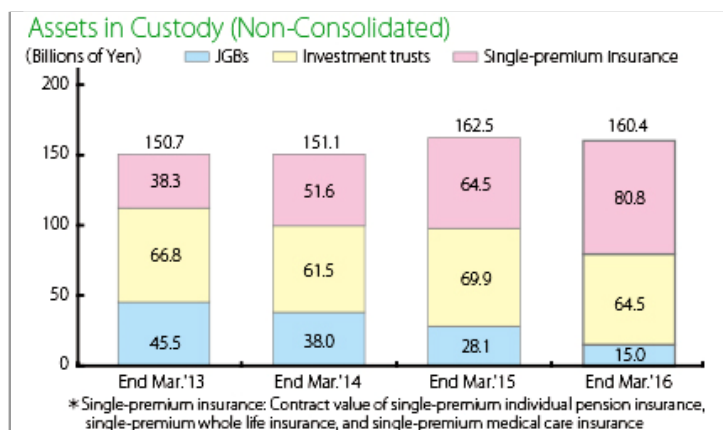
Deposits (Non-Consolidated)

Significant Increases in Private/Public Money, Including Corporations, Surpassed Two Trillion Yen



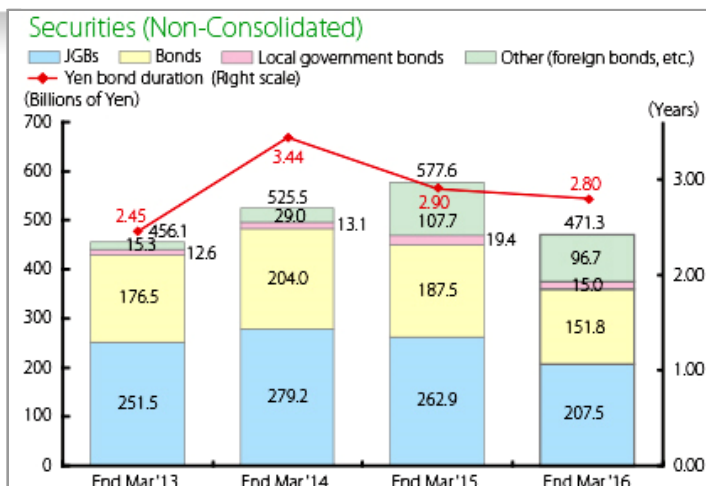
Assets in Custody (Non-Consolidated)

Increased Single-Premium Insurance but Decreased Investment Trust, JGB Balances



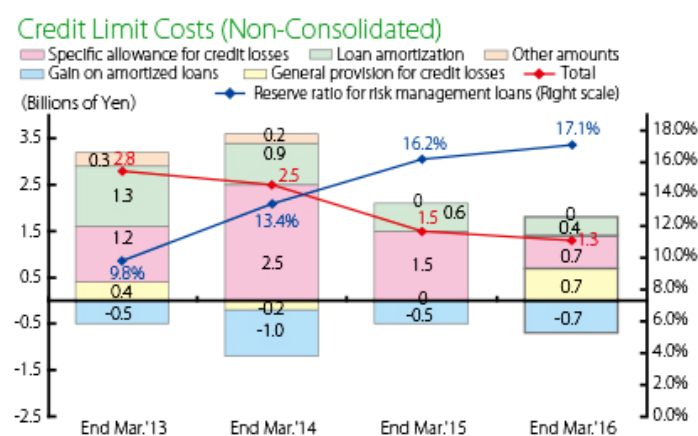
► Securities (Non-Consolidated)

Balance decreased due to redemption of JGBs and other factors



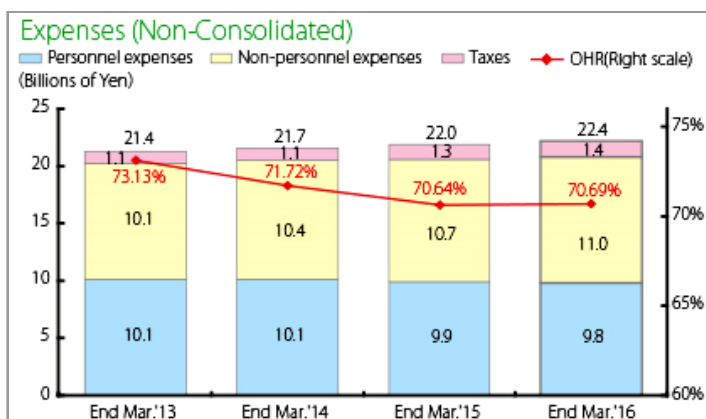
► Credit Limit Costs (Non-Consolidated)

Credit costs remained low and stable



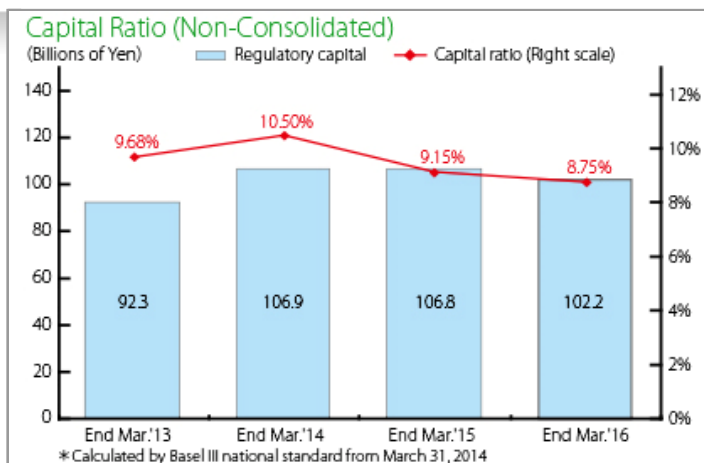
► Expenses (Non-Consolidated)

Increase, OHR Almost Unchanged Due Increases in Non-Personnel Expenses, Taxes



▶ Capital Ratio (Non-Consolidated)

Capital Adequacy Ratio Declines as Subordinated Debt Redemption Causes Capital Amount Decrease



▶ Earnings Forecasts for FY2016 (Non-Consolidated)

Decrease of ¥700 Million Expected in Current Period Net Income

Earnings Forecasts for FY2016 (Non-Consolidated)
(Billions of Yen)

	FY2016 (Forecasts)	Year-on-year change	FY2015
Ordinary revenue	38.7	-1.5	40.2
Ordinary profit	6.4	-1.9	8.3
Net income	4.3	-0.7	5.0

* Increase and decrease is presented on a financial statement basis

▶ Earnings Forecasts for FY2016 (Consolidated)

Profit Decline Expected Due to Recoil from Gain on Negative Goodwill and Other Factors

Earnings Forecasts for FY2016 (Consolidated)
(Billions of Yen)

	FY2016 (Forecasts)	Year-on-year change	FY2015
Ordinary revenue	59.0	-0.9	59.9
Ordinary profit	7.7	-2.3	10.0
Net income for the period attributable to the owners of parent company	4.9	-5.4	10.3
Annual dividend per share	35 (Yen)	—	35 (Yen)

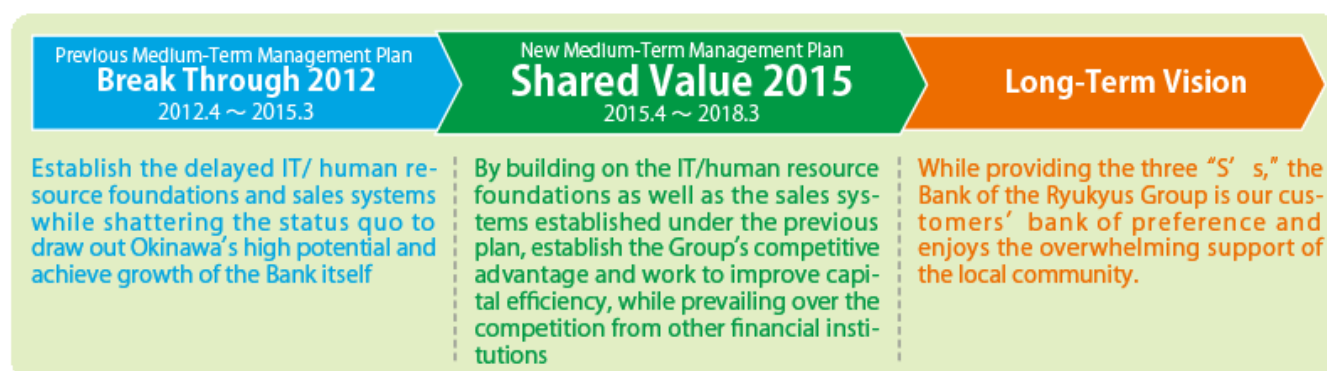
* Due to revision under the Accounting Standard for Business Combinations "consolidated net income" has been revised to "net income for the period attributable to the owners of parent company."
* Increase and decrease is presented on a financial statement basis

Shared Value 2015

New Medium-Term Management Plan: Shared Value 2015

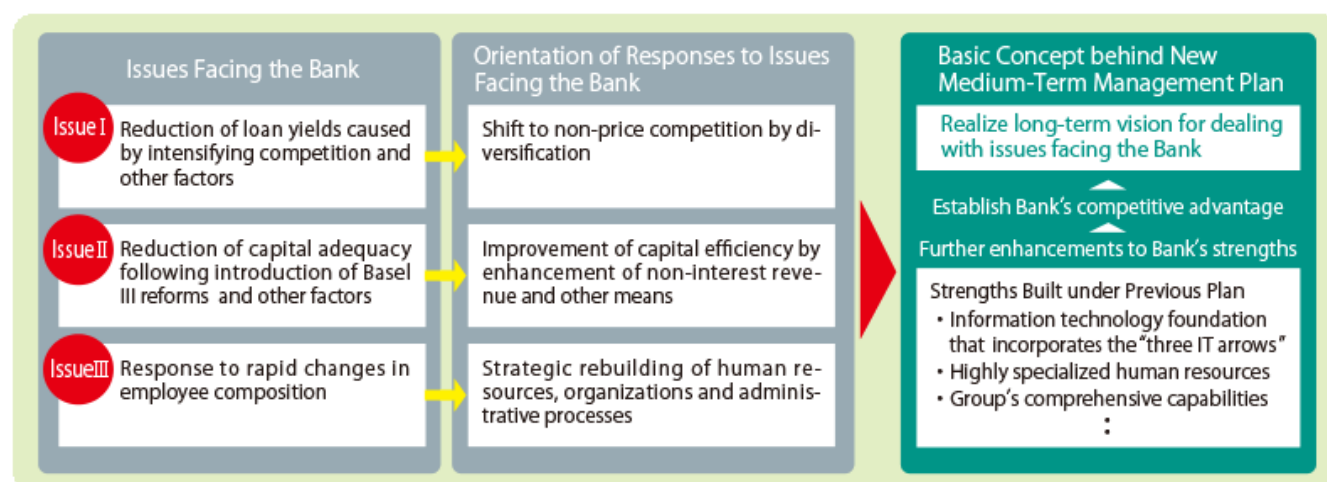
► Positioning of New Medium-Term Management Plan

Enabling the evolution of the previous plan, the New Medium-Term Management Plan is designed to strengthen the ability of the Bank of the Ryukyus to respond to changes in its management environment by establishing its competitive advantage.



► Concept of New Medium-Term Management Plan with Regard to Issues Facing the Bank

Deals with issues facing the Bank by further enhancing its strengths and establishing competitive advantage

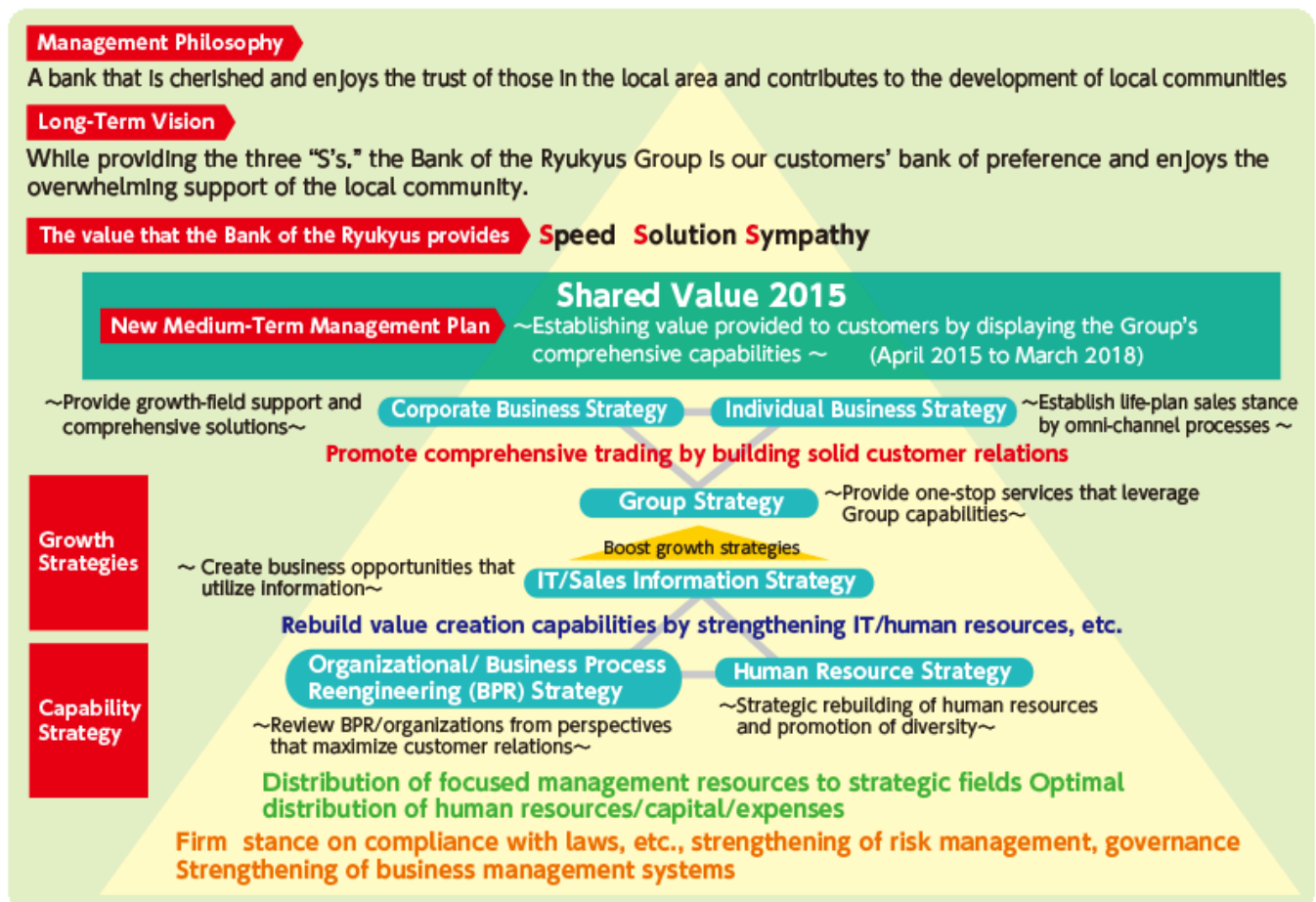


► Long-Term Vision

By providing value that is unmatched by other financial institutions and unique to us, we aim to remain "the Bank of the Ryukyus Group that is our customers' bank of preference and enjoys the overwhelming support of the local community."



Overall Picture of New Medium-Term Management Plan



Management Policy

Forging Stronger Bonds of Trust with the Local Community

Management Philosophy

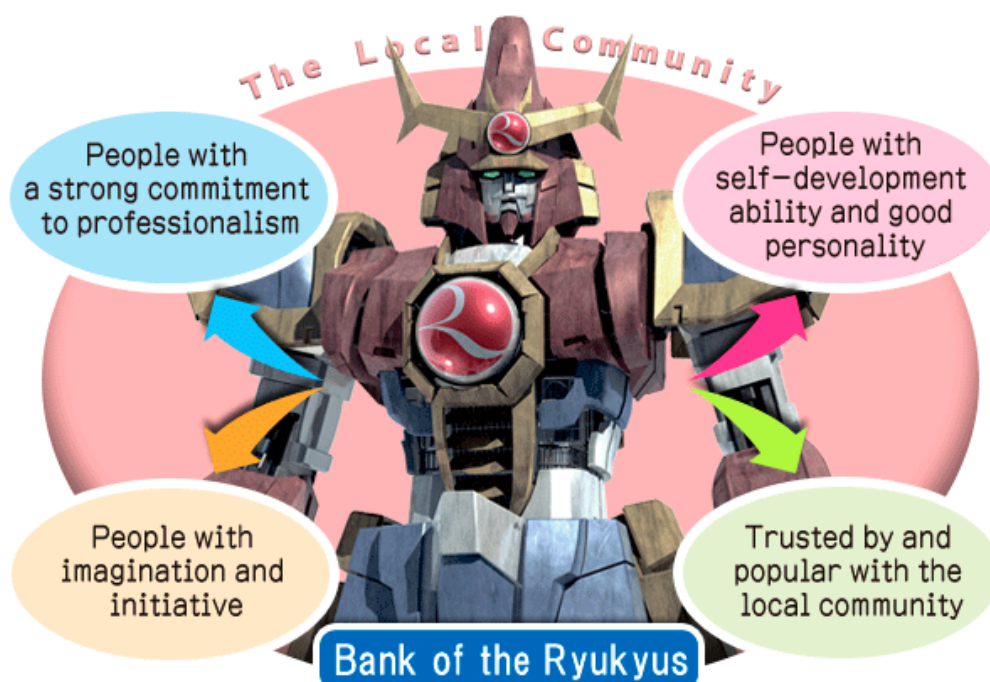
Bank of the Ryukyus (“the Bank”) has long followed a management philosophy of fostering a relationship of trust with the local community so as to contribute to the development of regional society. To continue putting this philosophy into practice in the future, the Bank and its group will enhance the range and quality of services offered, while establishing sound management practices that will enable us to cope with any change in the business environment. By so doing, we aim to meet the needs of the local community.

We see our Bank as: A provider of “solution-type” financial services

As a provider of “solution-type” financial services, the Bank will identify and resolve problems and issues facing the region, its corporations and its individual customers. That is the vision. Therefore, the Bank aims to promoting sustainable growth in partnership with our community, corporate and individual customers, by strengthening its capabilities in “solution-type” banking and providing a wider range of services.

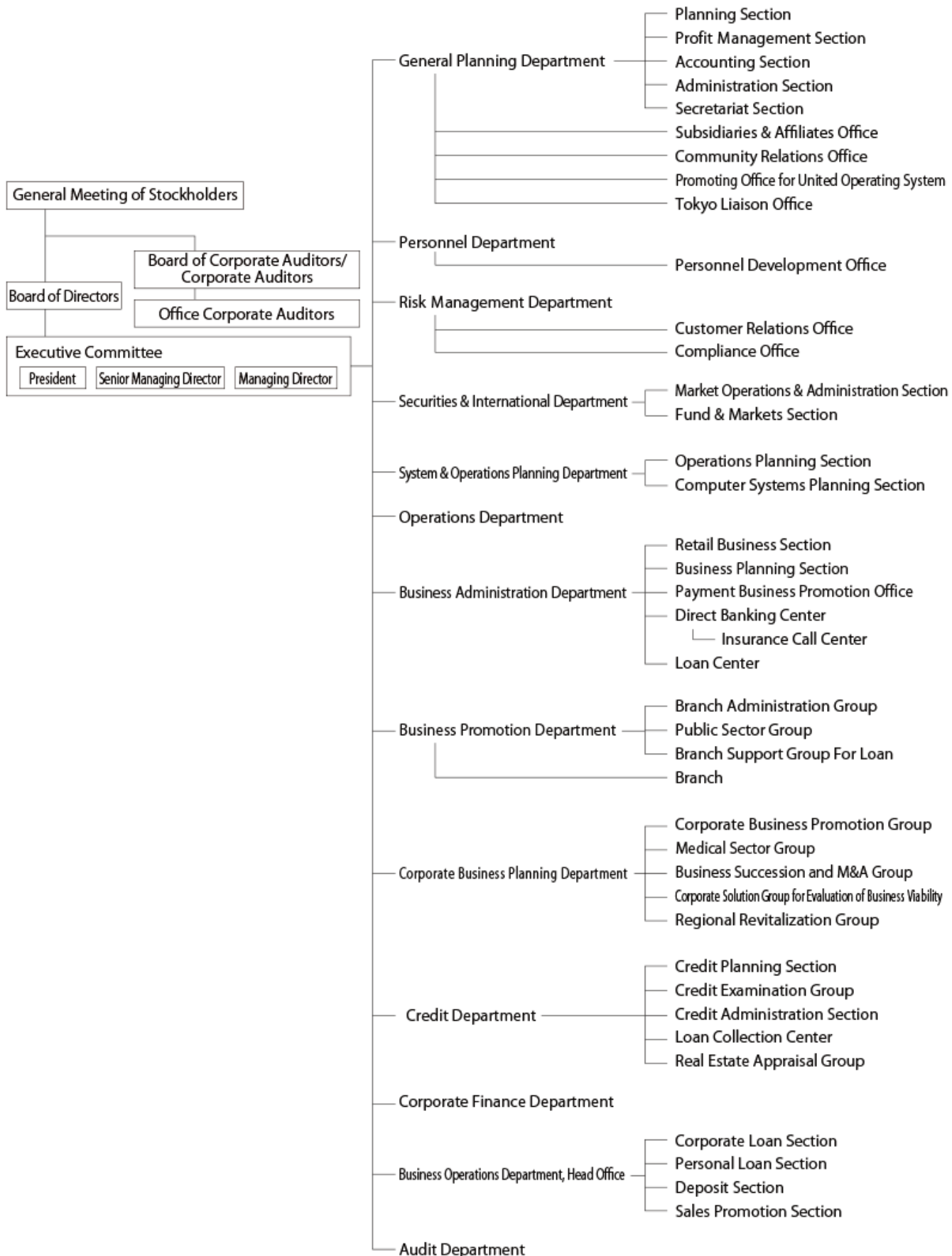
We see our employees as:

1. People with a strong commitment to professionalism
Ability to demonstrate strong business knowledge and competence. Determination to achieve goals.
2. People with imagination and initiative
Constant awareness of potential problems and a will to make changes when necessary. Ability to set an example through own initiative.
3. People with self-development ability and good personality
Persistence in self-development, to improve competence and ability to adapt to change, and willingness to embrace challenges.
4. Trusted by and popular with the local community
Ability to gain trust and support of local communities, and contribute to their growth



Organization

(As of April 1, 2017)



Profile

Bank of the Ryukyus, Ltd. was established in 1948 under an ordinance of the U.S. military for the purpose of restoring financial order and stabilizing the currency in order to facilitate the sound development of the Okinawan economy. From its founding up to the reversion of Okinawa to Japan, the Bank dedicated itself to promoting the development of the prefectural economy in its role as the region's de facto central bank.

When Okinawa was restored to Japanese sovereignty in 1972, the Bank reverted to the status of an ordinary bank subject to Japanese banking law, and as the prefecture's leading bank, it facilitated the transition to the Japanese economic and financial systems. In 1983, we became the first bank in Okinawa to be listed on the stock exchange, and in 1986 construction of our Computer Center was completed. In 1988, we established an international foundation. In this way, the Bank has been simultaneously working to strengthen its business structure and actively contribute to the prosperity of the regional community.

In June 2002, the decision was made to adopt an executive officer system, with the aim of facilitating more rapid response to changes in the banking environment, while enhancing the Bank's competitiveness as well as its level of overall efficiency.

In 2004, we introduced an Internet banking service, thereby becoming the first bank in the prefecture to offer online banking services for corporate clients.

In April 2015, we launched our new medium-term (four-year) management plan under the name Shared Value 2015.



Corporate Data

Non-Consolidated Data

▶ Non-Consolidated Data (As of March 31, 2016)

Date of Establishment	May 1, 1948
Paid-in Capital	¥54,127 million
Total Assets	¥2,167,169million
Number of Employees	1,259
Number of Offices (including Head Office and Sub-branches)	76
Number of Shareholders	13,385
Stock Listings	Tokyo Stock Exchange & Fukuoka Stock Exchange

▶ Service Network (As of March 31, 2015)

Head Office and Securities & International Department
11-1, Kumoji 1-chome (P.O. Box 310), Naha, Okinawa 900-0015, Japan Telex: J79827 Phone: 098-866-1212 Fax: 098-863-8504 SWIFT: RYUB JPJZ
Tokyo Branch
Kanda 21 Building 4F, 2-2-16, Kandata-cho, Chiyoda-ku, Tokyo 101-0046, Japan Phone: 03-5296-8611 Fax: 03-5296-8616

▶ Board of Directors (As of June 25, 2015)

President	Directors	Executive Officers
Tokei kinjo	Yasushi Kawakami Satoshi Gibo Keishi Fukuhara Masamitsu Arakaki Moriaki Ota	Toshiki Takehara Ryoji Toyoda Yasushi Tokashiki Yasushi Shiroma
Senior Managing Director	Standing Corporate Auditor	
Taketora Miyagi	Tamotsu Teruya	
Managing Directors	Corporate Auditors	
Komei Takara Hidehiro Hayashi Tomoyuki Matsubara		

Bank of the Ryukyus Group Companies

(As of March 31, 2015)

Ryukyu Leasing Co., Ltd.*

7-1, Kumoji 1-chome, Naha, Okinawa 900-0015, Japan
Phone: 098-866-5500
Established: May 1972
Paid-in Capital: ¥346 million
Line of Business: General leasing

Ryugin Hosho Co., Ltd.*

1-9, Tsubokawa 1-chome, Naha, Okinawa 900-0015, Japan
Phone: 098-832-1200
Established: July 1979
Paid-in Capital: ¥20 million
Line of Business: Housing loans, debt guaranty and insurance agency

Ryugin Business Service Co., Ltd.*

9-17, Kumoji 1-chome, Naha, Okinawa 900-0015, Japan
Phone: 098-863-4572
Established: September 1983
Paid-in Capital: ¥10 million
Line of Business: Cash inspection and arrangement, Cash Dispenser/ATM management and maintenance

Ryugin DC Co., Ltd.*

7-1, Kumoji 1-chome, Naha, Okinawa 900-0015, Japan
Phone: 098-862-1525
Established: April 1984
Paid-in Capital: ¥195 million
Line of Business: Credit cards, financing

Ryugin Office Service Co., Ltd.*

4-1-1, Uchima, Urasoe, Okinawa 901-2121, Japan
Phone: 098-876-7130
Established: June 1999
Paid-in Capital: ¥10 million
Line of Business: Clerical services

Ryugin Research Institute., Ltd.*

1-9, Tsubokawa 1-chome, Naha, Okinawa 900-0025, Japan
Phone: 098-835-4650
Established: June 2006
Paid-in Capital: ¥23 million
Line of Business:
Industrial, economic and financial surveys and research; planning and organization of conferences and training

*Consolidated subsidiaries

Message from the President

I would like to express my sincere gratitude to shareholders and other stakeholders of the Bank of the Ryukyus for their continued support.

This year we have again prepared a report on the Bank's business performance and financial position for the fiscal 2015 business term (April 1, 2015 to March 31, 2016) in an effort to help as many people as possible to gain a better understanding of the Bank and its operations.



Tokei Kinjo
President

Financial & Economic Environment

In the fiscal year ended March 31, 2016, the Japanese economy as a whole remained on a gradual recovery track. Although weaknesses were seen in parts, such as in consumer spending, which experienced a pause in consumer confidence, and in flat production operations in companies, there were improvements in the employment and income environments.

The Okinawan economy continued to expand. This trend was due to ongoing favorable personal consumption brought about by a drop in the unemployment rate and an improvement in employment conditions due to increases in wages, a strong performance from tourism due to an ongoing increase in the number of overseas visitors against a backdrop of a weakening yen and other factors, and conditions in construction that continued to be generally strong due to increases in public and private works.

Business Activities and Performance Results

In such an environment, in fiscal 2015, the first fiscal year of the Bank's "Shared Value 2015" medium-term management plan, we focused our efforts on the promotion of comprehensive trading by building solid customer relations with the aim of "establishing value provided to customers by displaying the Group's comprehensive capabilities."

Under our corporate business strategy, in cooperation with three regional banks from other prefectures we held Hong Kong gourmet food business meetings that provided opportunities for food-related companies in Okinawa to develop sales channels with Hong Kong and China. In addition to promoting regional regeneration, for example by the signing of agreements relating to cooperative collaboration on regional regeneration with the city of Naha and the town of Yonabaru, we strengthened our efforts geared toward the development in Okinawan industry and the stimulation of local economies. One example of the latter is the matching of the intellectual resources of three business partner companies and the University of the Ryukyus on the basis of having signed agreements with the university's Organization for the Promotion of Industry, University and Government Collaboration, a national university corporation. Moreover, we worked to nurture highly specialized human resources including those who have passed the Medical Managers examination, which is the professional qualification for medical institution management, as well as the number of qualified personnel to reach the top class of national financial institutions.

In the case of our personal banking strategy, in addition to commencing the handling of the Ryugin Visa debit card that is useable at participating stores in more than 200 countries and regions, we worked to enhance our highly convenient services for customers, for example by launching an ATM utilization collaboration project with Seven Bank, Ltd. We also integrated and expanded customer transactions through non-face-to-face points of contact—such as our Direct Banking Center that receives loan applications and opens accounts by telephone and mail as well via the Internet—and built a system that enables us to respond to customers' diverse needs in a flexible and functional manner.

As part of other Group strategies we are making OCS, Ltd., which was formerly an independent credit company, into a wholly owned subsidiary, with the aim of expanding our customer base in the settlement services sector, and working to provide financial services that more than ever before leverage the capabilities of Group companies to the maximum extent.

Issues Facing the Bank

Although the Okinawan economy remains strong, in addition to accelerating the measures mentioned under our “Shared Value 2015” medium-term management plan to cope with the unprecedented changes in the business environment that include the negative interest rate, in fiscal 2016 we will work to focus on the following three issues.

First is the stimulation of demand for funds. Based on the understanding of our customers’ businesses, we will continue to steadily provide funds that will lead to their growth while devising improvements in our overall profitability by responding to the needs of the relevant parties (including suppliers, sales partners and employees) who support our customers.

The second issue is to encourage the flow of funds from savings to investment. Building up optimized portfolios that correspond to the life plans of individual customers, we will accelerate the building of a readiness to make proposals in collaboration with sales branches and head office functions.

Third and finally is the diversification of our sources of revenue. Besides strengthening the businesses that we have been expanding, we will expand the Bank’s business fields by, for example, targeting innovative businesses as well as traditional and different demographics.

Of the greatest importance in addressing these issues will be the strengthening of our field capabilities. By providing the Bank’s customer value—centered on speed, our problem-solving skills and capacity to empathize—that displays the Group’s comprehensive capabilities through the multiple channels (fields) within Okinawa that are our strength, we will address urgent challenges while aiming for the Bank’s sustainable growth and an improvement in our corporate value over the medium to long term.

July 2016
Tokei Kinjo,
President



Financial Section

Financial Data [PDF files]

Entire File	(188KB)	
Consolidated Balance Sheets	(46KB)	
Consolidated Statements of Income	(30KB)	
Consolidated Statements of Comprehensive Income	(39KB)	
Consolidated Statements of Changes in Net Assets	(52KB)	
Consolidated Statements of Cash Flows	(108KB)	
Notes to Consolidated Financial Statements	(74KB)	
Non-Consolidated Balance Sheets	(32KB)	
Non-Consolidated Statements of Income	(30KB)	
Non-Consolidated Statements of Changes in Net Assets	(46KB)	



Corporate Governance: Basic Concept and Basic Policies

Toward the realization of its corporate philosophy, the Bank of the Ryukyus fully recognizes its responsibilities to a range of stakeholders—its customers, including shareholders, employees and local communities—while building the mechanisms to carry out transparent, fair, quick and confident decision making. The Bank also regards the basic concept of corporate governance as working toward its sustainable growth and improvements in its corporate value. In fulfilling its responsibilities with regard to corporate governance, the Bank regards the following as its basic policies.

- (1) Respecting the rights of its shareholders, the Bank develops an environment in which its shareholders can exercise their rights appropriately and effectively and works to ensure the substantive equality of its shareholders.
- (2) By cooperating with its wide-ranging stakeholders, who include its shareholders, customers, employees and local communities, the Bank works to foster a corporate culture and climate that respects sound business ethics.
- (3) In addition to the appropriate disclosure of company information, including that of a non-financial nature, and working to ensure the transparency and fairness of management, the Bank works on constructive dialogue with shareholders so that its sustainable growth and corporate value increase over the medium to long term.
- (4) Given the fiduciary responsibilities and accountability that its Board of Directors and Board of Corporate Auditors have toward shareholders, the Bank devises plans for its sustainable growth and increase in its corporate value, while endeavoring to supervise business execution and ensure audit effectiveness.