

# Activities in Fiscal 2016

Annual Report

## Review of Operations (non-consolidated)

### Financial Summary (Non-Consolidated)

Net income for the fiscal year remained at roughly the same level as last year

Financial Summary (Non-Consolidated) (Billions of yen)			
	FY2016	Year-on-year change	FY2015
Ordinary revenue	41.1	+0.9	40.2
Business gross profit (a)	30.0	▲1.7	31.7
Expenses (b)	23.6	+1.2	22.4
Real net business profit (c=a-b)	6.3	▲3.0	9.3
Net credit costs (d)	0.8	▲0.5	1.3
Other extraordinary gain/loss (e)	1.8	+1.5	0.3
Ordinary profit (f=c-d+e)	7.4	▲0.9	8.3
Net income	5.0	▲0.0	5.0

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

### Financial Summary (Consolidated)

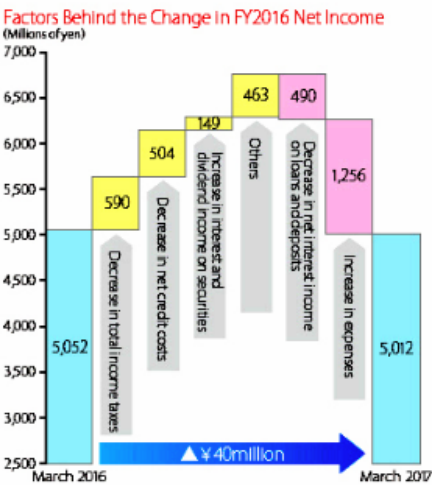
Revenue and profit increased if special factors, namely, extraordinary gains from turning OCS into subsidiary in the previous fiscal year, are excluded

Financial Summary (Consolidated) (Billions of yen)			
	FY2016	Year-on-year change	FY2015
Ordinary revenue	60.7	+0.8	59.9
Ordinary expenses	51.0	+1.2	49.8
Ordinary profit	9.7	▲0.3	10.0
Extraordinary gains or losses	0.0	▲4.0	4.0
Gain on negative goodwill	0.0	▲4.3	4.3
Net income for the period attributable to the owners of parent company (excluding gain from negative goodwill)	6.4	▲3.9	10.3
	(6.4)	+0.5	(5.9)

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

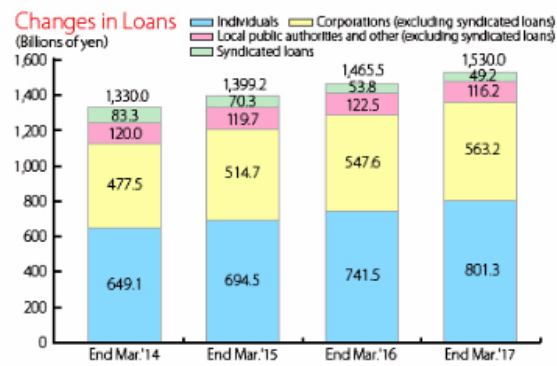
### Factors Behind the Change in Net Income

Net income for the fiscal year remained at roughly the same level as last year despite a decrease in net interest income on loans and deposits and an increase in business expenses



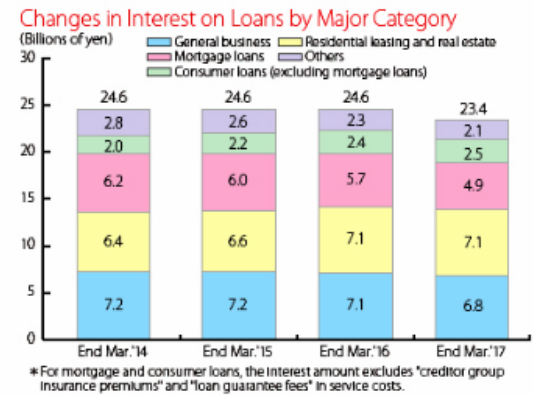
### Changes in Loans

Loan interest decreased despite steady increases in lending to both individuals and businesses



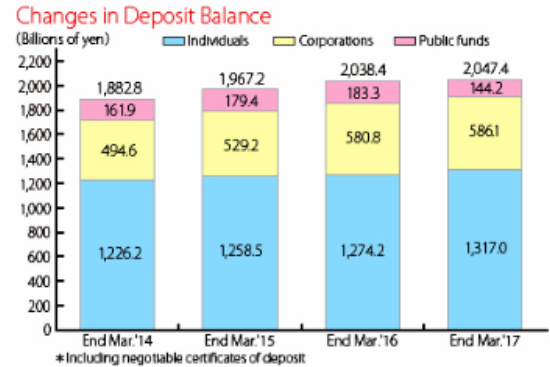
## Changes in Interest on Loans

Interest on loans decreased overall, with the exception of consumer loans



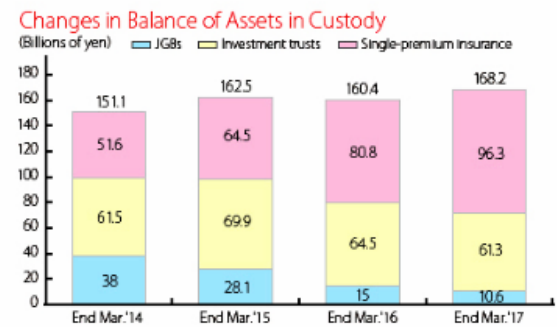
## Trends in Deposits (including Negotiable Certificates of Deposit)

Steady increase, hinging on individual and corporate savings



## Trends in Sales of Assets in Custody

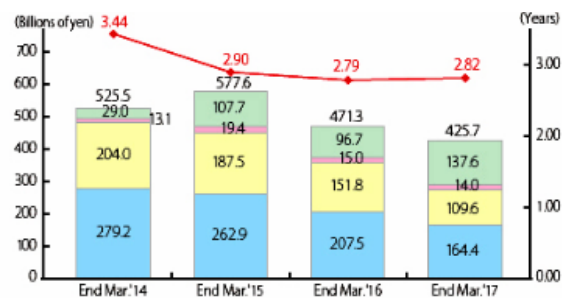
Higher balance thanks to increase in sales of single-premium insurance which offset a decline in sales of JGBs and investment trusts



## Trends in Securities Operations

Higher earnings through diversification of portfolios despite a lower balance due to JGB redemptions

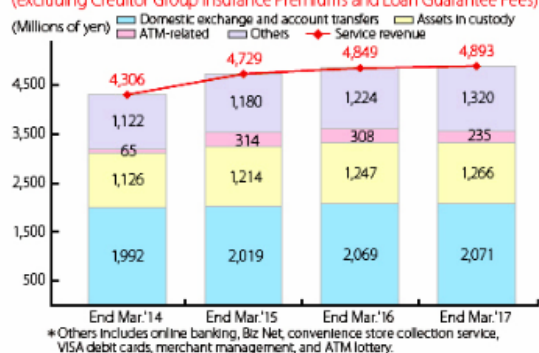




## Trends in Service Revenue

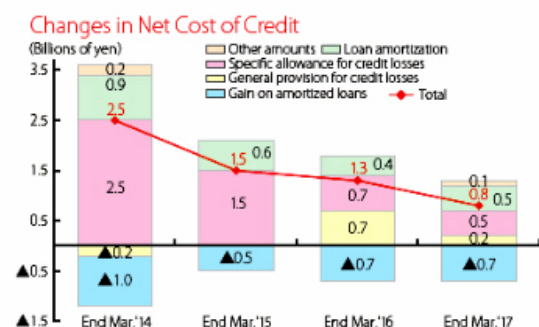
Diversification of service revenue to expand earnings

### Changes in Service Revenue (excluding Creditor Group Insurance Premiums and Loan Guarantee Fees)



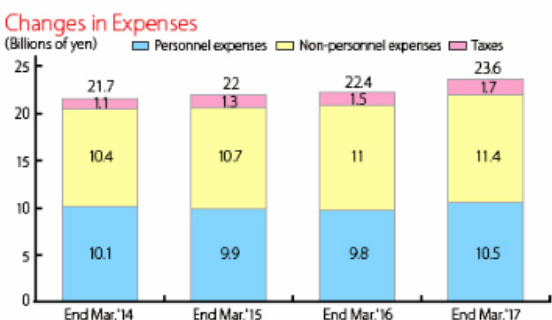
## Cost of Credit/Disclosed Claims

Downward trend in cost of credit and disclosed claims under favorable economic conditions



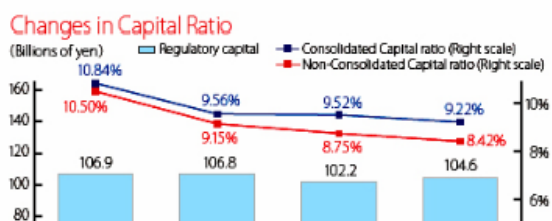
## Expenses

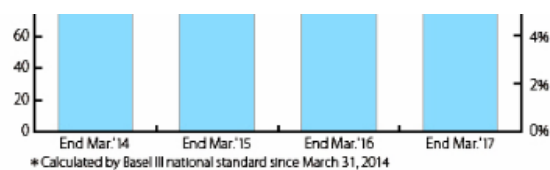
Expenses increased due to prior investment in equipment and systems



## Capital Adequacy Ratio

Secured consolidated capital adequacy ratio in 9% range, even as risk assets increased





# Performance Forecast for FY2017

Anticipate lower revenue and profit, on both non-consolidated and consolidated bases, principally due to a decrease in parent results.

Performance Forecast for FY2017 (Non-Consolidated) (Billions of yen)

	FY2017 (Forecast)	Year-on-year change	FY2016 (Actual results)
Ordinary revenue	38.0	▲3.1	41.1
Ordinary profit	6.0	▲1.4	7.4
Net income	4.0	▲1.0	5.0

(Consolidated) (Billions of yen)

	FY2017 (Forecast)	Year-on-year change	FY2016 (Actual results)
Ordinary revenue	57.0	▲3.7	60.7
Ordinary profit	7.0	▲2.7	9.7
Net income for the period attributable to the owners of parent company	4.8	▲1.6	6.4

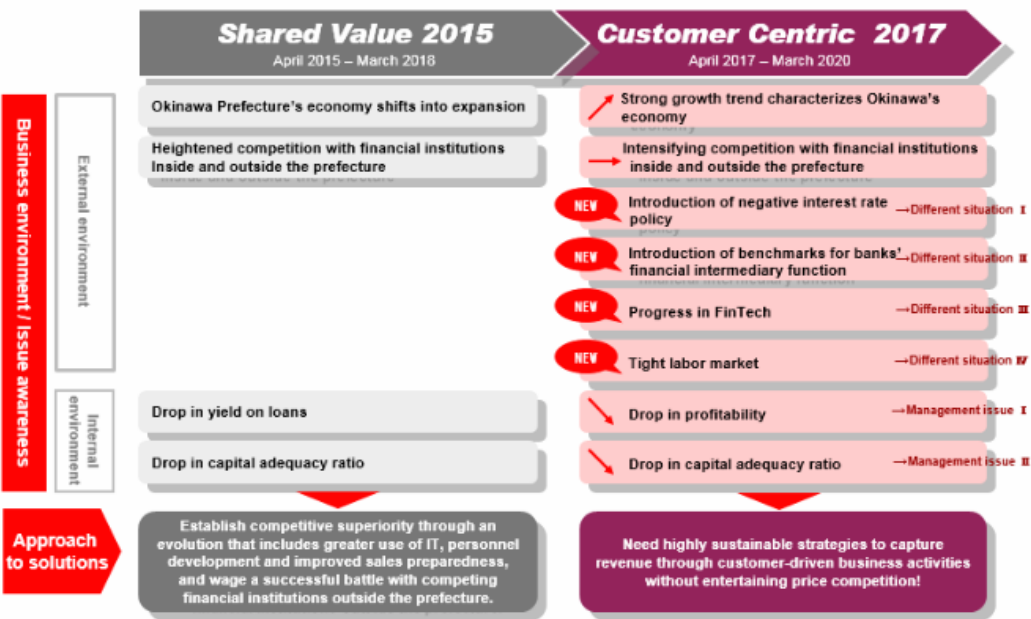
\* Increase and decrease are presented on a financial statement basis

# Customer Centric 2017

## New Medium-Term Management Plan: Customer Centric 2017

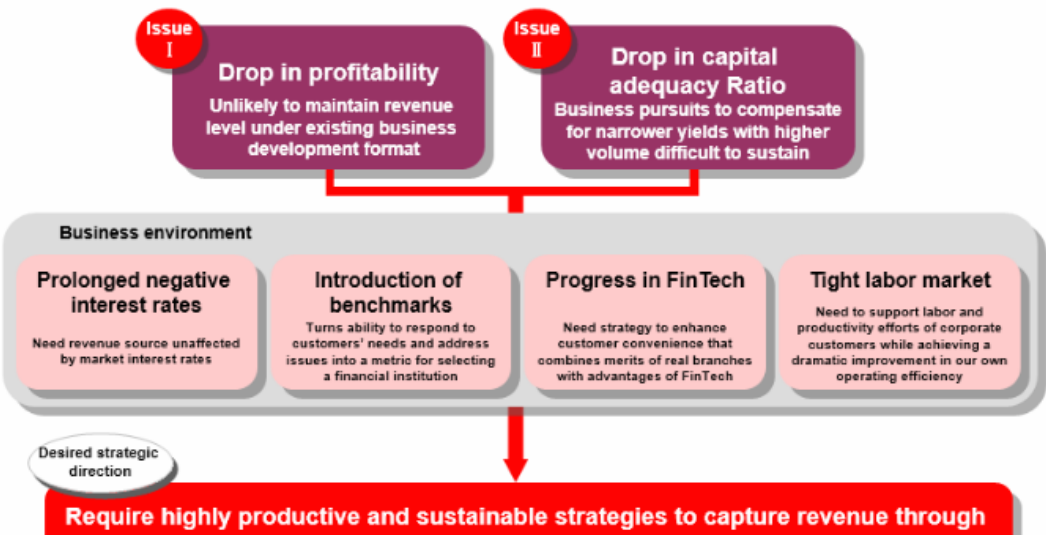
### Significance of Medium-Term Management Plan

Issues that the Bank must address have taken on more critical importance due to changes in the business environment that were not identified at the time the previous medium-term management plan was drafted. We ended the previous medium-term management plan early and have defined new strategies that will properly deal with changes in the business environment.



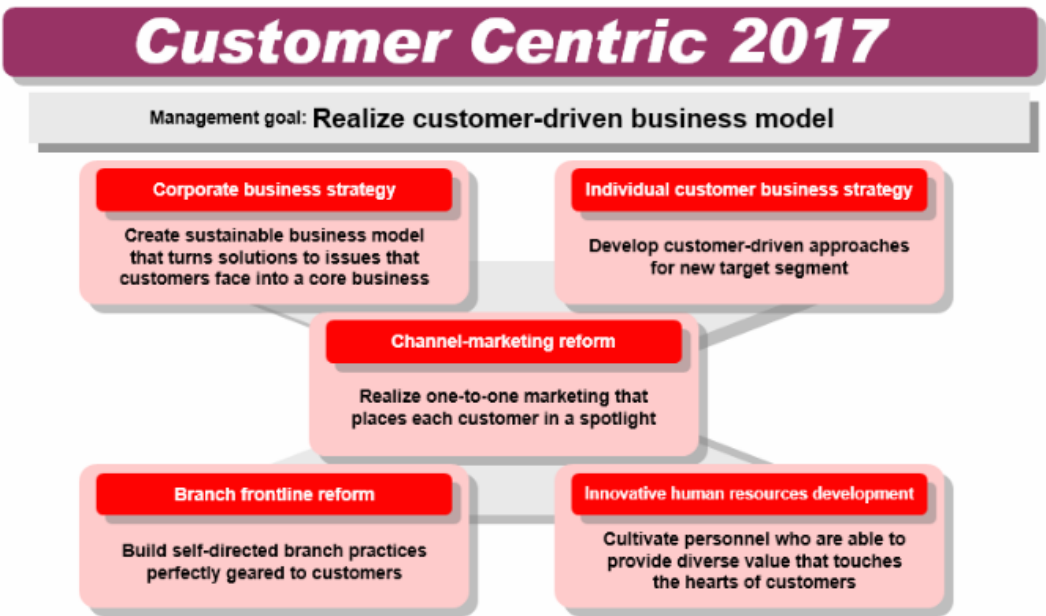
### Approaches in New Medium-Term Management Plan to Deal with Issues

We will seize opportunities from changes in the environment and build a business model to address whatever issues appear in our operating path.



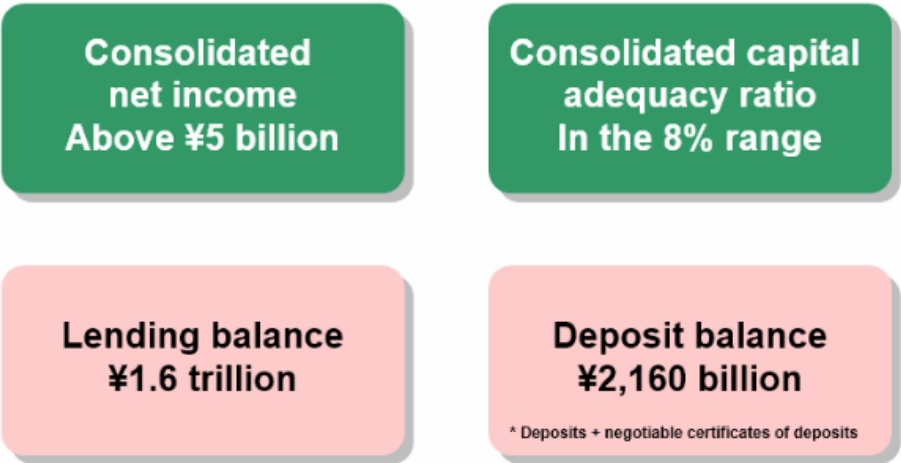
## Medium-Term Management Plan

Review activities aimed at capturing revenue from a customer-centric perspective and raise sustainability of business model



## Numerical Targets

Review activities aimed at capturing revenue from a customer-centric perspective and raise sustainability of business model



\* Expected values for fiscal 2020, ending March 31, 2021



# 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:

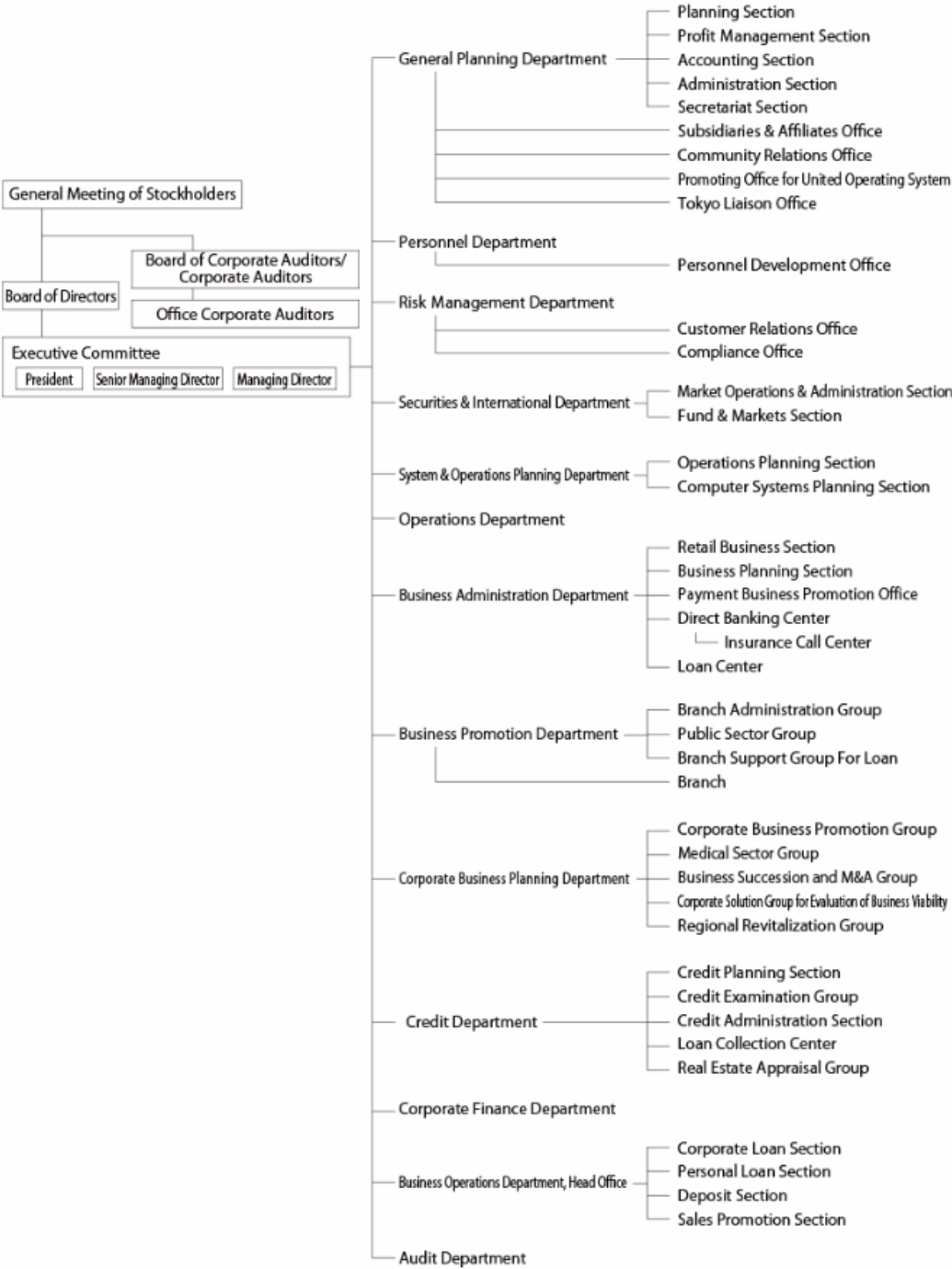
1. People with a strong commitment to professionalism  
Ability to demonstrate strong business knowledge and competence. Determination to achieve goals.
2. People with imagination and initiative  
Constant awareness of potential problems and a will to make changes when necessary. Ability to set an example 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

## Annual Report

(As of April 1, 2017)





# Profile

## Annual Report

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

## Annual Report

### 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
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<p>Токеи кинжо</p> <p><b>Senior Managing Director</b></p> <p>Taketora Miyagi</p> <p><b>Managing Directors</b></p> <p>Komei Takara Hidehiro Hayashi Tomoyuki Matsubara</p>	<p>Yasushi Kawakami Satoshi Gibo Keishi Fukuhara Masamitsu Arakaki Moriaki Ota</p> <p><b>Standing Corporate Auditor</b></p> <p>Tamotsu Teruya</p> <p><b>Corporate Auditors</b></p> <p>Tsuyoshi Nakamura Katsumi Yamashiro</p>	<p>Toshiki Takehara Ryoji Toyoda Yasushi Tokashiki Yasushi Shiroma</p>
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Bank of the Ryukyus Group Companies

(As of March 31, 2015)

<p><b>Ryukyu Leasing Co., Ltd.*</b></p> <p>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</p>
<p><b>Ryugin Hosho Co., Ltd.*</b></p> <p>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</p>
<p><b>Ryugin Business Service Co., Ltd.*</b></p> <p>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</p>
<p><b>Ryugin DC Co., Ltd.*</b></p> <p>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</p>
<p><b>Ryugin Office Service Co., Ltd.*</b></p>

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: June2006  
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

## Annual Report

Greetings to all and my sincerest thanks for your continued support.

The following is a report on our operations and accounts for the 101th Term (April 1, 2016 to March 31, 2017).



Yasushi Kawakami  
President

## Financial & Economic Environment

The domestic economy during fiscal 2016 witnessed an improvement in corporate earnings thanks to higher exports in the latter half of the year in parallel with rekindled consumer spending levels which led to a modest recovery overall, albeit with some sectors lagging behind.

The prefectural economy saw unabated favorable conditions in the tourism sector marked by ever-increasing numbers of visitors along with generally positive levels in construction attributable to a hike in private-sector works backed by ambitious corporate capital investment plans. This, along with steady improvement in hiring and wages bolstering consumption, led to continued growth.

## Business Activities and Performance Results

Under such an environment, in fiscal 2016, the second 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 realizing in advance our goal of "establishing value provided to customers by displaying the Group's comprehensive capabilities."

For our corporate business strategy, we support growth through investment in the "Okinawa Activation Fund," and held the "RYUGIN STARTUP PROGRAM 2016" with the goal of creating and fostering innovative and competitive Okinawa-native venture firms (startups). In addition, we are working to support the development of highly specialized personnel for medical treatment organizations in Okinawa through courses that our employees as well as medical facility staff can attend with the goal of acquiring the "Medical Manager" specialized certification in medical facility management.

Our individual business strategy consists mainly of our "I Love Okinawa" credit card consumer loans that do not require a branch visit and are geared towards residents of other prefectures, the "I Love Okinawa Dream" new apartment loans designed to finance the construction, purchase or remodeling/expansion of rental properties in Okinawa, among other products we launched to broaden our lineup. In addition, we've increased the functions of our non-face-to-face channels such as the Direct Banking Center and put in place a system that helps us meet our valued customers' needs and wants flexibly and functionally.

Moreover, with the objective of enhancing the convenience of foreign visitors, whose numbers are increasing annually, we were the first Okinawan financial institution to launch ATM services for foreign-issued cards in April 2016. In order to enhance the convenience of visitors to Okinawa with increasing credit card settlement needs, we launched merchant services for both international brands, VISA and MasterCard, in January 2017. Ryugin is the first regional bank in Japan to offer credit card merchant services directly for the VISA and MasterCard brands. We are contributing to the invigoration of the tourism industry of Okinawa with the aim of reaching 10 million visitors.

## Issues Facing the Bank

While the regional economy is favorable, the business climate is undergoing a significant transformation due to the BOJ's negative interest rate policy, with new issues coming to the fore such as the introduction of benchmarks for financial brokerage functions, the advent of fin-tech, and the tightening of the labor market. To resolve these issues, the Bank revised its "Shared

Value 2015" medium-term management plan in its final year inaugurating our new "Customer Centric 2017" medium-term management plan from fiscal 2017. "Customer Centric 2017" aims to realize a revenue model for the Bank centered on customers by providing products and services truly necessary for them, and formulates a business model focused on resolving our issues.



July 2017  
Yasushi Kawakami,  
President



# Financial Section

## Annual Report

### Financial Data [PDF files]

-  [Entire File \(870KB\)](#)
-  [Consolidated Balance Sheets \(174KB\)](#)
-  [Consolidated Statements of Income \(158KB\)](#)
-  [Consolidated Statements of Comprehensive Income \(47KB\)](#)
-  [Consolidated Statements of Changes in Net Assets \(291KB\)](#)
-  [Consolidated Statements of Cash Flows \(149KB\)](#)
-  [Notes to Consolidated Financial Statements \(331KB\)](#)
-  [Non-Consolidated Balance Sheets \(172KB\)](#)
-  [Non-Consolidated Statements of Income \(155KB\)](#)
-  [Non-Consolidated Statements of Changes in Net Assets \(358KB\)](#)

# 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.