



ANNUAL REPORT 2018



Profile

As moves to establish new banks that were more community-based gathered momentum, the Chiba Kogyo Bank was founded in 1952 with the spirit of “acting as a reliable adviser to small- and medium-sized enterprises in Chiba Prefecture” and opened for business in Chiba City, Chiba Prefecture.

By putting into practice its corporate philosophy of “Moving Forward with the Region, with Heartfelt Kindness Toward Customers,” the Bank has gained trust from regional customers and has promoted community-based finance rooted in the regional area and contributed to the local economy and local society, striving to be “a bank that continues to be chosen, with an absolute presence indispensable to the area and our customers.”

Corporate Outline (As of March 31, 2018)

| | |
|---|---|
| Name: | The Chiba Kogyo Bank, Ltd. |
| Date of Establishment: | January 18, 1952 (Start of Business: March 3, 1952) |
| Head Office: | 1-2, Saiwaicho 2-chome, Mihama-ku, Chiba 261-0001 Telephone: +81-43-243-2111 URL: https://www.chibakogyo-bank.co.jp |
| Financial Market Division: | 2-2, Saiwaicho 2-chome, Mihama-ku, Chiba 261-0001 Telephone: +81-43-243-0852 SWIFT Address: CHIK JP JT Fax Number: +81-43-243-0235 |
| Network | |
| Head Office and Branches: | 74 |
| Number of Employees: | 1,348 |
| Stock Exchange Listing: | 1st Section of Tokyo Stock Exchange |
| Paid-in Capital: | ¥62,120 million |
| Number of Common Stock: | Authorized: 296,000 thousand shares Issued and outstanding: 62,222,045 shares |
| Number of Common Stock Shareholders: | 11,446 |

The Chiba Kogyo Bank, Ltd. is an affiliate under the equity method of Mizuho Financial Group, Inc.

| Name | Location | Business category | Capital (Millions of yen) | Founded | Percentage of voting rights of the Bank |
|------------------------------|-------------------|---|---------------------------|--------------|---|
| Mizuho Financial Group, Inc. | Chiyoda-ku, Tokyo | Holding company for financial service companies | 2,256,548 | Jan. 8, 2003 | 17.0% (17.0%) |

Note: Figures in parentheses in the column “Percentage of voting rights of the Bank” represent the Bank’s shares held by subsidiaries of Mizuho Financial Group, Inc.

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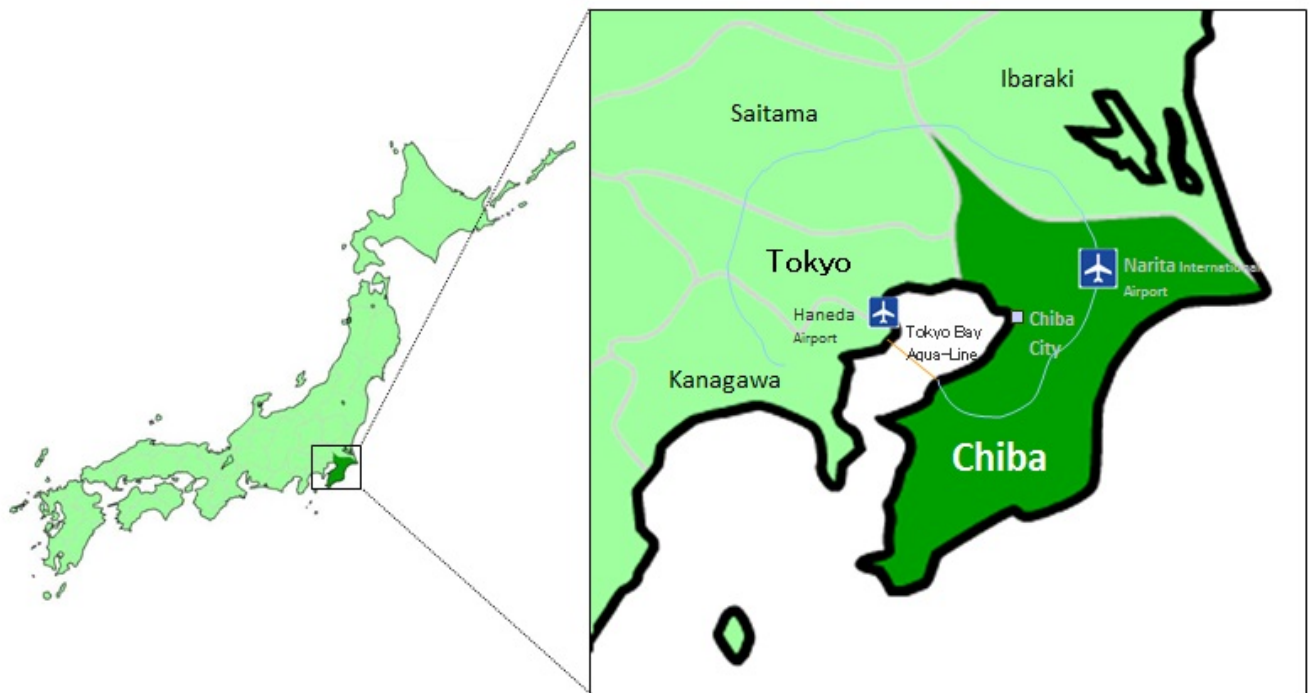
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Chiba Prefecture – Our Business Base

Chiba Prefecture, the Chiba Kogyo Bank's business base, is located adjacent to Tokyo, and plays an important role in the functions of the Greater Tokyo Area.

Industry inside the prefecture is extremely active and well-balanced, and the prefecture is in the top rank nationally -- in agriculture, marine products, industrial products, commercial trade and also gross prefectural product. Chiba Prefecture is also home to many of Japan's preeminent facilities, including Makuhari Messe, one of Japan's largest convention facilities, and Narita International Airport.

In addition, with the enhanced development of the Tokyo Bay Aqua-Line Expressway (Trans-Tokyo Bay Highway connecting Chiba Prefecture and Kanagawa Prefecture) and the beltway connecting the core cities of the Greater Tokyo Area, accessibility to the metropolitan center has been greatly improved, and thus the number of sightseeing visitors to Chiba Prefecture is on an increasing trend. As preparations advance for the Tokyo Olympics and Paralympics in 2020, Chiba Prefecture is a prospering market, and is predicted to grow further in the future.



| | | | |
|---|--|--|--|
| Population 6.24 Million 6th among Japanese Prefectures | Balance Deposits ¥29.0 Trillion 6th among Japanese Prefectures | Balance of Loans ¥14.2 Trillion 7th among Japanese Prefectures | Gross Prefecture Product (nominal) ¥20.0 Trillion 6th among Japanese Prefectures |
| Agricultural Output ¥471 Billion 4th among Japanese Prefectures | Fishery Production Volume 120K Tons 8th among Japanese Prefectures | Manufacturing Output ¥11.3 Trillion 7th among Japanese Prefectures | Retail Sales ¥0.9 Trillion 7th among Japanese Prefectures |

Source: Oct.1.2017, Ministry of Internal Affairs and Communications, Mar.31.2018 Bank of Japan, Annual Report on Prefectural Accounts, 2014, Cabinet Office, Statistics of Agricultural Income Produced, 2016, Production Statistics for the Fishing and Aquaculture industries, 2016, Ministry of Agriculture, Forestry and Fisheries, Census of Manufactures 2016, Current Survey of Commerce 2017, Ministry of Economy, Trade and Industry



Shunichi Aoyagi
President (CEO)

On this occasion, we have formulated the “Annual Report 2018,” which highlights the Bank’s management activities and operating results for FY2017, and provides an overview of our CSR and other initiatives. We would be pleased if stakeholders could take the time to peruse this document.

Chiba Prefecture, the basis for business of Chiba Kogyo Bank (the “Bank”), has been seeing a continual influx of residents, and as of FY2017, it is home to over 6.25 million people. Moreover, the prefecture has plenty of potential to sustain and increase its growth, amid a situation where it has been steadily developing its expressways and other infrastructure, and is also expected to reap economic benefits associated with the Tokyo Olympic and Paralympic Games to be held two years from now.

However, the prospect of net interest income expansion seems unlikely given factors over the medium to long term that include, in addition to the shrinking market due to Japan’s progressively falling birthrate and aging population, the currently continuing low interest rate environment.

Furthermore, whereas we anticipate excessive supply of financial products and services due to growing financial competition, including that involving other business lines, it also seems likely that business challenges of the prefecture’s small and medium enterprises and individual customer needs will become increasingly diverse and sophisticated.

Amid that environment, the Bank has been steadily carrying out its Medium-Term Management Plan, “Consulting Kodo Project 2019” for which FY2018 is the final fiscal year, and it has accordingly been making progress with its “Implementation of Consulting Kodo” customer-first concept geared to achieving the “Establishment as a Consulting Bank” goal.

With respect to corporations and individual business owners, we have been actively drawing on our consulting capabilities, in addition to carrying out our core business of financing of operational funds. This has entailed providing support for business succession, promoting sales mediation and business matching, making use of idle properties, providing assistance to deploy overseas operations, and supporting expansion of overseas sales channels, while teaming up with external specialized organizations on the basis of understanding and analyzing business challenges facing our customers.

As a result, we achieved our target for profit amid an increase in fees and commissions, and despite a decrease in net interest income with respect to our customers during FY2017.

With the aims of expanding its customer base and supporting growth of local companies, the Bank will realize its “Establishment as a Consulting Bank” goal with everyone at the Chiba Kogyo Bank working as a team in meeting the expectations of its shareholders, customers and everyone in the region.

I look forward to your further support in the future.

Consulting Kodo Project 2019 (FY2016-2018)

The Bank has carried out numerous initiatives with the “Implementation of Consulting Kodo,” in which the customer is considered first, as its core strategy.

Business Highlight

Initiatives for promotion of “regional regeneration” and community revitalization

■ Cooperation toward realizing urban planning projects to enhance Sosa City’s version of quality lifelong living

The Bank has been providing support for urban planning based on the Comprehensive Strategy for Sosa City: Community, People and Work Creation.

In addition to providing financial support, the Bank also prepared a business plan encompassing multifaceted ideas. This has involved operating a council for the project, taking part as a member, and also engaging in dialogue with community members through council meetings over the span of one year.

Construction was completed on a certified center for early childhood education and care in March 2018, and there are plans going forward to successively continue with new construction that will provide serviced housing for elderly residents and facilities that act as community hubs.

The urban planning projects are expected to stem the decline of Sosa City’s population while creating new business and jobs.

Support for agri-food businesses

■ Support for the “Michi-no-Eki” (roadside rest area) revitalization project

The Bank gave its support with respect to revitalizing the Michi-no-Eki Shirahama-nojimazaki rest area situated in Minamiboso City.

A direct sales outlet for agricultural products and other such items has been built, and a nearby greenhouse with an elevated cultivation system has been set up, which offers visitors a pick-your-own method of purchasing strawberries.

In addition to its backing with respect to capital expenditure, the Bank also provided support from the initial phases of planning, in partnership with Minamiboso City.

The project greatly contributes to the local economy by helping to promote local agriculture.



Michi-no-Eki Shirahama-nojimazaki

Assistance to deploy overseas operations

■ “Chiba-kun Café in Taiwan” opened for a limited time

As one of the events to commemorate its 65-year anniversary since foundation, the Bank held an event to convey the appeal of Chiba Prefecture to people in Taiwan and promote greater international tourism in Chiba Prefecture.

In addition to being an initiative to promote Chiba Prefecture tourism, the event was also used as a forum for engaging in public relations regarding the products and services of the Bank’s customer companies.

Support for business succession

■ Received the “Regional Contribution Award” for the second consecutive year!

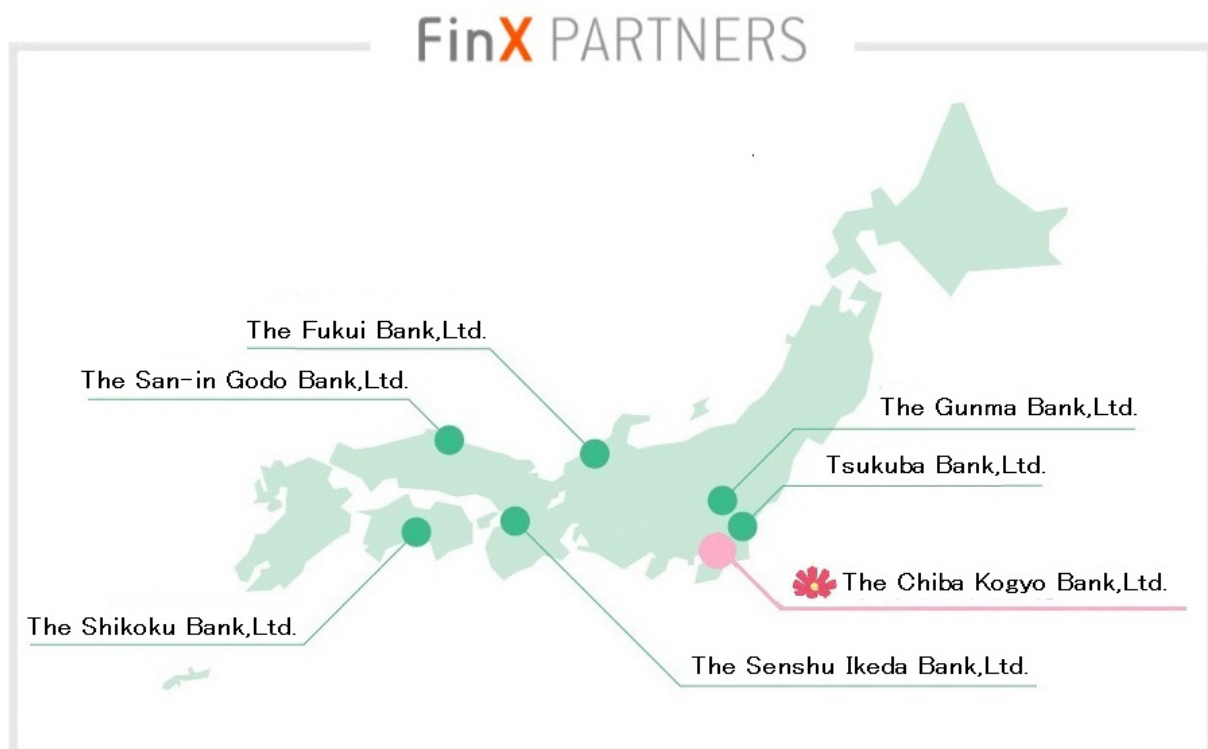
The Bank received the “Regional Contribution Award” for the second consecutive year at the “Sixth M&A Bank of the Year Award Ceremony” held by Nihon M&A Center Inc., as recognition for its outstanding achievements in the Kanto region.

Fintech initiatives

■ Partnership agreement on digitization strategy concluded among seven regional banks

The Bank and six other banks have concluded the “FinX Partnership” agreement. In June 25, 2018, a joint investment company “FinX Digital Co., Ltd.” was established by the “FinX Partner” banks.

Under the partnership, the banks will work together to provide new services while working to not only digitalize existing financial services, but also digitize the financial institutions themselves, particularly in terms of developing artificial intelligence, adopting robotic process automation (RPA), going paperless, and eliminating back office operations.



Corporate Social Responsibility (CSR)

The Chiba Kogyo Bank's CSR

Having established the corporate philosophy of “Moving Forward with the Region, with Heartfelt Kindness Toward Customers,” the Bank takes a community-based approach to conducting its business activities on the basis of the corporate philosophy with respect to its social responsibility as a regional financial institution that develops in step with its communities. In so doing, we aim to contribute to the growth and development of all our stakeholders, which includes our customers, shareholders, employees and communities.

In recent years, there have been increasing efforts to address prevailing challenges on a global scale, in part by incorporating Sustainable Development Goals (SDGs) contained in the “2030 Agenda” which was adopted by the UN General Assembly in 2015. Going forward, it is hoped that greater regional sustainability will be achieved from both an environmental and economic perspective.

Accordingly, given its aims of helping to bring about sustainable growth of communities and local economies while also creating new forms of corporate value, the Bank will actively take on environmental, social and governance (ESG) challenges as part of its “The Chiba Kogyo bank's CSR” activities.

The Bank's CSR initiatives are grouped on the basis of an ESG perspective, as follows:

Environment

Environmental initiatives

■ Environmentally-sound bank branch design

We promote design of bank branches that are earth-friendly and readily accessible to all of our customers. In order to help reduce carbon dioxide emissions while addressing global warming, renovated bank branches have been equipped with hybrid street lighting that uses two forms of clean energy, wind and solar, as well as solar power generation systems (3.11kW generation capacity).

■ Environmental volunteer activities

Bank employees, staff and their family members have taken part in a prefectural-level “zero waste” campaign (approx. 1,000 participants).

■ Forest preservation and cultivation activity “Chiba Kogin Forest”

We engage in activities to regenerate prefectural forests at the Niibori coast of Sosa City. This has involved cutting underbrush and planting 5,000 trees thus far.



Financial education activities

■ “Summer Kids School 2017” summer camp

We held the “Summer Kids School” for the 11th time, for elementary school students in Chiba Prefecture. Children attending learned about money and gained hands-on experience “working” at ZOZO Marine Stadium.



Human resources training and skills development

■ Received “Good Career Company Award 2017” grand prize (award from Japan’s Minister of Health, Labour and Welfare)

This is the first time a regional bank has been awarded the grand prize.

The award showcases the Bank’s exemplary efforts to provide career support.



President & CEO Shunichi Aoyagi (center) at the awards ceremony

Initiatives geared to employee empowerment through diversity (As of Oct. 31,2017)

■ Active promotion of women to managerial positions

The Bank has 225 female managers, which accounts for 27.4% of its overall managerial workforce. Also, women act as branch managers at four of the Bank’s 74 branches.

■ Active placement of women to financing administration and lending services, and head office operations

Given that we actively assign women to positions that involve financing administration and lending services, 44 of our female employees currently handle such duties. Meanwhile, 98 women handle head office operations.

Community service activities

■ Complimentary bicycle reflectors

We gave 30,000 complimentary bicycle reflectors to new junior high school students in Chiba Prefecture, and have given away a total of 316,000 such reflectors so far, over the last 24 years.

Governance

Corporate governance

■ Basic views

The Bank's corporate governance framework enables us to make decisions in a manner that is transparent, fair, expeditious, and resolute, upon having considered our shareholders, customers, officers and employees, community members and other stakeholders.

We regard the matter of strengthening and enhancing the Bank's corporate governance practices as one of our key managerial challenges, knowing that we must effectively perform corporate governance in order to put the basic values of our corporate philosophy into practice with respect to "Moving Forward with the Region, with Heartfelt Kindness Toward Customers."

Corporate Governance System



Risk management

■ Fundamental approach

The Bank regards the task of controlling risk as a key managerial challenge, and has accordingly established a risk control framework appropriately tailored to the areas, scope and nature of risk inherent in banking operations. Accordingly, our fundamental approach to controlling risk involves developing a more robust business platform through efforts to maintain and improve the soundness of our management by accurately assessing risk and appropriately managing it.

Compliance

The Bank remains continually aware that banks bear substantial responsibility with respect to the public and society. As such, we believe compliance involves ensuring that "officers and bank employees observe laws and regulations, and accordingly carry out our business activities in a fair and honest manner adhering to societal norms."

Thus, we regard the matter of ensuring robust compliance as a fundamental principle of management, and have accordingly established a compliance framework that conforms with our "Basic Compliance Policy."

Note: Refer to the section "Business Highlight" on pages 4 and 5 for details on our initiatives that involve drawing on our business initiatives to address social challenges in terms of Japan's falling birthrate and aging population, population decline, and industrial development.

Summary of Selected Financial Data (Consolidated)

| Fiscal year ended March 31 | 2014 | 2015 | 2016 | 2017 | 2018 | |
|---|------------------|------------------|------------------|------------------|------------------|-------------|
| Consolidated ordinary income (Millions of yen) (Thousands of U.S. dollar) | ¥52,555 | ¥53,262 | ¥53,884 | ¥52,255 | ¥50,525 | \$475,440 |
| Consolidated ordinary profit (Millions of yen) (Thousands of U.S. dollar) | 11,864 | 13,182 | 12,566 | 9,322 | 9,489 | 89,291 |
| Consolidated profit attributable to owners of parent (Millions of yen) (Thousands of U.S. dollar) | 8,555 | 8,442 | 7,901 | 6,388 | 6,771 | 63,715 |
| Consolidated comprehensive income (Millions of yen) (Thousands of U.S. dollar) | 7,960 | 19,785 | 1,174 | 3,631 | 7,934 | 74,659 |
| Consolidated net assets (Millions of yen) (Thousands of U.S. dollar) | 126,493 | 139,269 | 146,737 | 150,724 | 156,621 | 1,473,803 |
| Consolidated total assets (Millions of yen) (Thousands of U.S. dollar) | 2,397,895 | 2,502,720 | 2,612,058 | 2,694,580 | 2,739,444 | 25,778,150 |
| Net assets per share (Yen) (U.S. dollar) | 1,289.27 | 1,635.99 | 1,449.71 | 1,465.62 | 1,554.72 | 14.63 |
| Basic earnings per share (Yen) (U.S. dollar) | 124.37 | 127.46 | 101.99 | 67.41 | 78.79 | 0.74 |
| Diluted earnings per share (Yen) (U.S. dollar) | 76.11 | 79.34 | 75.03 | 45.34 | 52.35 | 0.49 |
| Capital adequacy ratio (%) | 5.18 | 5.46 | 5.51 | 5.48 | 5.59 | |
| Consolidated capital adequacy ratio (under Japanese standards) (%) | 8.91 | 8.42 | 8.81 | 8.68 | 8.40 | |
| Consolidated return on equity (%) | 5.62 | 6.45 | 5.62 | 4.37 | 4.49 | |
| Consolidated price earnings ratio (Times) | 5.75 | 6.28 | 4.99 | 9.12 | 5.83 | |
| Cash flows from operating activities (Millions of yen) (Thousands of U.S. dollar) | 86,807 | 6,871 | 18,108 | 23,856 | (19,686) | (185,245) |
| Cash flows from investing activities (Millions of yen) (Thousands of U.S. dollar) | 19,288 | (16,538) | 34,279 | (10,978) | 14,263 | 134,215 |
| Cash flows from financing activities (Millions of yen) (Thousands of U.S. dollar) | (67,456) | (7,264) | 6,231 | 273 | (2,060) | (19,385) |
| Cash and cash equivalents at end of period (Millions of yen) (Thousands of U.S. dollar) | ¥71,626 | ¥54,946 | ¥113,766 | ¥127,073 | ¥119,772 | \$1,127,054 |
| Number of employees [Separately, average number of temporary employees] (Persons) | 1,371 [1,115] | 1,393 [1,113] | 1,422 [1,106] | 1,442 [1,095] | 1,461 [1,057] | |

- Notes: 1. U.S. dollar amounts are the yen equivalent, calculated, for convenience only, at a rate of ¥106.27 = U.S. \$1, the approximate Tokyo foreign exchange market rate as of March 30, 2018.
2. In the accounting treatment for consumption taxes and local taxes of the Bank and its consolidated subsidiaries, the tax-excluded method is used with the exception of some consolidated subsidiaries.
3. Capital adequacy ratio is calculated by dividing (total net assets at the end of current period - subscription warrant at the end of current period - non-controlling interests at the end of current period) by total assets at the end of current period.
4. The "Consolidated capital adequacy ratio (under Japanese standards)" has been calculated based on the "Criteria for Banks to Judge Whether Their Capital Adequacy Status Is Appropriate in Light of Their Assets, etc. Under Article 14-2 of the Banking Act" (Financial Services Agency Public Notice No. 19 of 2006).

Business Performance (Consolidated)

In FY2017 the Japanese economy continued on a track of mild recovery amid factors that included ongoing improvement in exports and corporate earnings underpinned by a strong global economy, along with signs of consumer spending also regaining momentum. However, the outlook remains unclear largely due to uncertainties with respect to potential political developments of the U.S. and North Korea.

The economy of Chiba Prefecture, which forms the basis for the Bank's business, showed signs of a mild recovery, despite some partial weakness. It maintained low bankruptcy numbers and continued on an upward trend with respect to employment.

Against this financial and economic backdrop, in April 2016, the Bank started the three-year Medium-Term Management Plan, "**Consulting Kodo Project 2019**," and has been actively carrying out specific strategic measures to overcome business challenges.

As a result, the Group's performance for FY2017 was as follows.

From an operational standpoint, deposits totaled ¥2,437.9 billion, an increase of ¥47.4 billion compared with the end of FY2016, primarily due to an increase in individual deposits. Loans and bills discounted amounted to ¥2,053.4 billion, an increase of ¥63.7 billion compared with the end of FY2016, as a result of efforts to discover latent financing needs through consulting sales activities, and proactive efforts toward financial needs of business partners. Securities holdings amounted to ¥497.1 billion, down ¥18.5 billion from the end of FY2016.

From a profit and loss standpoint, ordinary income decreased ¥1.729 billion year on year to ¥50.525 billion due to sluggish interest income as a result of lower yields on loan interest, although fees and commissions increased year-on-year largely stemming from strong sales of investment trusts. Meanwhile, ordinary expenses decreased ¥1.896 billion year on year to ¥41.036 billion, owing to a substantially diminished cost burden associated with disposal of nonperforming loans. As a result, the Group posted ordinary profit of ¥9.489 billion, an increase of ¥166 million year on year. Profit attributable to owners of parent increased ¥383 million year on year to ¥6.771 billion.

Business performance by segment was as follows. Ordinary income from banking business decreased ¥1.951 billion year on year to ¥41.761 billion, while its segment profit increased ¥34 million to ¥8.424 billion. Ordinary income from leasing business increased ¥144 million year on year to ¥8.323 billion, while its segment profit decreased ¥36 million to ¥141 million. Ordinary income from credit guarantee and credit card business increased ¥32 million year on year to ¥2.089 billion, while its segment profit increased ¥185 million to ¥1.162 billion. Ordinary income from other business segment decreased ¥6 million year on year to ¥2.467 billion, while its segment profit decreased ¥146 million to ¥96 million.

The consolidated capital adequacy ratio (under Japanese standards) at the end of FY2017 dropped 0.28 percentage points from the end of FY2016 to 8.40%.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

| | (Millions of yen) | | (Thousands of U.S. dollars)* |
|---|----------------------|----------------------|------------------------------|
| | As of March 31, 2017 | As of March 31, 2018 | As of March 31, 2018 |
| Assets | | | |
| Cash and due from banks | ¥128,541 | ¥120,519 | \$1,134,083 |
| Monetary claims bought | 131 | 103 | 969 |
| Trading account securities | 44 | 69 | 649 |
| Securities | 515,741 | 497,174 | 4,678,404 |
| Loans and bills discounted | 1,989,720 | 2,053,457 | 19,323,017 |
| Foreign exchanges | 2,501 | 3,107 | 29,237 |
| Other assets | 28,172 | 33,930 | 319,281 |
| Tangible fixed assets | 19,958 | 21,420 | 201,562 |
| Buildings, net | 6,724 | 7,098 | 66,792 |
| Land | 10,923 | 12,187 | 114,680 |
| Leased assets, net | 45 | 67 | 630 |
| Construction in progress | 25 | — | — |
| Other tangible fixed assets | 2,240 | 2,066 | 19,441 |
| Intangible fixed assets | 2,633 | 2,622 | 24,673 |
| Software | 2,018 | 2,062 | 19,403 |
| Leased assets | 226 | 170 | 1,600 |
| Other intangible fixed assets | 389 | 388 | 3,651 |
| Deferred tax assets | 7,750 | 6,281 | 59,104 |
| Customers' liabilities for acceptances and guarantees | 11,638 | 11,951 | 112,459 |
| Allowance for loan losses | (12,254) | (11,193) | (105,326) |
| Total assets | 2,694,580 | 2,739,444 | 25,778,150 |
| Liabilities | | | |
| Deposits | 2,390,475 | 2,437,904 | 22,940,661 |
| Negotiable certificates of deposit | 65,700 | 65,000 | 611,650 |
| Payables under securities lending transactions | 17,230 | 18,346 | 172,636 |
| Borrowed money | 26,084 | 24,354 | 229,171 |
| Foreign exchanges | 88 | 79 | 743 |
| Other liabilities | 22,037 | 15,349 | 144,434 |
| Net defined benefit liability | 9,455 | 8,524 | 80,211 |
| Provision for directors' retirement benefits | 46 | 57 | 536 |
| Provision for reimbursement of deposits | 1,056 | 1,093 | 10,285 |
| Deferred tax liabilities | 43 | 163 | 1,534 |
| Acceptances and guarantees | 11,638 | 11,951 | 112,459 |
| Total liabilities | 2,543,856 | 2,582,823 | 24,304,347 |
| Net assets | | | |
| Capital stock | 62,120 | 62,120 | 584,549 |
| Capital surplus | 9,413 | 9,402 | 88,473 |
| Retained earnings | 69,105 | 73,818 | 694,627 |
| Treasury shares | (60) | (39) | (367) |
| Total shareholders' equity | 140,579 | 145,301 | 1,367,281 |
| Valuation difference on available-for-sale securities | 9,602 | 9,996 | 94,062 |
| Remeasurements of defined benefit plans | (2,425) | (1,974) | (18,575) |
| Total accumulated other comprehensive income | 7,177 | 8,022 | 75,487 |
| Subscription warrant | 47 | 59 | 555 |
| Non-controlling interests | 2,919 | 3,237 | 30,460 |
| Total net assets | 150,724 | 156,621 | 1,473,803 |
| Total liabilities and net assets | ¥2,694,580 | ¥2,739,444 | \$25,778,150 |

* Please refer to the note 1 on page 9.

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(Consolidated Statements of Income)

| | (Millions of yen) | | (Thousands of U.S. dollars)* |
|--|-------------------------------------|-------------------------------------|-------------------------------------|
| | Fiscal year ended March 31, 2017 | Fiscal year ended March 31, 2018 | Fiscal year ended March 31, 2018 |
| Ordinary income | ¥52,255 | ¥50,525 | \$475,440 |
| Interest income | 28,828 | 27,628 | 259,979 |
| Interest on loans and discounts | 23,244 | 22,288 | 209,730 |
| Interest and dividends on securities | 5,084 | 5,031 | 47,342 |
| Interest on call loans and bills bought | 11 | 11 | 104 |
| Interest on deposits with banks | 242 | 144 | 1,355 |
| Other interest income | 245 | 152 | 1,430 |
| Fees and commissions | 9,314 | 10,312 | 97,036 |
| Other ordinary income | 3,101 | 1,461 | 13,748 |
| Other income | 11,011 | 11,123 | 104,667 |
| Reversal of allowance for loan losses | – | 66 | 621 |
| Recoveries of written off claims | 1,129 | 824 | 7,754 |
| Other | 9,881 | 10,231 | 96,274 |
| Ordinary expenses | 42,932 | 41,036 | 386,148 |
| Interest expenses | 1,098 | 1,185 | 11,151 |
| Interest on deposits | 755 | 619 | 5,825 |
| Interest on negotiable certificates of deposit | 7 | 7 | 66 |
| Interest on call money and bills sold | 10 | (4) | (38) |
| Interest on payables under securities lending transactions | 52 | 276 | 2,597 |
| Interest on borrowings and rediscounts | 261 | 279 | 2,625 |
| Other interest expenses | 10 | 6 | 56 |
| Fees and commissions payments | 3,104 | 3,494 | 32,879 |
| Other ordinary expenses | 2,625 | 1,176 | 11,066 |
| General and administrative expenses | 25,804 | 25,785 | 242,637 |
| Other expenses | 10,299 | 9,393 | 88,388 |
| Provision of allowance for loan losses | 1,082 | – | – |
| Other | 9,216 | 9,393 | 88,388 |
| Ordinary profit | 9,322 | 9,489 | 89,291 |
| Extraordinary income | 2 | – | – |
| Gain on disposal of non-current assets | 2 | – | – |
| Extraordinary loss | 427 | 104 | 979 |
| Loss on abandonment of non-current assets | 91 | 55 | 518 |
| Impairment loss | 336 | 48 | 452 |
| Profit before income taxes | 8,896 | 9,384 | 88,303 |
| Income taxes - current | 904 | 1,341 | 12,619 |
| Income taxes - deferred | 1,363 | 1,126 | 10,596 |
| Total income taxes | 2,268 | 2,467 | 23,214 |
| Profit | 6,628 | 6,917 | 65,089 |
| Profit attributable to non-controlling interests | 240 | 145 | 1,364 |
| Profit attributable to owners of parent | ¥6,388 | ¥6,771 | \$63,715 |

* Please refer to the note 1 on page 9.

(Consolidated Statements of Comprehensive Income)

| | (Millions of yen) | | (Thousands of U.S. dollars)* |
|--|-------------------------------------|-------------------------------------|-------------------------------------|
| | Fiscal year ended March 31, 2017 | Fiscal year ended March 31, 2018 | Fiscal year ended March 31, 2018 |
| Profit | ¥6,628 | ¥6,917 | \$65,089 |
| Other comprehensive income | (2,996) | 1,017 | 9,570 |
| Valuation difference on available-for-sale securities | (3,660) | 566 | 5,326 |
| Remeasurements of defined benefit plans, net of tax | 664 | 451 | 4,244 |
| Comprehensive income | ¥3,631 | ¥7,934 | \$74,659 |
| Comprehensive income attributable to | | | |
| Comprehensive income attributable to owners of parent | 3,377 | 7,617 | 71,676 |
| Comprehensive income attributable to non-controlling interests | 254 | 317 | 2,983 |

* Please refer to the note 1 on page 9.

(3) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2017

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 62,120 | 6,971 | 64,831 | (67) | 133,856 |
| Changes of items during period | | | | | |
| Issuance of new shares | 5,760 | 5,760 | | | 11,520 |
| Transfer to other capital surplus from capital stock | (5,760) | 5,760 | | | — |
| Dividends of surplus | | | (2,114) | | (2,114) |
| Profit attributable to owners of parent | | | 6,388 | | 6,388 |
| Purchase of treasury shares | | | | (9,075) | (9,075) |
| Disposal of treasury shares | | (2) | | 7 | 4 |
| Retirement of treasury shares | | (9,074) | | 9,074 | — |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during period | — | 2,442 | 4,273 | 6 | 6,723 |
| Balance at end of current period | 62,120 | 9,413 | 69,105 | (60) | 140,579 |

| | Accumulated other comprehensive income | | | Subscription warrant | Non-controlling interests | Total net assets |
|--|---|---|--|----------------------|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | | |
| Balance at beginning of current period | 13,278 | (3,090) | 10,188 | 31 | 2,661 | 146,737 |
| Changes of items during period | | | | | | |
| Issuance of new shares | | | | | | 11,520 |
| Transfer to other capital surplus from capital stock | | | | | | — |
| Dividends of surplus | | | | | | (2,114) |
| Profit attributable to owners of parent | | | | | | 6,388 |
| Purchase of treasury shares | | | | | | (9,075) |
| Disposal of treasury shares | | | | | | 4 |
| Retirement of treasury shares | | | | | | — |
| Net changes of items other than shareholders' equity | (3,675) | 664 | (3,011) | 16 | 258 | (2,736) |
| Total changes of items during period | (3,675) | 664 | (3,011) | 16 | 258 | 3,987 |
| Balance at end of current period | 9,602 | (2,425) | 7,177 | 47 | 2,919 | 150,724 |

Fiscal year ended March 31, 2018

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 62,120 | 9,413 | 69,105 | (60) | 140,579 |
| Changes of items during period | | | | | |
| Dividends of surplus | | | (2,059) | | (2,059) |
| Profit attributable to owners of parent | | | 6,771 | | 6,771 |
| Purchase of treasury shares | | | | (0) | (0) |
| Disposal of treasury shares | | (11) | | 21 | 10 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during period | — | (11) | 4,712 | 20 | 4,722 |
| Balance at end of current period | 62,120 | 9,402 | 73,818 | (39) | 145,301 |

| | Accumulated other comprehensive income | | | Subscription warrant | Non-controlling interests | Total net assets |
|--|---|---|--|----------------------|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | | |
| Balance at beginning of current period | 9,602 | (2,425) | 7,177 | 47 | 2,919 | 150,724 |
| Changes of items during period | | | | | | |
| Dividends of surplus | | | | | | (2,059) |
| Profit attributable to owners of parent | | | | | | 6,771 |
| Purchase of treasury shares | | | | | | (0) |
| Disposal of treasury shares | | | | | | 10 |
| Net changes of items other than shareholders' equity | 393 | 451 | 845 | 12 | 317 | 1,175 |
| Total changes of items during period | 393 | 451 | 845 | 12 | 317 | 5,897 |
| Balance at end of current period | 9,996 | (1,974) | 8,022 | 59 | 3,237 | 156,621 |

Fiscal year ended March 31, 2018

(Thousands of U.S. dollars)*

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 584,549 | 88,576 | 650,278 | (565) | 1,322,847 |
| Changes of items during period | | | | | |
| Dividends of surplus | | | (19,375) | | (19,375) |
| Profit attributable to owners of parent | | | 63,715 | | 63,715 |
| Purchase of treasury shares | | | | (0) | (0) |
| Disposal of treasury shares | | (104) | | 198 | 94 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during period | — | (104) | 44,340 | 188 | 44,434 |
| Balance at end of current period | 584,549 | 88,473 | 694,627 | (367) | 1,367,281 |

| | Accumulated other comprehensive income | | | Subscription warrant | Non-controlling interests | Total net assets |
|--|---|---|--|----------------------|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | | |
| Balance at beginning of current period | 90,355 | (22,819) | 67,536 | 442 | 27,468 | 1,418,312 |
| Changes of items during period | | | | | | |
| Dividends of surplus | | | | | | (19,375) |
| Profit attributable to owners of parent | | | | | | 63,715 |
| Purchase of treasury shares | | | | | | (0) |
| Disposal of treasury shares | | | | | | 94 |
| Net changes of items other than shareholders' equity | 3,698 | 4,244 | 7,951 | 113 | 2,983 | 11,057 |
| Total changes of items during period | 3,698 | 4,244 | 7,951 | 113 | 2,983 | 55,491 |
| Balance at end of current period | 94,062 | (18,575) | 75,487 | 555 | 30,460 | 1,473,803 |

* Please refer to the note 1 on page 9.

(4) Consolidated Statements of Cash Flows

| | (Millions of yen) | | (Thousands of U.S. dollars)* |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
| | Fiscal year ended March 31, 2017 | Fiscal year ended March 31, 2018 | Fiscal year ended March 31, 2018 |
| Cash flows from operating activities | | | |
| Profit before income taxes | ¥8,896 | ¥9,384 | \$88,303 |
| Depreciation | 2,143 | 2,155 | 20,279 |
| Impairment loss | 336 | 48 | 452 |
| Increase (decrease) in allowance for loan losses | 233 | (1,061) | (9,984) |
| Increase (decrease) in net defined benefit liability | (1,106) | (931) | (8,761) |
| Increase (decrease) in provision for directors' retirement benefits | (3) | 11 | 104 |
| Increase (decrease) in provision for reimbursement of deposits | 19 | 36 | 339 |
| Gain on fund management | (28,828) | (27,628) | (259,979) |
| Financing expenses | 1,098 | 1,185 | 11,151 |
| Loss (gain) related to securities | (720) | (911) | (8,573) |
| Foreign exchange losses (gains) | (155) | (182) | (1,713) |
| Loss (gain) on disposal of non-current assets | 89 | 55 | 518 |
| Net decrease (increase) in trading account securities | 108 | (25) | (235) |
| Net decrease (increase) in loans and bills discounted | (77,104) | (63,737) | (599,765) |
| Net increase (decrease) in deposit | 52,115 | 47,428 | 446,297 |
| Net increase (decrease) in negotiable certificates of deposit | 9,600 | (700) | (6,587) |
| Net increase (decrease) in borrowed money (excluding subordinated borrowings) | 2,598 | (1,729) | (16,270) |
| Net decrease (increase) in deposit (excluding deposit paid to Bank of Japan) | 6,610 | 721 | 6,785 |
| Net decrease (increase) in call loans | 432 | 28 | 263 |
| Net increase (decrease) in payables under securities lending transactions | 17,230 | 1,115 | 10,492 |
| Net decrease (increase) in foreign exchanges - assets | 1,366 | (606) | (5,702) |
| Net increase (decrease) in foreign exchanges - liabilities | 13 | (8) | (75) |
| Proceeds from fund management | 29,288 | 27,761 | 261,231 |
| Payments for finance | (1,232) | (1,322) | (12,440) |
| Other, net | 1,309 | (10,144) | (95,455) |
| Subtotal | 24,340 | (19,054) | (179,298) |
| Income taxes paid | (484) | (631) | (5,938) |
| Net cash provided by (used in) operating activities | 23,856 | (19,686) | (185,245) |
| Cash flows from investing activities | | | |
| Purchase of securities | (170,748) | (158,906) | (1,495,304) |
| Proceeds from sales of securities | 95,736 | 84,230 | 792,604 |
| Proceeds from redemption of securities | 66,214 | 92,348 | 868,994 |
| Purchase of tangible fixed assets | (1,459) | (2,613) | (24,588) |
| Proceeds from sales of tangible fixed assets | 19 | 0 | 0 |
| Purchase of intangible assets | (740) | (795) | (7,481) |
| Net cash provided by (used in) investing activities | (10,978) | 14,263 | (134,215) |
| Cash flows from financing activities | | | |
| Proceeds from issuance of common shares | 11,461 | — | — |
| Purchase of treasury shares | (9,075) | (0) | (0) |
| Proceeds from sales of treasury shares | 1 | 0 | 0 |
| Cash dividends paid | (2,114) | (2,059) | (19,375) |
| Net cash provided by (used in) financing activities | 273 | (2,060) | (19,385) |
| Effect of exchange rate change on cash and cash equivalents | 155 | 182 | 1,713 |
| Net increase (decrease) in cash and cash equivalents | 13,306 | (7,300) | 68,693 |
| Cash and cash equivalents at beginning of period | 113,766 | 127,073 | 1,195,756 |
| Cash and cash equivalents at end of period | ¥127,073 | ¥119,772 | \$1,127,054 |

* Please refer to the Note 1 on page 9.

- Cash Flows

Cash flows during FY2017 and their causes are as follows.

Cash flows from operating activities

Net cash used in operating activities amounted to ¥19.6 billion (a decrease of ¥43.5 billion from ¥23.8 billion provided in FY2016). The main contributory factors were ¥9.3 billion in profit before income taxes, an increase of ¥63.7 billion in loans and bills discounted and an increase of ¥47.4 billion in deposit.

Cash flows from investing activities

Net cash provided by investing activities amounted to ¥14.2 billion (an increase of ¥25.2 billion from ¥10.9 billion used in FY2016). The main contributory factors were ¥176.5 billion in proceeds from sales and redemption of securities, ¥158.9 billion in purchase of securities and ¥2.6 billion in purchase of tangible fixed assets.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥2.0 billion (a decrease of ¥2.3 billion from ¥0.2 billion provided in FY2016). The main contributory factor was ¥2.0 billion in cash dividends paid.

As a result, cash and cash equivalents at the end of FY2017 amounted to ¥119.7 billion (a decrease of ¥7.3 billion year on year).

Consolidated Subsidiaries (As of March 31, 2018)

Chiba Kogin Card Service Co., Ltd.

Main business line: Credit card business, guarantees of housing and other loans
 Established: April 1979
 Capital: ¥100 million
 Equity share of the Bank and subsidiaries: 100.0%

Chiba Kogin Business Service Co., Ltd.

Main business line: Clerical operations for the Bank
 Established: January 1986
 Capital: ¥10 million
 Equity share of the Bank and subsidiaries: 100.0%

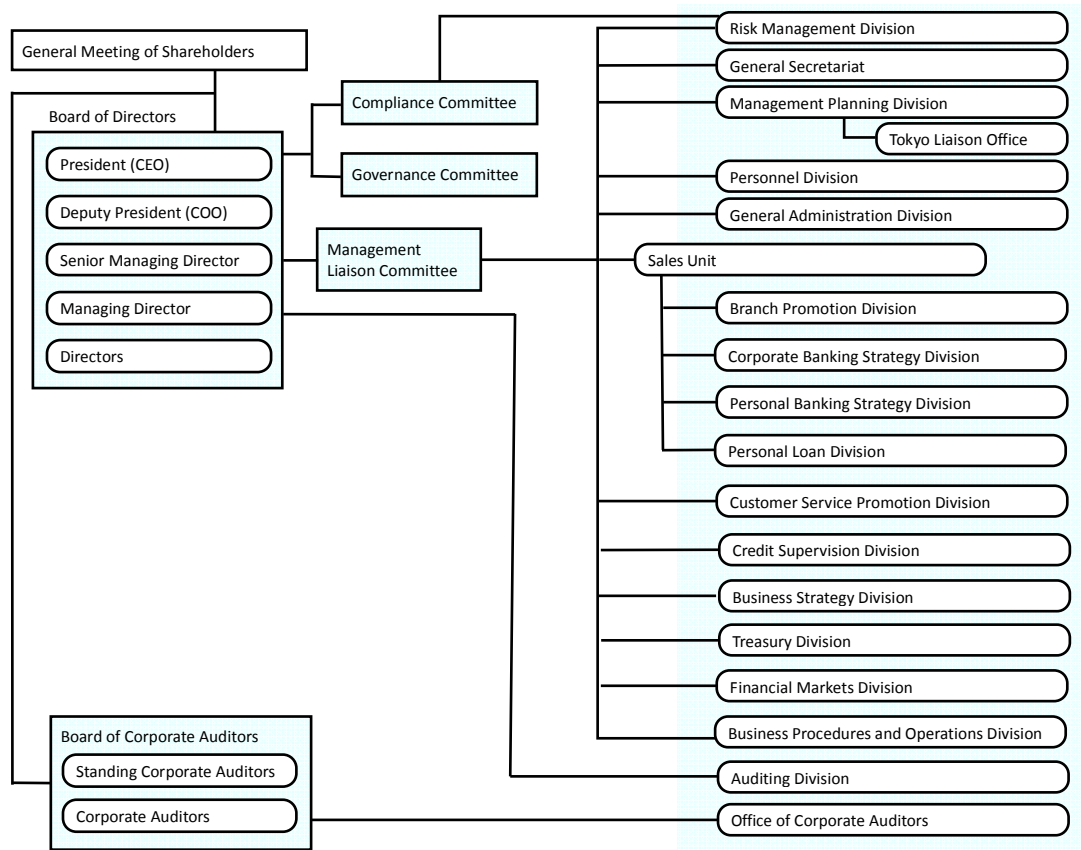
Chiba General Lease Co., Ltd.

Main business line: Leasing, loans
 Established: December 1982
 Capital: ¥90 million
 Equity share of the Bank and subsidiaries: 26.1%

Chiba Kogin Computer Soft Co., Ltd.

Main business line: Development, sale and maintenance of computer systems
 Established: July 1991
 Capital: ¥30 million
 Equity share of the Bank and subsidiaries: 55.0%

Organization Chart (As of June 30, 2018)



Board of Directors, Corporate Auditors and Executive Officers (As of June 27, 2018)

| | |
|---|--|
| President (CEO): | Shunichi Aoyagi |
| Deputy President (COO): | Ryuichi Matsumaru |
| Senior Managing Director: | Yoshiaki Tateno |
| Managing Director: | Hitoshi Umeda |
| Directors (Outside Directors): | Hisako Toya Eiji Yamada |
| Managing Executive Officers: | Shigeto Katoh Shigeki Ikeda Yasumitsu Kanda Hitoshi Yokoyama |
| Standing Corporate Auditors: | Kazuto Matsui Satoshi Hoshino |
| Corporate Auditors (Outside Corporate Auditors): | Takahiro Itsukaichi Masanori Ando |
| Executive Officers: | Yasuo Toda Akio Shimoma Katsumi Shirai Hiroshi Tanaka Takashi Furuyama Kouichi Kyoumasu Akira Miyamoto Osamu Koda |

Major Shareholders (Common Stock) (As of March 31, 2018)

| Name | Number of Shares Owned | Proportion of Total Shares (%) |
|---|------------------------|--------------------------------|
| Mizuho Bank, Ltd. | 9,583,910 | 15.41 |
| The Master Trust Bank of Japan, Ltd. (trust account) | 3,028,600 | 4.87 |
| Japan Trustee Services Bank, Ltd. (trust account) | 2,678,000 | 4.30 |
| Sakamoto Feeds Co., Ltd. | 1,249,700 | 2.00 |
| Chase Manhattan Bank GTS Clients Account Escrow (Standing proxy: Mizuho Bank, Ltd., Settlement Sales Department) | 1,188,565 | 1.91 |
| Meiji Yasuda Life Insurance Co. | 1,158,200 | 1.86 |
| DFA Intl Small Cap Value Portfolio (Standing proxy: Citibank, N.A., Tokyo Branch) | 1,145,700 | 1.84 |
| Japan Trustee Services Bank, Ltd. (trust account-5) | 1,034,300 | 1.66 |
| Government of Norway (Standing proxy: Citibank, N.A., Tokyo Branch) | 1,001,074 | 1.60 |
| Japan Trustee Services Bank, Ltd. (trust account-9) | 986,000 | 1.58 |

Note: The proportion of the number of shares owned to total shares was calculated after deducting treasury shares (36,483 shares).

* This document follows the Annual Select format for English-language disclosure developed by ZAIHON, INC. to increase the level of convenience of investors outside Japan based on Japanese-language statutory disclosure material, timely disclosure material prescribed by securities exchanges and voluntarily disclosed IR material. Annual Select is a registered trademark of ZAIHON, INC. Reproduction or copying without prior permission is prohibited.

* While every best effort has been made to provide a translation meeting the quality standards required of professionals, the Bank does not guarantee it is 100% accurate. Therefore, please verify the original Japanese text for any final judgments made based on this information.