

FINANCIAL REPORT 2020



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Message from the Management

We would like to thank you for your ongoing support of the Chukyo Bank.

This disclosure report presents the settlement of accounts for the fiscal year ended March 31, 2020. We hope that reading this report will help you gain a deeper understanding of the Bank.

During the fiscal year, the Japanese economy continued to show a gradual economic recovery, with corporate profits proceeding firmly at a high level and a pickup in consumer spending continuing. However, the impact of novel coronavirus disease (COVID-19) at the end of the fiscal year caused a significant downswing. In the Tokai region, the economy grew at a moderate pace reflecting a positive stance of companies toward capital investment being maintained throughout the fiscal year along with improvement of the employment and income environment and gradual growth in consumer spending. However, around the time of the end of the fiscal year, the economy has suddenly declined mainly due to the suppression of economic activity on various fronts resulting from the issuance of the state of emergency declaration by the Japanese government, and the current situation is extremely harsh.

Amid such economic conditions, the Chukyo Bank, while giving priority to securing the safety of customers and its executives and employees, is responding as quickly and as best as it can to maintain a system that ensures the continuity of operations, help its business-operating customers maintain a cash flow, and negotiate the terms and conditions of loan repayments with individual customers, among other responses. We believe it is our duty as a regional financial institution to contribute to the stability and early recovery of the regional economy. To that end, the Chukyo Bank aspires to realizing its management vision of being “The first bank to ask for advice.” By working to further improve the quality of our service, we want to contribute to greater business growth and lifestyle enrichment for our customers. We recognize now is the time when the true value of our effort is attracting greater scrutiny.

In addition, we have been carrying out various measures driven by the three basic strategies of “strengthening sales capabilities,” “enhancing productivity,” and “developing personnel,” which are in accordance with the theme of “achieving further growth as an urban-style regional bank” under the 17th Medium-Term Management Plan “Chukyo Action Plan 17” launched in April 2018. The business model of an urban-style regional bank is one where there is a network of branches in a major city, but where those individual branches don’t possess full banking functions on a stand-alone basis and instead provide full banking functions by working together in small-area networks. The advantage of this model is that sustainable growth can be delivered even inside existing markets. We will answer the diversifying needs of our customers, thereby contributing to the development and invigoration of the regional economy through financial services.

All of us at the Bank would appreciate your continued support and patronage as we implement a range of initiatives.

September 2020

Ryo Nagai, President

Operating Results

The Bank implemented a range of measures under its 17th Medium-Term Management Plan launched in April 2018 and strove to increase its corporate value to achieve further growth as an urban-style regional bank.

In services for individual customers, we carried out initiatives to improve customer convenience by starting to offer the Chukyo Visa Debit Cards and participating in the Cashless Payment Promotion Program introduced by Ministry of Economy, Trade and Industry of Japan. In addition, we worked to provide solutions to various needs by developing various campaigns such as “Asset-accumulation by iDeCo (the individual-type defined contribution pension plan) campaign” aimed to assist customers accumulate stable assets, as well as beginning to offer the <Chukyo> Guardianship Support Deposit to strengthen initiatives to provide security and safety for customers and their entire families.

In services for business customers, the Bank worked to respond to broad ranging needs through offering finance properly evaluated on the strength of the business as a proactive measure to meet demand for sound financing, and strengthening initiatives for providing support to businesses starting up and new businesses, overseas expansion support, proposals for business succession and business matching.

In addition to those initiatives, at the end of the fiscal year, the Bank established a point of contact, held holiday consultation meetings to expedite business consultations regarding cash flow assistance for medium- and small-sized businesses and private-business-owners who are currently affected or concerned about being affected by the impact on corporate activities by the spread of COVID-19, and started offering special financing. Through such measures, the Bank has strengthened initiatives to support the regional economy and its customers from the financial side of life.

As a result, the operating results for the Bank and its consolidated subsidiaries were as follows.

The balance of deposits (including negotiable certificates of deposit) stood at 1,775.1 billion yen as a result of an increase in deposits of 3.6 billion yen from the end of the previous fiscal year, mainly as a result of increases in the balances of corporate customers.

Loans and bills discounted totaled 1,363.7 billion yen as of the end of the fiscal year, an increase of 52.2 billion yen from the end of the previous fiscal year. This increase mainly reflects the promotion of financing for medium- and small-sized businesses that bases evaluation mainly on business attributes.

The balance of securities at the end of the fiscal year stood at 494.0 billion yen, a decrease of 21.4 billion yen year on year mainly due to a decrease in net gain on valuation.

In terms of income, interest income decreased by 783 million yen year on year to 19,648 million yen mainly due to the continuing decline in interest on loans and discounts resulting from a decrease in yield despite a net increase in loans and bills discounted, mainly for medium- and small-sized businesses. Fees and commissions decreased by 232 million yen year on year to 5,007 million yen mainly due to the decline in agent fees associated with insurance sales despite an increase in income from fees associated with various solutions offered to businesses. Primarily as a consequence of the aforementioned, total income increased by 397 million yen year on year to 30,929 million yen.

As for expenses, general and administrative expenses declined by 397 million yen year on year to 17,870 million yen mainly as a result of efficiency gains in operations and a decline in personnel expenses due to staff reductions. Other expenses increased by 1,555 million yen year on year to 2,953 million yen mainly as a result of an increase in reserve for possible loan losses. Primarily as a consequence of the aforementioned, total expenses increased by 1,166 million yen year on year to 27,500 million yen.

As a result, profit attributable to owners of the parent decreased 1,165 million yen, or down by 33.5% year on year to 2,316 million yen.

Cash Flows

Cash flows for the fiscal year ended March 31, 2020 were as follows. Net cash used in operating activities totaled 21,070 million yen, mainly due to net increase in loans and bills discounted. Net cash provided by investing activities totaled 8,876 million yen, mainly due to proceeds from sales of securities and proceeds from maturities of securities. Net cash used in financing activities totaled 1,713 million yen, mainly reflecting dividends paid.

As a result of the above, cash and cash equivalents at the fiscal year-end totaled 72,691 million yen, a decrease of 13,953 million yen during the fiscal year ended March 31, 2020.

Consolidated Financial Statements

THE CHUKYO BANK, LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2020 AND 2019

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
ASSETS:			
Cash and due from banks	¥ 73,839	¥ 87,355	\$ 678,480
Securities	494,005	515,428	4,539,235
Loans and bills discounted	1,363,747	1,311,543	12,530,984
Foreign exchange	10,589	6,760	97,298
Other assets	16,762	16,282	154,020
Premises and equipment	18,804	19,249	172,783
Intangible assets	1,918	2,329	17,623
Retirement benefit asset	552	797	5,072
Deferred tax assets	688	384	6,321
Customers' liabilities for acceptances and guarantees	3,460	4,005	31,792
Reserve for possible loan losses	(8,038)	(7,327)	(73,858)
Total assets	<u>1,976,330</u>	<u>1,956,809</u>	<u>18,159,790</u>
LIABILITIES:			
Deposits	1,775,100	1,771,435	16,310,759
Payables under securities lending transactions	30,411	-	279,435
Borrowed money	37,000	35,116	339,979
Foreign exchange	99	6	909
Subordinated bonds	5,000	5,000	45,943
Other liabilities	22,017	18,152	202,306
Retirement benefit liability	203	232	1,865
Reserve for reimbursement of dormant deposits	389	478	3,574
Reserve for contingencies	509	494	4,677
Deferred tax liabilities	118	6,019	1,084
Deferred tax liabilities for land revaluation surplus	2,547	2,552	23,403
Acceptances and guarantees	3,460	4,005	31,792
Total liabilities	<u>1,876,857</u>	<u>1,843,493</u>	<u>17,245,768</u>
EQUITY:			
Capital stock:			
Common stock –			
authorized, 50,000 thousand shares;			
issued, 21,745 thousand shares in 2020 and 2019	31,844	31,844	292,603
Capital surplus	23,994	23,994	220,472
Retained earnings	33,817	32,366	310,732
Treasury stock, at cost –			
65 thousand shares in 2020 and			
48 thousand shares in 2019	(169)	(139)	(1,552)
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale securities	6,011	20,211	55,232
Deferred loss on derivatives under hedge accounting	(725)	(323)	(6,661)
Land revaluation surplus	5,357	5,367	49,223
Remeasurements of defined benefit plans	(953)	(248)	(8,756)
Total	<u>99,177</u>	<u>113,073</u>	<u>911,302</u>
Share acquisition rights	295	242	2,710
Total equity	<u>99,472</u>	<u>113,316</u>	<u>914,012</u>
Total liabilities and equity	<u>¥ 1,976,330</u>	<u>¥ 1,956,809</u>	<u>\$18,159,790</u>

THE CHUKYO BANK, LIMITED AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED MARCH 31, 2020 AND 2019**

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
INCOME:			
Interest income:			
Interest on loans and discounts	¥ 12,455	¥ 12,968	\$ 114,444
Interest and dividends on securities	7,040	7,254	64,688
Other interest income	153	209	1,405
Fees and commissions	5,007	5,239	46,007
Other ordinary income	2,892	2,550	26,573
Gain on sales and disposal of premises and equipment	4	77	36
Recoveries of written-off receivables	1	1	9
Other income	3,374	2,231	31,002
Total income	30,929	30,531	284,195
EXPENSES:			
Interest expenses:			
Interest on deposits	244	314	2,242
Interest on bonds	56	56	514
Other interest expenses	1,042	1,118	9,574
Fees and commissions	2,034	2,080	18,689
Other ordinary expenses	3,232	2,998	29,697
General and administrative expenses	17,870	18,267	164,201
Provision of reserve for possible loan losses	1,548	310	14,224
Loss on sales and disposal of premises and equipment	19	55	174
Impairment loss on long-lived assets	45	45	413
Other expenses	1,405	1,087	12,910
Total expenses	27,500	26,334	252,687
PROFIT BEFORE INCOME TAXES	3,429	4,197	31,507
INCOME TAXES:			
Current	853	271	7,837
Deferred	259	444	2,379
Total income taxes	1,112	716	10,217
PROFIT	2,316	3,481	21,280
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 2,316	¥ 3,481	\$ 21,280
PER SHARE OF COMMON STOCK:			
Basic earnings	¥ 106.74	¥ 160.50	\$ 0.98
Cash dividends applicable to the year	40.00	40.00	0.36

THE CHUKYO BANK, LIMITED AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED MARCH 31, 2020 AND 2019**

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
PROFIT	¥ 2,316	¥ 3,481	\$ 21,280
OTHER COMPREHENSIVE INCOME:			
Net unrealized (loss) gain on available-for-sale securities	(14,181)	1,485	(130,304)
Deferred loss on derivatives under hedge accounting	(401)	(5)	(3,684)
Remeasurements of defined benefit plans	(705)	56	(6,477)
Share of other comprehensive income of associates accounted for using equity method	(18)	(3)	(165)
Total other comprehensive income	(15,306)	1,533	(140,641)
COMPREHENSIVE INCOME	(12,990)	¥ 5,015	\$ (119,360)
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ (12,990)	¥ 5,015	\$ (119,360)

THE CHUKYO BANK, LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED MARCH 31, 2020 AND 2019

	Thousands	Millions of Yen											
	Outstanding Number of Shares of Common Stock						Accumulated Other Comprehensive Income					Share Acquisition Rights	Total Equity
		Common Stock	Capital Surplus	Retained Earnings	Treasury Stock		Net Unrealized Gain on Available-for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Land Revaluation Surplus	Remeasure- ments of Defined Benefit Plans	Total		
BALANCE AT April 1, 2018	21,674	¥ 31,844	¥ 23,994	¥ 29,751	¥ (205)	¥ 18,728	¥ (318)	¥ 5,391	¥ (304)	¥ 108,883	¥ 220	¥ 109,103	
Profit attributable to owners of the parent	-	-	-	3,481	-	-	-	-	-	3,481	-	3,481	
Cash dividends, ¥40.00 per share	-	-	-	(867)	-	-	-	-	-	(867)	-	(867)	
Purchases of treasury stock	(3)	-	-	-	(7)	-	-	-	-	(7)	-	(7)	
Disposal of treasury stock	25	-	-	(23)	73	-	-	-	-	50	-	50	
Reversal of land revaluation surplus	-	-	-	24	-	-	-	-	-	24	-	24	
Net changes of items other than shareholders' equity	-	-	-	-	-	1,482	(5)	(24)	56	1,509	21	1,531	
BALANCE AT MARCH 31, 2019	21,697	31,844	23,994	32,366	(139)	20,211	(323)	5,367	(248)	113,073	242	113,316	
Profit attributable to owners of the parent	-	-	-	2,316	-	-	-	-	-	2,316	-	2,316	
Cash dividends, ¥40.00 per share	-	-	-	(868)	-	-	-	-	-	(868)	-	(868)	
Purchases of treasury stock	(27)	-	-	-	(61)	-	-	-	-	(61)	-	(61)	
Disposal of treasury stock	10	-	-	(7)	31	-	-	-	-	23	-	23	
Reversal of land revaluation surplus	-	-	-	9	-	-	-	-	-	9	-	9	
Net changes of items other than shareholders' equity	-	-	-	-	-	(14,199)	(401)	(9)	(705)	(15,316)	52	(15,263)	
BALANCE AT MARCH 31, 2020	21,680	¥ 31,844	¥ 23,994	¥ 33,817	¥ (169)	¥ 6,011	¥ (725)	¥ 5,357	¥ (953)	¥ 99,177	¥ 295	¥ 99,472	

	Thousands of U.S. Dollars											
						Accumulated Other Comprehensive Income					Share Acquisition Rights	Total Equity
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock		Net Unrealized Gain on Available-for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Land Revaluation Surplus	Remeasure- ments of Defined Benefit Plans	Total		
BALANCE AT MARCH 31, 2019	\$ 292,603	\$ 220,472	\$ 297,399	\$ (1,277)	\$ 185,711	\$ (2,967)	\$ 49,315	\$ (2,278)	\$ 1,038,987	\$ 2,223	\$ 1,041,220	
Profit attributable to owners of the parent	-	-	21,280	-	-	-	-	-	-	21,280	-	21,280
Cash dividends, \$0.36 per share	-	-	(7,975)	-	-	-	-	-	-	(7,975)	-	(7,975)
Purchases of treasury stock	-	-	-	(560)	-	-	-	-	-	(560)	-	(560)
Disposal of treasury stock	-	-	(64)	284	-	-	-	-	-	211	-	211
Reversal of land revaluation surplus	-	-	82	-	-	-	-	-	-	82	-	82
Net changes of items other than shareholders' equity	-	-	-	-	(130,469)	(3,684)	(82)	(6,477)	(140,733)	477	(140,246)	
BALANCE AT MARCH 31, 2020	\$ 292,603	\$ 220,472	\$ 310,732	\$ (1,552)	\$ 55,232	\$ (6,661)	\$ 49,223	\$ (8,756)	\$ 911,302	\$ 2,710	\$ 914,012	

THE CHUKYO BANK, LIMITED AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2020 AND 2019**

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
OPERATING ACTIVITIES:			
Profit before income taxes	¥ 3,429	¥ 4,197	\$ 31,507
Adjustments for:			
Income tax paid	(350)	(785)	(3,216)
Depreciation and amortization	1,620	1,755	14,885
Impairment loss on long-lived assets	45	45	413
Share of profit of entities accounted for using equity method	(51)	(35)	(468)
Net gain on sales and redemption of securities	(2,189)	(1,072)	(20,113)
Net foreign exchange loss (gain)	1,073	(2,635)	9,859
Net loss (gain) on sales and disposal of premises and equipment	14	(21)	128
Changes in assets and liabilities:			
Net increase in loans and bills discounted	(52,204)	(8,228)	(479,683)
Net increase in deposits	3,664	1,432	33,667
Net increase in borrowed money (excluding subordinated borrowings of the Bank)	1,884	4,597	17,311
Net increase in due from banks (excluding due from the Bank of Japan)	(437)	(211)	(4,015)
Net increase (decrease) in payables under securities lending transactions	30,411	(18,303)	279,435
Net (increase) decrease in foreign exchange, assets	(3,829)	1,227	(35,183)
Net increase (decrease) in foreign exchange, liabilities	92	(22)	845
Net increase (decrease) in reserve for possible loan losses	711	(1,128)	6,533
Net increase in asset for retirement benefit asset	(889)	(840)	(8,168)
Net increase in liability for retirement benefit liability	88	238	808
Net increase in interest receivable	(6,828)	(7,222)	(62,740)
Net increase in interest payable	73	19	670
Net decrease (increase) in other assets	318	(4,097)	2,921
Net increase (decrease) in other liabilities	2,281	(3,439)	20,959
Total adjustments	(24,499)	(38,730)	(225,112)
Net cash used in by operating activities	(21,070)	(34,533)	(193,604)
FORWARD	¥ (21,070)	¥ (34,533)	\$ (193,604)

(Continued)

THE CHUKYO BANK, LIMITED AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2020 AND 2019**

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
FORWARD	¥ (21,070)	¥ (34,533)	\$ (193,604)
INVESTING ACTIVITIES:			
Purchases of securities	(125,639)	(101,727)	(1,154,451)
Proceeds from sales of securities	73,099	68,576	671,680
Proceeds from maturities of securities	55,981	83,313	514,389
Dividends and interest received from investing activities	6,646	7,021	61,067
Purchases of premises and equipment	(318)	(371)	(2,921)
Proceeds from sales of premises and equipment	51	130	468
Purchases of intangible assets	(943)	(716)	(8,664)
Net cash provided by investing activities	8,876	56,226	81,558
FINANCING ACTIVITIES:			
Payments as financing activities	(56)	(56)	(514)
Dividends paid	(868)	(867)	(7,975)
Purchases of treasury stock	(61)	(7)	(560)
Proceeds from sales of treasury stock	23	50	211
Repayments of lease obligations	(751)	(953)	(6,900)
Net cash used in financing activities	(1,713)	(1,834)	(15,740)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(46)	(45)	(422)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(13,953)	19,813	(128,209)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	86,644	66,831	796,140
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 72,691	¥ 86,644	\$ 667,931

Basis of presentation

These financial statements without footnotes have been compiled from the consolidated financial statements prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and the Ordinance for Enforcement of the Banking Act, and in conformity with accounting principles generally accepted in Japan. Certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥108.83 to \$1, the approximate rate of exchange at March 31, 2020. Amounts less than one million yen and amounts less than one thousand dollars are omitted. As a result, totals shown in the accompanying financial statements without footnotes do not necessarily agree with the sum of the individual amounts.

Directors and Corporate Auditors (as of June 30, 2020)

Shigenobu Tokuoka	Chairman
Ryo Nagai	President
Noriaki Kojima	Director and Senior Managing Executive Officer
Toshiyuki Wakao	Director and Managing Executive Officer
Akira Hotta	Director and Managing Executive Officer
Hideo Kobayashi	Director and Managing Executive Officer
Hiroshi Kawai	Director
Junko Hiratsuka	Director and Executive Officer
Yuki Shibata	Director (Outside)
Kenichi Nakamatsu	Director (Outside)
Junji Miyazaki	Audit & Supervisory Board Member
Kazuhiko Kimura	Audit & Supervisory Board Member (Outside)
Yoshiko Kurimoto	Audit & Supervisory Board Member (Outside)

Status of Principal Shareholders (as of March 31, 2020)

Name	Address	Number of shares held (thousand)	Percentage of share ownership (%) (Note)
MUFG Bank, Ltd.	7-1, Marunouchi 2-Chome, Chiyoda-ku, Tokyo	8,534	39.36
Misono Service Co., Ltd.	15-56, Heian 2-Chome, Kita-ku, Nagoya-City, Aichi	1,202	5.54
Japan Trustee Services Bank, Ltd. (trust a/c 4)	8-11, Harumi 1-Chome, Chuo-ku, Tokyo	993	4.58
Japan Trustee Services Bank, Ltd. (trust a/c)	8-11, Harumi 1-Chome, Chuo-ku, Tokyo	772	3.56
Tamazen Co., Ltd.	17-2, Marunouchi 1-Chome, Naka-ku, Nagoya-City, Aichi	610	2.81
The Chukyo Bank Employees Shareholding Association	33-13, Sakae 3-Chome, Naka-ku, Nagoya-City, Aichi	483	2.23
Daido Life Insurance Company (Standing proxy: Japan Trustee Services Bank, Ltd.)	2-1, Edobori 1-Chome, Nishi-ku, Osaka-City, Osaka (8-11, Harumi 1-Chome, Chuo-ku, Tokyo)	470	2.16
The Master Trust Bank of Japan, Ltd. (trust a/c)	11-3, Hamamatsu-cho 2-Chome, Minato-ku, Tokyo	415	1.91
Aioi Nissay Dowa Insurance Co., Ltd. (Standing proxy: The Master Trust Bank of Japan, Ltd.)	28-1, Ebisu 1-Chome, Shibuya-ku, Tokyo (11-3, Hamamatsu-cho 2-Chome, Minato-ku, Tokyo)	392	1.81
Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	6-6, Marunouchi 1-Chome, Chiyoda-ku, Tokyo (11-3, Hamamatsu-cho 2-Chome, Minato-ku, Tokyo)	341	1.57
Total		14,216	65.57

Note The figures presented for percentage of share ownership show the percentage of the total number of shares issued (excluding treasury stock).

Bank Data (as of March 31, 2020, non-consolidated)

Name:	The Chukyo Bank, Limited
Location of Head Office:	33-13, Sakae 3-Chome, Naka-ku, Nagoya-City, Aichi
Date of Establishment:	February 10, 1943
Capital Stock:	31.844 billion yen
Deposits:	1,780.7 billion yen *Including negotiable certificates of deposit
Loans and Bills Discounted:	1,363.3 billion yen
Number of Employees:	1,120

Bank Network (as of June 30, 2020)

	Head Office and branches and sub-branches
Nagoya-shi	38
Aichi	28
Mie	15
Shizuoka	1
Nara	2
Osaka	1
Tokyo	1
Internet branch	1
Total	87
Number of ATMs	203