

FINANCIAL REPORT 2021



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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, 2021. We hope that reading this report will help you gain a deeper understanding of the Bank.

During the last fiscal year, the Japanese economy rapidly deteriorated due to the effects of the novel coronavirus disease (COVID-19) from the beginning of the fiscal year, and the situation became extremely severe. Although consumer spending and non-manufacturing industries continued to be weak due to the effects of restraint in going out, the economy began to pick up in the second half of the fiscal year, mainly in exports and production, due to the effects of various policies and the recovery of overseas economies.

Under such circumstances, in Aichi Prefecture, which is the Bank's main business area, although the economy is expected to pick up due to the effects of various policies and improvements in overseas economies, the Bank recognizes that there are downside risks to the economy, such as the impact of trends in COVID-19 on the domestic and overseas economies and fluctuations in financial and capital markets. In addition, in the medium to long term, the business environment surrounding the Bank will have to adapt to rapid changes in the business environment, such as a shrinking domestic market due to a declining population, new competition due to digitalization accelerated by the COVID-19 pandemic, growing diversified needs of customers according to their life stages, and declining profitability of profit on deposits and loans, and interest and dividends on securities, and we therefore recognize the need for a drastic change in our business model in order to be able to respond to these rapid changes in the environment.

Under such a severe business environment, we have decided that it is necessary to make drastic changes and improve the soundness of our management now that we have secured profits and have management strength, and have launched the 18th Medium-Term Management Plan "CX Plan" in April 2021. Under the CX Plan, in order to contribute to the growth of the local community, we will dramatically enhance our function to provide comprehensive and timely consulting services tailored to the life stages of our customers, to complement our financial intermediary functions, aiming to achieve our theme of "becoming a consulting company that contributes to the community with financial functions."

In order to meet the diverse needs of our customers and to realize our management vision of becoming "the bank people want to talk to most," all executives and employees of the Bank will make concerted efforts to achieve this goal. We thus look forward to your continued support and patronage.

September 2021

Hideo Kobayashi, President

Operating Results

Based on the 17th Medium-Term Management Plan launched in April 2018, the Bank has been implementing various measures and making efforts to provide financial and management support mainly to customers operating businesses affected by the spread of COVID-19.

For customers operating businesses, in addition to providing management consultations such as cash management, we have started to offer subordinated capital loans to help customers improve their capital that has been damaged due to temporary deterioration in business performance caused by rapid changes in the business environment. In addition, in order to help our customers resolve their management issues, we launched the management support platform “Chukyo Big Advance” and have been making efforts to support our customers’ core business and enhance their business value by not only providing financial support, but also expanding sales channels, improving welfare programs, as well as providing useful information for management.

For individual customers, the Bank took steps to improve customer convenience, including the launch of Chukyo Toushin Direct, a service that allows customers to trade investment trusts via the Internet. The Bank also worked to provide solutions to various needs by developing various campaigns such as the “Asset Management Campaign” to promote stable asset formation, as well as beginning to offer the “My Design” reverse mortgage loan to meet the needs of senior citizens who want to enhance their second life while continuing to live in their own homes.

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 1,896.7 billion yen as of the end of the fiscal year, an increase of 121.6 billion yen during the fiscal year. This increase mainly reflects moves by business customers to secure cash reserves to prepare for the impact of COVID-19 on their businesses.

Loans and bills discounted totaled 1,535.8 billion yen as of the end of the fiscal year, an increase of 172.1 billion yen during the fiscal year. This increase mainly reflects the Bank’s proactive efforts to provide financial support to medium- and small-sized businesses affected by COVID-19.

The balance of securities at the end of the fiscal year stood at 430.7 billion yen, a decrease of 63.2 billion yen year on year mainly due to redemption of domestic bonds.

In terms of income, interest income decreased by 771 million yen year on year to 18,876 million yen mainly due to a decrease in interest and dividends on securities, despite an increase in interest on loans due to an increase in loans, mostly directed at medium- and small-sized businesses. Fees and commissions increased by 392 million yen year on year to 5,399 million yen mainly due to an increase in corporate-related fees and commissions as a result of proactive proposals for management support to businesses. Other ordinary income increased by 706 million yen year on year to 3,598 million yen mainly due to an increase in gain on sale of bonds. Other income increased by 194 million yen year on year to 3,571 million yen mainly due to an increase in gain on sale of equity securities. Primarily as a consequence of the aforementioned, total income increased by 824 million yen year on year to 31,754 million yen.

As for expenses, financing expenses decreased by 347 million yen year on year to 996 million yen mainly due to a decrease in foreign currency funding costs as a result of restrained investment in foreign currency-denominated bonds. Fees and commissions decreased by 12 million yen year on year to 2,022 million yen. Other ordinary expenses decreased by 273 million yen year on year to 2,958 million yen mainly due to a decrease in loss on sale of bonds. General and administrative expenses decreased by 179 million yen year on year to 17,690 million yen mainly as a result of a decrease in property expenses due to a decrease in system-related depreciation and amortization. Other expenses increased by 1,191 million yen year on year to 4,145 million yen mainly as a result of an increase in provision of reserve for possible loan losses. Primarily as a consequence of the aforementioned, total expenses increased by 520 million yen year on year to 28,020 million yen.

As a result, profit attributable to owners of the parent increased 17 million yen, or up by 0.7% year on year to 2,333 million yen.

Cash Flows

Cash flows for the fiscal year ended March 31, 2021 were as follows. Net cash used in operating activities totaled 71,880 million yen, mainly due to net increase in loans and bills discounted. Net cash provided by investing activities totaled 91,616 million yen, mainly due to proceeds from sales of securities and proceeds from maturities of securities. Net cash used in financing activities totaled 1,303 million yen, mainly reflecting dividends paid.

As a result of the above, cash and cash equivalents at the fiscal year-end totaled 91,124 million yen, an increase of 18,432 million yen during the fiscal year ended March 31, 2021.

Consolidated Financial Statements

THE CHUKYO BANK, LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2021 AND 2020

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
ASSETS:			
Cash and due from banks	¥ 92,026	¥ 73,839	\$ 831,234
Securities	430,763	494,005	3,890,913
Loans and bills discounted	1,535,869	1,363,747	13,872,902
Foreign exchange	15,931	10,589	143,898
Other assets	15,288	16,762	138,090
Premises and equipment	18,419	18,804	166,371
Intangible assets	1,814	1,918	16,385
Retirement benefit asset	2,943	552	26,582
Deferred tax assets	387	688	3,495
Customers' liabilities for acceptances and guarantees	2,813	3,460	25,408
Reserve for possible loan losses	(9,255)	(8,038)	(83,596)
Total assets	<u>2,107,003</u>	<u>1,976,330</u>	<u>19,031,731</u>
LIABILITIES:			
Deposits	1,896,745	1,775,100	17,132,553
Payables under securities lending transactions	-	30,411	-
Borrowed money	56,300	37,000	508,535
Foreign exchange	22	99	198
Subordinated bonds	5,000	5,000	45,163
Other liabilities	28,259	22,017	255,252
Retirement benefit liability	149	203	1,345
Reserve for reimbursement of dormant deposits	149	389	1,345
Reserve for contingencies	492	509	4,444
Deferred tax liabilities	3,842	118	34,703
Deferred tax liabilities for land revaluation surplus	2,537	2,547	22,915
Acceptances and guarantees	2,813	3,460	25,408
Total liabilities	<u>1,996,311</u>	<u>1,876,857</u>	<u>18,031,894</u>
EQUITY:			
Capital stock:			
Common stock –			
authorized, 50,000 thousand shares;			
issued, 21,745 thousand shares in 2021 and 2020	31,844	31,844	287,634
Capital surplus	23,994	23,994	216,728
Retained earnings	35,211	33,817	318,047
Treasury stock, at cost –			
30 thousand shares in 2021 and			
65 thousand shares in 2020	(78)	(169)	(704)
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale securities	14,393	6,011	130,006
Deferred loss on derivatives under hedge accounting	(650)	(725)	(5,871)
Land revaluation surplus	5,407	5,357	48,839
Remeasurements of defined benefit plans	269	(953)	2,429
Total	<u>110,392</u>	<u>99,177</u>	<u>997,127</u>
Share acquisition rights	299	295	2,700
Total equity	<u>110,691</u>	<u>99,472</u>	<u>999,828</u>
Total liabilities and equity	<u>¥ 2,107,003</u>	<u>¥ 1,976,330</u>	<u>\$19,031,731</u>

THE CHUKYO BANK, LIMITED AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED MARCH 31, 2021 AND 2020**

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
INCOME:			
Interest income:			
Interest on loans and discounts	¥ 13,344	¥ 12,455	\$ 120,531
Interest and dividends on securities	5,427	7,040	49,019
Other interest income	104	153	939
Fees and commissions	5,399	5,007	48,767
Other ordinary income	3,598	2,892	32,499
Gain on sales and disposal of premises and equipment	62	4	560
Gain on liquidation of subsidiaries and associates	245	-	2,212
Recoveries of written-off receivables	0	1	0
Other income	3,570	3,374	32,246
Total income	31,754	30,929	286,821
EXPENSES:			
Interest expenses:			
Interest on deposits	237	244	2,140
Interest on bonds	56	56	505
Other interest expenses	702	1,042	6,340
Fees and commissions	2,022	2,034	18,263
Other ordinary expenses	2,958	3,232	26,718
General and administrative expenses	17,690	17,870	159,786
Provision of reserve for possible loan losses	2,678	1,548	24,189
Loss on sales and disposal of premises and equipment	20	19	180
Impairment loss on long-lived assets	185	45	1,671
Other expenses	1,466	1,405	13,241
Total expenses	28,020	27,500	253,093
PROFIT BEFORE INCOME TAXES	3,733	3,429	33,718
INCOME TAXES:			
Current	1,529	853	13,810
Deferred	(129)	259	(1,165)
Total income taxes	1,399	1,112	12,636
PROFIT	2,333	2,316	21,073
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 2,333	¥ 2,316	\$ 21,073
PER SHARE OF COMMON STOCK:			
Basic earnings	¥ 107.51	¥ 106.74	\$ 0.97
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, 2021 AND 2020**

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
PROFIT	¥ 2,333	¥ 2,316	\$ 21,073
OTHER COMPREHENSIVE INCOME:			
Net unrealized gain (loss) on available-for-sale securities	8,381	(14,181)	75,702
Deferred gain (loss) on derivatives under hedge accounting	74	(401)	668
Remeasurements of defined benefit plans	1,223	(705)	11,046
Share of other comprehensive income of associates accounted for using equity method	-	(18)	-
Total other comprehensive income	9,679	(15,306)	87,426
COMPREHENSIVE INCOME	<u>¥ 12,013</u>	<u>¥ (12,990)</u>	<u>\$ 108,508</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 12,013	¥ (12,990)	\$ 108,508

THE CHUKYO BANK, LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED MARCH 31, 2021 AND 2020

	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, 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	
Profit attributable to owners of the parent	-	-	-	2,333	-	-	-	-	-	2,333	-	2,333	
Cash dividends, ¥40.00 per share	-	-	-	(867)	-	-	-	-	-	(867)	-	(867)	
Purchases of treasury stock	(1)	-	-	-	(3)	-	-	-	-	(3)	-	(3)	
Disposal of treasury stock	36	-	-	(21)	94	-	-	-	-	73	-	73	
Reversal of land revaluation surplus	-	-	-	(49)	-	-	-	-	-	(49)	-	(49)	
Net changes of items other than shareholders' equity	-	-	-	-	-	8,381	74	49	1,223	9,729	3	9,733	
BALANCE AT MARCH 31, 2021	21,715	¥ 31,844	¥ 23,994	¥ 35,211	¥ (78)	¥ 14,393	¥ (650)	¥ 5,407	¥ 269	¥ 110,392	¥ 299	¥ 110,691	

	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, 2020	\$ 287,634	\$ 216,728	\$ 305,455	\$ (1,526)		\$ 54,295	\$ (6,548)	\$ 48,387	\$ (8,608)	\$ 895,826	\$ 2,664	\$ 898,491
Profit attributable to owners of the parent	-	-	21,073	-	-	-	-	-	-	21,073	-	21,073
Cash dividends, \$0.36 per share	-	-	(7,831)	-	-	-	-	-	-	(7,831)	-	(7,831)
Purchases of treasury stock	-	-	-	(27)	-	-	-	-	-	(27)	-	(27)
Disposal of treasury stock	-	-	(189)	849	-	-	-	-	-	659	-	659
Reversal of land revaluation surplus	-	-	(442)	-	-	-	-	-	-	(442)	-	(442)
Net changes of items other than shareholders' equity	-	-	-	-	-	75,702	668	442	11,046	87,878	27	87,914
BALANCE AT MARCH 31, 2021	\$ 287,634	\$ 216,728	\$ 318,047	\$ (704)		\$ 130,006	\$ (5,871)	\$ 48,839	\$ 2,429	\$ 997,127	\$ 2,700	\$ 999,828

THE CHUKYO BANK, LIMITED AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2021 AND 2020**

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
OPERATING ACTIVITIES:			
Profit before income taxes	¥ 3,733	¥ 3,429	\$ 33,718
Adjustments for:			
Income tax paid	(1,079)	(350)	(9,746)
Depreciation and amortization	1,412	1,620	12,754
Impairment loss on long-lived assets	185	45	1,671
Gain on liquidation of subsidiaries and associates	(245)	-	(2,212)
Share of loss (profit) of entities accounted for using equity method	113	(51)	1,020
Net gain on sales and redemption of securities	(3,399)	(2,189)	(30,701)
Net foreign exchange (gain) loss	(429)	1,073	(3,874)
Net (gain) loss on sales and disposal of premises and equipment	(37)	14	(334)
Changes in assets and liabilities:			
Net increase in loans and bills discounted	(172,122)	(52,204)	(1,554,710)
Net increase in deposits	121,645	3,664	1,098,771
Net increase in borrowed money (excluding subordinated borrowings of the Bank)	19,300	1,884	174,329
Net decrease (increase) in due from banks (excluding due from the Bank of Japan)	246	(437)	2,222
Net (decrease) increase in payables under securities lending transactions	(30,411)	30,411	(274,690)
Net increase in foreign exchange, assets	(5,341)	(3,829)	(48,243)
Net (decrease) increase in foreign exchange, liabilities	(77)	92	(695)
Net increase in reserve for possible loan losses	1,216	711	10,983
Net increase in asset for retirement benefit asset	(734)	(889)	(6,629)
Net increase in liability for retirement benefit liability	52	88	469
Net increase in interest receivable	(5,519)	(6,828)	(49,850)
Net (decrease) increase in interest payable	(4)	73	(36)
Net decrease in other assets	1,104	318	9,971
Net (decrease) increase in other liabilities	(1,488)	2,281	(13,440)
Total adjustments	(75,614)	(24,499)	(682,991)
Net cash used in by operating activities	(71,880)	(21,070)	(649,263)
FORWARD	¥ (71,880)	¥ (21,070)	\$ (649,263)

(Continued)

THE CHUKYO BANK, LIMITED AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2021 AND 2020**

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
FORWARD	¥ (71,880)	¥ (21,070)	\$ (649,263)
INVESTING ACTIVITIES:			
Purchases of securities	(78,290)	(125,639)	(707,162)
Proceeds from sales of securities	81,854	73,099	739,355
Proceeds from maturities of securities	82,342	55,981	743,762
Proceeds from liquidation of subsidiaries and associates	1,746	-	15,770
Dividends and interest received from investing activities	5,159	6,646	46,599
Purchases of premises and equipment	(550)	(318)	(4,967)
Proceeds from sales of premises and equipment	155	51	1,400
Purchases of intangible assets	(801)	(943)	(7,235)
Net cash provided by investing activities	91,616	8,876	827,531
FINANCING ACTIVITIES:			
Payments as financing activities	(56)	(56)	(505)
Dividends paid	(867)	(868)	(7,831)
Purchases of treasury stock	(3)	(61)	(27)
Proceeds from sales of treasury stock	73	23	659
Repayments of lease obligations	(448)	(751)	(4,046)
Net cash used in financing activities	(1,303)	(1,713)	(11,769)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	0	(46)	0
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	18,432	(13,953)	166,489
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	72,691	86,644	656,589
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 91,124	¥ 72,691	\$ 823,087

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 ¥110.71 to \$1, the approximate rate of exchange at March 31, 2021. 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 Audit & Supervisory Board Members (as of June 30, 2021)

Shigenobu Tokuoka	Chairman
Hideo Kobayashi	President
Noriaki Kojima	Director and Senior Managing Executive Officer
Toshiyuki Wakao	Director and Managing Executive Officer
Hiroshi Kawai	Director and Executive Officer
Junko Hiratsuka	Director and Executive Officer
Yuki Shibata	Director (Outside)
Hiroyuki Noguchi	Director (Outside)
Akihiro Maeda	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, 2021)

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	39.30
Misono Service Co., Ltd.	15-56, Heian 2-Chome, Kita-ku, Nagoya-City, Aichi	1,822	8.39
Custody Bank of Japan, Ltd. (trust a/c 4)	8-12, Harumi 1-Chome, Chuo-ku, Tokyo	990	4.56
Custody Bank of Japan, Ltd. (trust a/c)	8-12, Harumi 1-Chome, Chuo-ku, Tokyo	610	2.80
KT CAPITAL CORPORATION	17-2, Marunouchi 1-Chome, Naka-ku, Nagoya-City, Aichi	610	2.80
The Master Trust Bank of Japan, Ltd. (trust a/c)	11-3, Hamamatsu-cho 2-Chome, Minato-ku, Tokyo	483	2.22
The Chukyo Bank Employees Shareholding Association	33-13, Sakae 3-Chome, Naka-ku, Nagoya-City, Aichi	478	2.20
Daido Life Insurance Company (Standing proxy: Custody Bank of Japan, Ltd.)	2-1, Edobori 1-Chome, Nishi-ku, Osaka-City, Osaka (8-12, Harumi 1-Chome, Chuo-ku, Tokyo)	329	1.51
Daiwa Can Company	7-2, Marunouchi 2-Chome, Chiyoda-ku, Tokyo	296	1.36
Chukyo TV. Broadcasting Co., Ltd.	60-11, Hiraike-cho 4-Chome, Nakamura-ku, Nagoya-City, Aichi	263	1.21
Total		14,416	66.39

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, 2021, 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:	1,902.7 billion yen *Including negotiable certificates of deposit
Loans and Bills Discounted:	1,535.5 billion yen
Number of Employees:	1,109

Bank Network (as of June 30, 2021)

	Head Office and branches and sub-branches
Nagoya-shi	39
Aichi	27
Mie	15
Shizuoka	1
Nara	2
Osaka	1
Tokyo	1
Internet branch	1
Total	87
Number of ATMs	195