

FINANCIAL REPORT 2023



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Operating Results

Aichi FG, which is a wholly owning parent company of the Chukyo Bank (the “Bank”) and The Aichi Bank, Ltd., was established by way of a joint share transfer between both banks on October 3, 2022, and carries out operations based on its management vision, which comprises the three elements of “purpose,” “mission” and “value.”

In addition, under the 18th Medium-Term Management Plan “CX Plan,” for the purpose of contributing to the growth of the local community, we are pursuing various measures to transition to a company that provides comprehensive consulting services tailored to the life stages of our customers in a timely fashion that complements our financial intermediary functions to “become a consulting company that contributes to the community with financial functions.”

For customers operating businesses, in order to respond to diversifying needs, the Bank provided support on a companion-based model through consulting functions such as activities to offer solutions to the various management issues and worked to contribute to the revitalization of the regional economy and the solving of social issues. Furthermore, through the provision of the “establishment support package,” the Bank supported the establishment of new businesses for medium- and small-sized businesses, and worked to contribute to regional revitalization by working on initiatives to revitalize local industries so that they can create stable employment.

For individual customers, the Bank established retail strategies by segment, and established a system that can respond to advanced asset formation needs through the wealth management team, etc. carrying out consulting sales. Furthermore, the Bank worked to enhance convenience for customers through the promotion of DX (digital transformation), such as by commencing the acceptance of “Establishment of Ordinary Savings Account” and “Changes to Items Concerning Notification (Address/Name/Seal)” through the use of tablet devices.

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 1,925.6 billion yen as of the end of the fiscal year, an increase of 65.5 billion yen during the fiscal year, mainly due to increases in both corporate and individual customers.

Loans and bills discounted totaled 1,568.6 billion yen as of the end of the fiscal year, an increase of 19.1 billion yen during the fiscal year. This increase mainly reflects the Bank’s efforts to provide financial support to corporate customers affected by the changing situation in Japan and overseas and rising resource prices in addition to the Bank’s proactive response to the demand for funds by individual customers, mainly for housing loans.

The balance of securities at the end of the fiscal year stood at 400.7 billion yen, a decrease of 4.4 billion yen during the fiscal year mainly due to a decrease in domestic bonds, etc.

In terms of income, interest income decreased by 162 million yen year on year to 18,923 million yen mainly due to a decrease in interest on loans and discounts as a result of declining loan yields as well as a decrease in interest on deposits with banks, despite an increase in interest and dividends on securities. Fees and commissions increased by 226 million yen year on year to 6,212 million yen mainly due to an increase in corporate-related fees and commissions as a result of an increase in activity for solution sales to customers who conduct business. Other ordinary income decreased by 186 million yen year on year to 1,228 million yen mainly due to a decrease in gain on foreign exchange transactions and gain on sale of bonds. Other income decreased by 3,834 million yen year on year to 1,207 million yen mainly due to a decrease in gain on sale of equity securities. Primarily as a consequence of the aforementioned, total income decreased by 4,151 million yen year on year to

27,961 million yen.

As for expenses, financing expenses increased by 471 million yen year on year to 1,293 million yen mainly due to an increase in foreign currency funding costs as a result of investment in foreign currency-denominated bonds. Fees and commissions decreased by 42 million yen year on year to 1,951 million yen. Other ordinary expenses increased by 2,946 million yen year on year to 4,350 million yen mainly due to an increase in loss on sale of bonds. General and administrative expenses decreased by 1,339 million yen year on year to 15,686 million yen mainly due to decreases in personnel expenses and property expenses. Other expenses decreased by 347 million yen year on year to 3,869 million yen. Primarily as a consequence of the aforementioned, total expenses increased by 2,457 million yen year on year to 30,060 million yen.

As a result, loss attributable to owners of the parent deteriorated 5,346 million yen, or down by 143.5% year on year, to 1,618 million yen.

Cash Flows

Cash flows for the fiscal year ended March 31, 2023 were as follows. Net cash used in operating activities totaled 209,372 million yen, mainly due a decrease in borrowed money as a result of reviewing financial procurement from the Bank of Japan for financial operations in response to the spread of COVID-19. Net cash provided by investing activities totaled 4,510 million yen, mainly due to proceeds from sales of securities and proceeds from maturities of securities. Net cash used in financing activities totaled 13,968 million yen, mainly reflecting purchases of treasury stock.

As a result of the above, cash and cash equivalents at the fiscal year-end totaled 130,973 million yen, a decrease of 218,830 million yen during the fiscal year ended March 31, 2023.

Consolidated Financial Statements

THE CHUKYO BANK, LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2023 AND 2022

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
ASSETS:			
Cash and due from banks	¥ 132,101	¥ 350,633	\$ 989,298
Securities	400,775	405,263	3,001,385
Loans and bills discounted	1,568,602	1,549,464	11,747,187
Foreign exchange	7,262	6,589	54,384
Other assets	25,930	21,757	194,188
Premises and equipment	17,579	17,802	131,648
Intangible assets	1,522	1,724	11,398
Retirement benefit asset	4,053	3,251	30,352
Deferred tax assets	1,176	341	8,807
Customers' liabilities for acceptances and guarantees	2,239	2,462	16,767
Reserve for possible loan losses	(11,107)	(11,093)	(83,179)
Total assets	2,150,136	2,348,196	16,102,269
LIABILITIES:			
Deposits	1,925,677	1,860,106	14,421,306
Call money and bills sold	-	45,000	-
Payables under securities lending transactions	72,807	9,001	545,248
Borrowed money	19,400	291,500	145,285
Foreign exchange	51	57	381
Subordinated bonds	5,000	5,000	37,444
Other liabilities	32,764	22,908	245,368
Retirement benefit liability	11	-	82
Reserve for reimbursement of dormant deposits	100	122	748
Reserve for contingencies	640	562	4,792
Deferred tax liabilities	-	1,030	-
Deferred tax liabilities for land revaluation surplus	2,128	2,298	15,936
Acceptances and guarantees	2,239	2,462	16,767
Total liabilities	2,060,823	2,240,049	15,433,408
EQUITY:			
Capital stock:			
Common stock –			
authorized, 50,000 thousand shares;			
issued, 13,239 thousand shares in 2023 and	31,879	31,879	238,740
21,780 thousand shares in 2022			
Capital surplus	24,029	24,029	179,952
Retained earnings	23,627	38,551	176,941
Treasury stock, at cost –			
None in 2023 and			
5 thousand shares in 2022	-	(11)	-
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale securities	4,039	8,110	30,247
Deferred gain on derivatives under hedge accounting	1,022	472	7,653
Land revaluation surplus	4,480	4,864	33,550
Remeasurements of defined benefit plans	232	18	1,737
Total	89,312	107,915	668,853
Share acquisition rights	-	230	-
Total equity	89,312	108,146	668,853
Total liabilities and equity	¥ 2,150,136	¥ 2,348,196	\$16,102,269

THE CHUKYO BANK, LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED MARCH 31, 2023 AND 2022

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
INCOME:			
Interest income:			
Interest on loans and discounts	¥ 13,132	¥ 13,459	\$ 98,344
Interest and dividends on securities	5,448	5,231	40,799
Other interest income	342	394	2,561
Fees and commissions	6,212	5,985	46,521
Other ordinary income	1,228	1,415	9,196
Gain on sales and disposal of premises and equipment	145	584	1,085
Recoveries of written-off receivables	2	1	14
Other income	1,449	5,041	10,851
Total income	27,961	32,113	209,398
EXPENSES:			
Interest expenses:			
Interest on deposits	187	158	1,400
Interest on bonds	56	56	419
Other interest expenses	1,048	606	7,848
Fees and commissions	1,951	1,993	14,610
Other ordinary expenses	4,350	1,404	32,576
General and administrative expenses	15,686	17,025	117,471
Provision of reserve for possible loan losses	1,530	2,475	11,458
Loss on sales and disposal of premises and equipment	6	13	44
Impairment loss on long-lived assets	568	1,250	4,253
Other expenses	4,673	2,617	34,995
Total expenses	30,060	27,603	225,117
(LOSS) PROFIT BEFORE INCOME TAXES	(2,098)	4,509	(15,711)
INCOME TAXES:			
Current	89	1,506	666
Deferred	(570)	(725)	(4,268)
Total income taxes	(480)	781	(3,594)
(LOSS) PROFIT	(1,618)	3,728	(12,117)
(LOSS) PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ (1,618)	¥ 3,728	\$ (12,117)
PER SHARE OF COMMON STOCK:			
Basic earnings	¥ (97.34)	¥ 171.30	\$ (0.72)
Cash dividends applicable to the year	255.00	55.00	1.90

THE CHUKYO BANK, LIMITED AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED MARCH 31, 2023 AND 2022**

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
(LOSS) PROFIT	¥ (1,618)	¥ 3,728	\$ (12,117)
OTHER COMPREHENSIVE INCOME:			
Net unrealized loss on available-for-sale securities	(4,070)	(6,282)	(30,480)
Deferred gain on derivatives under hedge accounting	550	1,123	4,118
Remeasurements of defined benefit plans	213	(250)	1,595
Total other comprehensive income	(3,307)	(5,410)	(24,765)
COMPREHENSIVE INCOME	<u>¥ (4,926)</u>	<u>¥ (1,682)</u>	<u>\$ (36,890)</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ (4,926)	¥ (1,682)	\$ (36,890)

THE CHUKYO BANK, LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED MARCH 31, 2023 AND 2022

	Thousands	Millions of Yen										
		Accumulated Other Comprehensive Income										
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Net Unrealized Gain on Available-for-sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Land Revaluation Surplus	Remeasure- ments of Defined Benefit Plans	Total	Share Acquisition Rights	Total Equity
BALANCE AT APRIL 1, 2021	21,715	¥ 31,844	¥ 23,994	¥ 35,211	¥ (78)	¥ 14,393	¥ (650)	¥ 5,407	¥ 269	¥ 110,392	¥ 299	¥ 110,691
Cumulative effects of changes in accounting policies	-	-	-	(48)	-	-	-	-	-	(48)	-	(48)
Restated balance	-	31,844	23,994	35,163	(78)	14,393	(650)	5,407	269	110,344	299	110,643
Issuance of new shares	34	35	35	-	-	-	-	-	-	70	-	70
Profit attributable to owners of the parent	-	-	-	3,728	-	-	-	-	-	3,728	-	3,728
Cash dividends, ¥55.00 per share	-	-	-	(869)	-	-	-	-	-	(869)	-	(869)
Purchases of treasury stock	(1)	-	-	-	(2)	-	-	-	-	(2)	-	(2)
Disposal of treasury stock	26	-	-	(13)	68	-	-	-	-	54	-	54
Reversal of land revaluation surplus	-	-	-	542	-	-	-	-	-	542	-	542
Net changes in items other than shareholders' equity	-	-	-	-	-	(6,282)	1,123	(542)	(250)	(5,952)	(68)	(6,021)
BALANCE AT MARCH 31, 2022	21,774	31,879	24,029	38,551	(11)	8,110	472	4,864	18	107,915	230	108,146
(Loss) profit attributable to owners of the parent	-	-	-	(1,618)	-	-	-	-	-	(1,618)	-	(1,618)
Cash dividends, ¥255.00 per share	-	-	-	(3,476)	-	-	-	-	-	(3,476)	-	(3,476)
Purchases of treasury stock	-	-	-	-	(10,200)	-	-	-	-	(10,200)	-	(10,200)
Cancellation of treasury stock	(8,535)	-	-	(10,211)	10,211	-	-	-	-	-	-	-
Reversal of land revaluation surplus	-	-	-	383	-	-	-	-	-	383	-	383
Net changes in items other than shareholders' equity	-	-	-	-	-	(4,070)	550	(383)	213	(3,690)	(230)	(3,921)
BALANCE AT MARCH 31, 2023	13,239	¥ 31,879	¥ 24,029	¥ 23,627	¥ -	¥ 4,039	¥ 1,022	¥ 4,480	¥ 232	¥ 89,312	¥ -	¥ 89,312

	Thousands of U.S. Dollars										
	Accumulated Other Comprehensive Income										
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Net Unrealized Gain on Available-for-sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Land Revaluation Surplus	Remeasure- ments of Defined Benefit Plans	Total	Share Acquisition Rights	Total Equity
BALANCE AT MARCH 31, 2022	\$ 238,740	\$ 179,952	\$ 288,706	\$ (82)	\$ 60,735	\$ 3,534	\$ 36,426	\$ 134	\$ 808,170	\$ 1,722	\$ 809,900
(Loss) profit attributable to owners of the parent	-	-	(12,117)	-	-	-	-	-	(12,117)	-	(12,117)
Cash dividends, \$1.90 per share	-	-	(26,031)	-	-	-	-	-	(26,031)	-	(26,031)
Purchases of treasury stock	-	-	-	(76,387)	-	-	-	-	(76,387)	-	(76,387)
Cancellation of treasury stock	-	-	(76,469)	76,469	-	-	-	-	-	-	-
Reversal of land revaluation surplus	-	-	2,868	-	-	-	-	-	2,868	-	2,868
Net changes in items other than shareholders' equity	-	-	-	-	(30,480)	4,118	(2,868)	1,595	(27,634)	(1,722)	(29,364)
BALANCE AT MARCH 31, 2023	\$ 238,740	\$ 179,952	\$ 176,941	\$ -	\$ 30,247	\$ 7,653	\$ 33,550	\$ 1,737	\$ 668,853	\$ -	\$ 668,853

THE CHUKYO BANK, LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED MARCH 31, 2023 AND 2022

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
OPERATING ACTIVITIES:			
(Loss) profit before income taxes	¥ (2,098)	¥ 4,509	\$ (15,711)
Adjustments for:			
Income taxes paid	(947)	(1,590)	(7,092)
Extra retirement payments	-	(876)	-
Depreciation and amortization	1,184	1,188	8,866
Impairment loss on long-lived assets	568	1,250	4,253
Other extraordinary loss	2,091	876	15,659
Net loss (gain) on sales and redemption of securities	2,494	(3,894)	18,677
Net foreign exchange gain	(3,971)	(3,971)	(29,738)
Net gain on sales and disposal of premises and equipment	(138)	(570)	(1,033)
Changes in assets and liabilities:			
Net increase in loans and bills discounted	(19,137)	(13,594)	(143,316)
Net increase (decrease) in deposits	65,570	(36,639)	491,050
Net (decrease) increase in borrowed money (excluding subordinated borrowings of the Bank)	(272,100)	235,200	(2,037,744)
Net (increase) decrease in due from banks (excluding due from the Bank of Japan)	(298)	71	(2,231)
Net (decrease) increase in call money	(45,000)	45,000	(337,002)
Net increase in payables under securities lending transactions	63,806	9,001	477,840
Net (increase) decrease in foreign exchange, assets	(672)	9,341	(5,032)
Net (decrease) increase in foreign exchange, liabilities	(5)	34	(37)
Net increase in reserve for possible loan losses	13	1,838	97
Net increase in retirement benefit asset	(494)	(653)	(3,699)
Net increase (decrease) in retirement benefit liability	11	(164)	82
Net increase in interest receivable	(5,355)	(5,277)	(40,103)
Net increase in interest payable	153	24	1,145
Net increase in other assets	(855)	(2,153)	(6,403)
Net increase in other liabilities	5,807	362	43,488
Total adjustments	(207,273)	234,805	(1,552,257)
Net cash (used in) provided by operating activities	(209,372)	239,315	(1,567,977)
FORWARD	¥ (209,372)	¥ 239,315	\$ (1,567,977)

(Continued)

THE CHUKYO BANK, LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED MARCH 31, 2023 AND 2022

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
FORWARD	¥ (209,372)	¥ 239,315	\$ (1,567,977)
INVESTING ACTIVITIES:			
Purchases of securities	(167,336)	(73,427)	(1,253,171)
Proceeds from sales of securities	121,265	55,430	908,147
Proceeds from maturities of securities	46,531	34,854	348,468
Dividends and interest received from investing activities	5,333	4,748	39,938
Purchases of premises and equipment	(1,044)	(1,345)	(7,818)
Proceeds from sales of premises and equipment	311	966	2,329
Purchases of intangible assets	(551)	(684)	(4,126)
Net cash provided by investing activities	4,510	20,542	33,775
FINANCING ACTIVITIES:			
Payments as financing activities	(56)	(56)	(419)
Dividends paid	(3,476)	(869)	(26,031)
Purchases of treasury stock	(10,200)	(2)	(76,387)
Proceeds from sales of treasury stock	-	54	-
Repayments of lease obligations	(235)	(305)	(1,759)
Net cash used in financing activities	(13,968)	(1,179)	(104,605)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	-	0	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(218,830)	258,679	(1,638,807)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	349,803	91,124	2,619,658
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 130,973	¥ 349,803	\$ 980,850

(Concluded)

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 ¥133.53 to \$1, the approximate rate of exchange at March 31, 2023. 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 and Supervisory Committee Members (as of June 30, 2023)

Shigenobu Tokuoka	Chairman
Hideo Kobayashi	President
Noriaki Kojima	Director and Senior Managing Executive Officer
Makoto Hayakawa	Director and Managing Executive Officer, General Manager of General Planning Department
Hiroshi Kawai	Director and Executive Officer
Hisashi Sebayashi	Director and Executive Officer, General Manager of Human Resources Department
Tatsuhiro Morita	Director and Executive Officer, General Manager of Loan Management Department
Koichiro Murao	Director and Executive Officer, General Manager of Sales Promotion Department
Kazuaki Mano	Director (Audit and Supervisory Committee Member)
Kazuhiko Kimura	Director (Audit and Supervisory Committee Member, Outside)
Hiroyuki Noguchi	Director (Audit and Supervisory Committee Member, Outside)

Status of Principal Shareholders (as of March 31, 2023)

Name	Address	Number of shares held (thousand)	Percentage of share ownership (%) (Note)
Aichi Financial Group, Inc.	14-12, Sakae 3-Chome, Naka-ku, Nagoya-City, Aichi	13,239	100.00
Total		13,239	100.00

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, 2023, 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:	31.879 billion yen
Deposits:	1,865.5 billion yen *Including negotiable certificates of deposit
Loans and Bills Discounted:	1,549.1 billion yen
Number of Employees:	882

Bank Network (as of June 30, 2023)

	Head Office and branches and sub-branches
Nagoya-shi	39
Aichi	27
Mie	15
Shizuoka	1
Osaka	3
Tokyo	1
Internet branch	1
Total	87
Number of ATMs	161