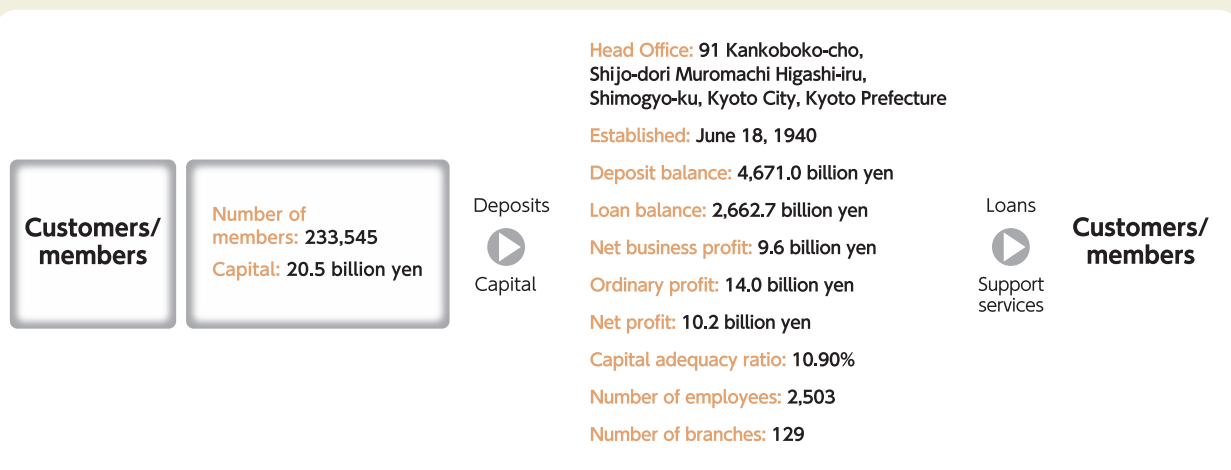


# THE KYOTO CHUO SHINKIN BANK

## ANNUAL REPORT 2019

### Company profile of the Kyoto Chuo Shinkin Bank



(Year ended March 2019)

The Kyoto Chuo Shinkin Bank is a cooperative financial institution that operates under the shared philosophy of prosperity for all, including for local SMEs and individuals. The Kyoto Chuo Shinkin Bank serves Kyoto City and parts of Kyoto, Shiga, Osaka and Nara prefecture. The deposits we look after for our customers in the community are used for investments in customers that require capital, such as venture corporations, in order to foster the continued development of local economies and businesses. Moreover, we have formed a strong network characterized by close ties to the community. With a broad branch system, we provide products and services in-line with the demand of customers and assist them in improving their lives. We are also actively involved in activities designed to help the cultivation of human resources and engage in activities geared toward protecting and passing on to the next generation the local natural environment, scenery, and traditional culture in our community, including within an international city of culture and tourism; Kyoto. Thus, we contribute to development in our community not just financially, but in other various ways as well.

### We are actively involved in activities that contribute to a society to which we are thankful.

Unlike city-based commercial banks, which do business on a national scale, credit associations are limited in their terms of where they do business. As such, credit associations cannot hope for their own development without the development of the communities where they do business. The Kyoto Chuo Shinkin Bank (as a financial institution headquartered in the land of the Kyoto Protocol) not only serves to help the region prosper through financial institution activities, but is also actively involved with environmental issues and continuously engages in various activities that contribute to a society we are grateful for.

## Fund Procurement and Management

### Deposit balances by account type

(Unit : million yen)

	Year ended March 2018 (Component ratio)	Year ended March 2019 (Component ratio)	Changes
Current deposits	86,309 (1.88%)	88,587 (1.89%)	2,277 (0.01%)
Ordinary deposits	1,800,618 (39.26%)	1,937,266 (41.47%)	136,647 (2.21%)
Savings deposits	52,421 (1.14%)	53,564 (1.14%)	1,142 (0.00%)
Deposits at notice	99,100 (2.16%)	84,418 (1.80%)	△14,682 (△0.35%)
Time deposits	2,291,967 (49.97%)	2,237,605 (47.90%)	△54,361 (△2.07%)
Fixed savings deposits	44,478 (0.96%)	41,471 (0.88%)	△3,006 (△0.08%)
Other deposits	211,260 (4.60%)	228,164 (4.88%)	16,904 (0.27%)
<b>Total</b>	<b>4,586,155 (100.00%)</b>	<b>4,671,076 (100.00%)</b>	<b>84,921 (—)</b>

(Notes) Foreign currency deposits are included in "Other deposits".

### Deposit balances by depositor

(Unit : million yen)

	Year ended March 2018 (Component ratio)	Year ended March 2019 (Component ratio)	Changes
Individual customers	3,258,251 (71.04%)	3,293,712 (70.51%)	35,460 (△0.53%)
Corporate customers	1,000,676 (21.81%)	1,040,612 (22.27%)	39,936 (0.45%)
Public institutions	66,262 (1.44%)	71,117 (1.52%)	4,854 (0.07%)
Financial institutions	260,963 (5.69%)	265,633 (5.68%)	4,669 (△0.00%)
<b>Total</b>	<b>4,586,155 (100.00%)</b>	<b>4,671,076 (100.00%)</b>	<b>84,921 (—)</b>

(Notes) Negotiable certificates of deposits are not included in this table.

### Loan balances by account type

(Unit : million yen)

	Year ended March 2018	Year ended March 2019	Changes
Bills discounted	9,523	9,309	△214
Loans on bills	74,931	78,251	3,319
Loans on deeds	2,401,444	2,490,519	89,075
Overdrafts	79,935	84,626	4,691
<b>Total</b>	<b>2,565,835</b>	<b>2,662,707</b>	<b>96,872</b>

(Notes) The Bank does not distinguish between domestic and international operations.

## Breakdown of loan balances by business type

(Unit : number, million yen)

	Year ended March 2018			Year ended March 2019		
	Number of borrowers	Loan balance	Component ratio	Number of borrowers	Loan balance	Component ratio
Manufacturing	2,614	123,973	4.83%	2,611	126,753	4.76%
Agriculture, forestry	46	588	0.02%	45	548	0.02%
Mining, quarrying, sand and gravel gathering	8	1,021	0.03%	8	1,391	0.05%
Construction	3,454	104,459	4.07%	3,495	105,703	3.96%
Electricity, gas, heat supply, water	20	414	0.01%	28	698	0.02%
Telecommunications	195	4,941	0.19%	202	5,224	0.19%
Transportation, postal industry	313	25,285	0.98%	338	26,799	1.00%
Wholesale business	1,431	75,150	2.92%	1,412	75,450	2.83%
Retail business	1,663	51,868	2.02%	1,642	49,696	1.86%
Finance, insurance	68	94,321	3.67%	68	111,463	4.18%
Real estate	5,200	511,019	19.91%	5,425	562,939	21.14%
Rental industry	38	4,722	0.18%	38	3,942	0.14%
Scientific research, specialist/technical services	431	7,491	0.29%	441	8,001	0.30%
Accommodation industry	104	16,013	0.62%	124	16,112	0.60%
Restaurant industry	1,218	26,330	1.02%	1,234	24,982	0.93%
Lifestyle-related service industries, entertainment industry	463	39,226	1.52%	490	37,502	1.40%
Education, study support industry	123	13,497	0.52%	124	13,565	0.50%
Medicine, welfare	759	59,983	2.33%	831	58,155	2.18%
Other services	1,304	46,591	1.81%	1,378	52,098	1.95%
<b>Subtotal</b>	<b>19,452</b>	<b>1,206,900</b>	<b>47.03%</b>	<b>19,934</b>	<b>1,281,029</b>	<b>48.11%</b>
Local public entities	24	141,284	5.50%	26	154,042	5.78%
Individual ( housing, consumption, tax payment funds, etc. )	141,690	1,217,650	47.45%	137,801	1,227,635	46.10%
<b>Total</b>	<b>161,166</b>	<b>2,565,835</b>	<b>100.00%</b>	<b>157,761</b>	<b>2,662,707</b>	<b>100.00%</b>

(Notes) 1. Business categories are based on the large classification of Japan Standard Industry Classification.

2. Loans outside Japan are classified in the same manner as those in Japan and are included within their respective business category.

## Fund management and securities business

### Average balance by type of security

(Unit : million yen)

	Year ended March 2018	Year ended March 2019	Changes
Japanese government bonds	411,385	339,433	△71,951
Local government bonds	346,129	387,853	41,724
Corporate bonds	558,962	545,063	△13,899
Stocks	34,825	41,986	7,160
Foreign securities	210,600	228,024	17,423
Other securities	62,861	76,442	13,581
<b>Total</b>	<b>1,624,765</b>	<b>1,618,804</b>	<b>△5,960</b>

## Other Indicators

### Foreign exchange transaction handling performance

(Unit : million US\$)

	Year ended March 2018	Year ended March 2019	Changes
Export exchange	123	110	△12
Import exchange	181	188	7
<b>Total</b>	<b>304</b>	<b>298</b>	<b>△5</b>

### Foreign currency denominated assets balance

(Unit : million US\$)

	Year ended March 2018	Year ended March 2019	Changes
Balance of foreign currency denominated assets	1,308	1,471	162

## About the Capital-to-Asset Ratio

### Consolidated Capital-to-Asset Ratio (Basel III Domestic Framework)

(Unit : million yen)

Item		Year ended March 2018	Year ended March 2019	Changes
Fundamental items related to core capital (A)	Member accounts related to ordinary investment	250,591	259,452	8,860
	(Investments and Capital surplus)	20,772	20,549	△ 223
	(Earned surplus)	232,169	241,297	9,128
	(Predicted outflow (－))	966	953	△ 12
	(Other)	△ 1,383	△ 1,442	△ 58
	General allowance for doubtful accounts	4,528	5,096	568
	Fundamental items related to core capital among the 45% general amount of difference in reevaluation of land	3,473	2,902	△ 571
	Fundamental items related to core capital among non controlling interest	41	31	△ 9
	(A)	258,634	267,482	8,847
Adjusted items related to core capital (B)	Intangible fixed assets	1,276	1,873	596
	Deferred tax assets (excluding those relating to temporary differences)	－	1	1
	(B)	1,276	1,874	598
Owned capital (C)	(A) – (B)	257,358	265,607	8,249
Risk assets, etc. (D)	Trust risk assets	2,188,254	2,278,641	90,387
	Amount derived by dividing the total amount equivalent to operational risk by 8%	87,958	85,146	△ 2,812
	(D)	2,276,212	2,363,787	87,575
Consolidated capital-to-asset ratio	$\frac{(C)}{(D)}$	11.30%	11.23%	△ 0.07%

(Notes) The above is calculated based on the "Standards for judging whether the owned capital Shinkin Bank or Shinkin Bank Association holds is appropriate according to the assets they possess based on the regulations in Article 14, Section 2 of the Banking Act applying to Article 89, Section 1 of the Shinkin Bank Act (Financial Services Agency announcement 21 of 2006)." Our group has adopted a domestic framework.

## Consolidated Financial Statements

## Consolidated balance sheet

(Unit : million yen)

(Assets)	As of March 31, 2018	As of March 31, 2019	Changes
Cash and due from banks	1,051,190	1,119,980	68,790
Bills purchased and call loans	582	608	26
Monetary claims purchased	307	2,178	1,871
Trust funds	7,939	10,871	2,931
Trading securities	1,549	1,388	△ 160
Investment securities	1,583,930	1,605,537	21,606
Loans	2,561,713	2,659,469	97,755
Foreign exchange	1,004	594	△ 410
Other assets	30,111	29,944	△ 166
<b>Tangible fixed assets</b>	<b>52,864</b>	<b>54,543</b>	<b>1,678</b>
Buildings	6,504	6,053	△ 450
Land	42,363	43,339	976
Lease assets	2	1	△ 1
Construction work in progress	49	354	304
Other tangible fixed assets	3,943	4,793	850
<b>Intangible fixed assets</b>	<b>2,219</b>	<b>2,605</b>	<b>385</b>
Software	1,833	2,252	418
Other intangible fixed assets	385	353	△ 32
<b>Deferred tax assets</b>	<b>1,337</b>	<b>1,206</b>	<b>△ 130</b>
Customers' liabilities for acceptances and guarantees	6,004	4,247	△ 1,757
Reserve for possible loan loss	△ 16,308	△ 15,263	1,044
Reserve for investment loss	△ 36	△ 51	△ 15
<b>Total assets</b>	<b>5,284,411</b>	<b>5,477,861</b>	<b>193,450</b>

(Liabilities)	As of March 31, 2018	As of March 31, 2019	Changes
Deposits	4,564,420	4,648,600	84,179
Borrowings	333,600	398,700	65,100
Bills sold and call money	54,336	91,798	37,461
Foreign exchange	13	20	6
Other liabilities	24,093	26,085	1,991
Reserve for bonuses	14	10	△ 4
Retirement benefit liability	11,179	11,031	△ 148
Reserve for retirement bonuses for directors	1,211	828	△ 382
Reserve for reimbursement of deposits	292	321	29
Reserve for contingent losses	295	328	32
Reserve for reward payments of deposits	89	82	△ 7
Deferred tax liabilities as for land revaluation	4,853	4,853	—
Acceptances and guarantees	6,004	4,247	△ 1,757
<b>Total liabilities</b>	<b>5,000,405</b>	<b>5,186,907</b>	<b>186,502</b>
<b>(Net assets)</b>			
Investments	20,728	20,502	△ 225
Capital surplus	44	46	2
Earned surplus	232,169	241,297	9,128
Unsettled equity	△ 1,383	△ 1,442	△ 58
<b>Total members' equity</b>	<b>251,557</b>	<b>260,405</b>	<b>8,847</b>
Net unrealized gains on available-for-sale securities	24,318	22,711	△ 1,606
Deferred hedging gains and losses	48	△ 272	△ 320
Land revaluation surplus	8,012	8,045	32
<b>Total amount on valuation and translation</b>	<b>32,379</b>	<b>30,484</b>	<b>△ 1,894</b>
Non controlling interest	68	63	△ 4
<b>Total net assets</b>	<b>284,005</b>	<b>290,953</b>	<b>6,947</b>
<b>Total liabilities and net assets</b>	<b>5,284,411</b>	<b>5,477,861</b>	<b>193,450</b>

## Consolidated Financial Statements

## Consolidated statement of income

(Unit : thousand yen)

	April 1, 2017 through March 31, 2018	April 1, 2018 through March 31, 2019	Changes
<b>Ordinary income</b>	<b>66,351,687</b>	<b>69,259,912</b>	<b>2,908,225</b>
<b>Fund management income</b>	<b>50,655,576</b>	<b>51,681,052</b>	<b>1,025,476</b>
Interest on loans	33,829,199	32,997,315	△ 831,884
Interest on deposits	1,638,952	1,604,828	△ 34,123
Interest on bills purchased and call loans	12,747	12,955	207
Interest and dividends on securities	12,268,148	12,208,009	△ 60,139
Other interest income	2,906,528	4,857,944	1,951,415
<b>Fees and commissions</b>	<b>6,287,933</b>	<b>6,376,349</b>	<b>88,416</b>
<b>Other operating income</b>	<b>6,020,645</b>	<b>6,021,067</b>	<b>422</b>
<b>Other ordinary income</b>	<b>3,387,532</b>	<b>5,181,443</b>	<b>1,793,910</b>
Gain on reversal of allowance for doubtful accounts	—	743,641	743,641
Bad debt recovered	818,474	1,234,427	415,953
Other ordinary income	2,569,058	3,203,374	634,315
<b>Ordinary expenses</b>	<b>51,924,414</b>	<b>54,941,238</b>	<b>3,016,823</b>
<b>Financing expenses</b>	<b>4,722,833</b>	<b>7,596,047</b>	<b>2,873,214</b>
Interest on deposits	3,804,887	5,826,127	2,021,240
Interest on Fixed savings deposits	6,111	4,692	△ 1,419
Interest on borrowings	7,341	12,660	5,319
Interest on bills sold and call money	638,930	1,014,398	375,467
Interest paid in bond lending transactions	108,081	674,330	566,249
Other interest expenses	157,480	63,836	△ 93,643
<b>Fees and commissions</b>	<b>5,949,007</b>	<b>6,085,450</b>	<b>136,443</b>
<b>Other operating expenses</b>	<b>5,004,502</b>	<b>5,768,213</b>	<b>763,711</b>
<b>Expenses</b>	<b>34,848,766</b>	<b>34,391,357</b>	<b>△ 457,409</b>
<b>Other ordinary expenses</b>	<b>1,399,305</b>	<b>1,100,168</b>	<b>△ 299,136</b>
Provision of allowance for doubtful debt accounts	519,340	—	△ 519,340
Other ordinary expenses	879,964	1,100,168	220,204
<b>Ordinary profit</b>	<b>14,427,272</b>	<b>14,318,674</b>	<b>△ 108,598</b>
<b>Extraordinary profit</b>	<b>1,831,087</b>	<b>164,861</b>	<b>△ 1,666,226</b>
Gain on disposal of fixed assets	18	164,861	164,843
Gain on bargain purchase	1,831,069	—	△ 1,831,069
<b>Extraordinary loss</b>	<b>65,604</b>	<b>280,341</b>	<b>214,736</b>
Loss on disposal of fixed assets	55,295	280,341	225,045
Impairment losses	10,308	—	△ 10,308
<b>Net income before taxes and other adjustments</b>	<b>16,192,755</b>	<b>14,203,194</b>	<b>△ 1,989,561</b>
<b>Corporate tax, inhabitant tax and business tax</b>	<b>3,794,813</b>	<b>3,197,073</b>	<b>△ 597,739</b>
<b>Adjustment with corporate tax, etc.</b>	<b>280,358</b>	<b>879,852</b>	<b>599,494</b>
<b>Total corporate tax, etc.</b>	<b>4,075,171</b>	<b>4,076,926</b>	<b>1,754</b>
<b>Net income</b>	<b>12,117,584</b>	<b>10,126,268</b>	<b>△ 1,991,316</b>
Profit attributable to non-controlling interests	△ 1,696	△ 1,103	592
Profit attributable to owners of parent	12,119,280	10,127,372	△ 1,991,908

## Consolidated statement of retained earnings

(Unit : thousand yen)

	April 1, 2017 through March 31, 2018	April 1, 2018 through March 31, 2019	Changes
<b>(Capital surplus)</b>			
Capital surplus Balance at beginning of year	—	44,465	44,465
<b>Increase in capital surplus</b>	<b>44,465</b>	<b>2,290</b>	<b>△ 42,174</b>
Changes in equity for the acquisition of consolidated subsidiaries	44,465	2,290	△ 42,174
Capital surplus Balance at end of year	44,465	46,756	2,290
<b>(Earned surplus)</b>			
Earned surplus Balance at end of year	221,035,768	232,169,041	11,133,273
<b>Increase in earned surplus</b>	<b>12,119,280</b>	<b>10,094,755</b>	<b>△ 2,024,524</b>
Profit attributable to owners of parent	12,119,280	10,127,372	△ 1,991,908
Reversal of revaluation reserve for land	—	△ 32,616	△ 32,616
<b>Decrease in earned surplus</b>	<b>986,006</b>	<b>966,095</b>	<b>△ 19,911</b>
Dividends	986,006	966,095	△ 19,911
Earned surplus at the end of the term	232,169,041	241,297,702	9,128,660

## Segment information by business type

Some consolidated companies conduct credit guarantee business, etc., in addition to credit association business, but because the ratio of these business activities to all segments is minimal, segment information by business type is not included here.



## Status of Loan Assets

## Disclosure of loan assets

The Bank is obliged to disclose the “Disclosed claims based on the Financial Reconstruction Law” and “Risk management loans” based on the Shinkin Bank Act. The difference between the above-mentioned disclosed claims is that while “Disclosed claims based on the Financial Reconstruction Law” include claims other than loans and bills discounted, such as customers’ liabilities for acceptances and guarantees, “Risk management loans” include only loans and bills discounted.

The Bank has a total coverage ratio of 95.74% in combination with collateral, guarantees and reserves for disclosed claims based on the Financial Reconstruction Law (excluding normal loans and claims) and continues to maintain a sufficient level of reserves. The Bank believes that its mission is to contribute to the development of and support for the region, while securing sound management through establishing sufficient reserves.

## Disclosed claims and reserve and coverage conditions under the Financial Reconstruction Law

(Disclosure criteria specified in Article 6 and Article 7 of the Law Concerning Emergency Measures for the Reconstruction of the Functions of the Financial System)

(Unit : 100 million yen)

Classification	Year ended March 2018	Year ended March 2019					
	Disclosure balance	Disclosure balance (A)	Ratio	Amount collectible by collateral, guarantee, etc. (B)	Reserve for possible loan loss (C)	Coverage ratio *1 ((B) + (C)) / (A)	Reserve rate *2 (C) / ((A) - (B))
Bankrupt and quasi-bankrupt loans and claims	83	86	0.33%	67	19	100.00%	100.00%
Doubtful loans and claims	569	565	2.12%	484	56	95.77%	70.41%
Substandard loans and claims	39	26	0.10%	20	1	81.31%	26.59%
Subtotal	693	678	2.54%	571	78	95.74%	73.10%
Normal loans and claims	25,054	26,018	97.46%	20,703	42	79.73%	0.79%
Total	25,747	26,697	100.00%	21,274	120	80.14%	2.22%

## Reserve and coverage conditions of risk management loans

(Disclosure criteria specified in Article 89 of the Shinkin Bank Act)

The balance of risk management loans on a consolidated accounting basis for the year ended March 31, 2019 is the same as above.

(Unit : 100 million yen)

Classification	Year ended March 2018	Year ended March 2019					
	Disclosure balance	Disclosure balance (A)	Ratio*3	Amount collectible by collateral, guarantee, etc. (B)	Reserve for possible loan loss (C)	Coverage ratio *1 ((B) + (C)) / (A)	Reserve rate *2 (C) / ((A) - (B))
Loans to bankrupt entities	27	23	0.09%	23	0	100.00%	100.00%
Overdue loans	625	628	2.36%	527	76	96.20%	76.25%
Loans overdue for 3 months or more	—	—	0.00%	—	—	—	—
Loans with eased lending conditions	39	26	0.10%	20	1	81.31%	26.59%
Total risk management loans	692	678	2.55%	570	78	95.73%	73.10%

\* 1. The coverage ratio indicates the coverage ratio of loans overall and is calculated using the following formula.

Coverage ratio = (estimated amounts collectible by collateral / guarantee, etc. + reserve for possible loan loss prepared for unrecoverable amounts) / claim amounts

\* 2. The reserve rate indicates the reserve rate for unsecured balances.

\* 3. The ratio of risk management loans shows the ratio of such loans against loans overall.

\* 4. All rates within the table are rounded to the third decimal place.