

THE KYOTO CHUO SHINKIN BANK

ANNUAL REPORT 2023

Company profile of the Kyoto Chuo Shinkin Bank

**Customers/
members**

**Number of
members: 229,805**
Capital: 19.6 billion yen

Deposits
Capital

Head Office: 91 Kankoboko-cho,
Shijo-dori Muromachi Higashi-iru,
Shimogyo-ku, Kyoto City, Kyoto Prefecture

Established: June 18, 1940

**Deposit / Certificate
of Deposit:** 5,333.0 billion yen

Loan balance: 3,217.1 billion yen

Net business profit: 11.8 billion yen

Ordinary profit: 13.8 billion yen

Net profit: 12.3 billion yen

Capital adequacy ratio: 10.83%

Number of employees: 2,423

Number of branches: 133

Loans

Support
services

**Customers/
members**

(Year ended March 2023)

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 prefectures. 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 2022 (Component ratio)	Year ended March 2023 (Component ratio)	Changes
Current deposits	116,164 (2.20%)	141,252 (2.64%)	25,088 (0.44%)
Ordinary deposits	2,615,037 (49.63%)	2,702,173 (50.66%)	87,136 (1.03%)
Savings deposits	56,759 (1.07%)	56,905 (1.06%)	146 (△0.01%)
Deposits at notice	20,837 (0.39%)	87,563 (1.64%)	66,726 (1.24%)
Time deposits	2,197,995 (41.71%)	2,232,495 (41.86%)	34,499 (0.14%)
Fixed savings deposits	33,514 (0.63%)	31,587 (0.59%)	△1,927 (△0.04%)
Other deposits	36,358 (0.69%)	66,078 (1.23%)	29,719 (0.54%)
Total deposit reserve	5,076,667 (96.35%)	5,318,055 (99.71%)	241,387 (3.36%)
Certificate of deposit	192,000 (3.64%)	15,000 (0.28%)	△177,000 (△3.36%)
Total	5,268,667 (100.00%)	5,333,055 (100.00%)	64,387 (-)

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

Deposit balances by depositor

(Unit : million yen)

	Year ended March 2022 (Component ratio)	Year ended March 2023 (Component ratio)	Changes
Individual customers	3,576,861 (67.88%)	3,587,469 (67.26%)	10,607 (△0.62%)
Corporate customers	1,229,142 (23.32%)	1,260,183 (23.62%)	31,040 (0.30%)
Public institutions	189,788 (3.60%)	185,164 (3.47%)	△4,623 (△0.13%)
Financial institutions	80,874 (1.53%)	285,237 (5.34%)	204,363 (3.81%)
Total deposit reserve	5,076,667 (96.35%)	5,318,055 (99.71%)	241,387 (3.36%)
Certificate of deposit	192,000 (3.64%)	15,000 (0.28%)	△177,000 (△3.36%)
Total	5,268,667 (100.00%)	5,333,055 (100.00%)	64,387 (-)

Loan balances by account type

(Unit : million yen)

	Year ended March 2022	Year ended March 2023	Changes
Bills discounted	4,299	3,943	△355
Loans on bills	79,472	91,314	11,842
Loans on deeds	2,955,186	3,031,405	76,218
Overdrafts	80,739	90,526	9,787
Total	3,119,697	3,217,190	97,493

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

Breakdown of loan balances by business type

(Unit : number, million yen)

	Year ended March 2022			Year ended March 2023		
	Number of borrowers	Loan balance	Component ratio	Number of borrowers	Loan balance	Component ratio
Manufacturing	2,708	168,075	5.38%	2,663	167,377	5.20%
Agriculture, forestry	67	1,166	0.03%	66	1,167	0.03%
Fishing	—	—	—	—	—	—
Mining, quarrying, sand and gravel gathering	8	1,649	0.05%	8	2,688	0.08%
Construction	4,276	177,243	5.68%	4,404	182,280	5.66%
Electricity, gas, heat supply, water	36	1,611	0.05%	42	2,391	0.07%
Telecommunications	254	9,616	0.30%	265	8,673	0.26%
Transportation, postal industry	467	42,242	1.35%	508	44,981	1.39%
Wholesale business	1,482	99,892	3.20%	1,498	102,694	3.19%
Retail business	1,862	70,419	2.25%	1,875	73,758	2.29%
Finance, insurance	88	137,715	4.41%	100	149,286	4.64%
Real estate	6,343	685,220	21.96%	6,751	762,193	23.69%
Rental industry	56	3,218	0.10%	65	5,329	0.16%
Scientific research, specialist/technical services	623	15,265	0.48%	668	17,581	0.54%
Accommodation industry	197	19,763	0.63%	194	21,654	0.67%
Restaurant industry	1,797	48,339	1.54%	1,832	48,846	1.51%
Lifestyle-related service industries, entertainment industry	780	49,815	1.59%	808	46,995	1.46%
Education, study support industry	189	17,525	0.56%	194	18,706	0.58%
Medicine, welfare	1,087	75,400	2.41%	1,148	79,500	2.47%
Other services	1,638	74,028	2.37%	1,620	76,978	2.39%
Subtotal	23,958	1,698,210	54.43%	24,709	1,813,088	56.35%
Local public entities	28	162,802	5.21%	27	153,418	4.76%
Individual (housing, consumption, tax payment funds, etc.)	121,380	1,258,683	40.34%	118,858	1,250,683	38.87%
Total	145,366	3,119,697	100.00%	143,594	3,217,190	100.00%

(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 2022	Year ended March 2023	Changes
Japanese government bonds	404,942	502,142	97,200
Local government bonds	436,175	464,861	28,685
Corporate bonds	512,264	554,627	42,362
Stocks	41,716	44,618	2,902
Foreign securities	229,154	289,727	60,572
Other securities	108,623	107,423	△1,199
Total	1,732,877	1,963,400	230,523

Other indicators

Foreign exchange transaction handling performance

(Unit : million US\$)

	Year ended March 2022	Year ended March 2023	Changes
Export exchange	88	77	△10
Import exchange	171	173	2
Total	259	250	△8

Foreign currency denominated assets balance

(Unit : million US\$)

	Year ended March 2022	Year ended March 2023	Changes
Balance of foreign currency denominated assets	1,304	1,177	△126

About the capital-to-asset ratio

Consolidated capital-to-asset ratio (Basel III domestic framework)

(Unit : million yen)

Item		Year ended March 2022	Year ended March 2023	Changes	
Fundamental items related to core capital (A)	Member accounts related to ordinary investment	289,142	298,015	8,872	
	(Investments and capital surplus)	19,925	19,667	△ 258	
	(Earned surplus)	271,539	280,850	9,311	
	(Predicted outflow (△))	731	713	△ 18	
	(Other)	△ 1,590	△ 1,789	△ 198	
	General reserve for possible loan loss	6,041	5,809	△ 231	
	Fundamental items related to core capital among the amount equivalent to 45% of difference in reevaluation of land	1,101	533	△ 567	
	Fundamental items related to core capital among non controlling interest	15	7	△ 7	
	(A)	296,301	304,366	8,065	
Adjusted items related to core capital (B)	Intangible fixed assets	3,230	2,730	△ 500	
		(B)	3,230	2,730	△ 500
Owned capital (C)		(A) – (B)	293,070	301,635	8,565
Risk assets, etc. (D)	Trust risk assets	2,521,822	2,646,352	124,530	
	Amount derived by dividing the total amount equivalent to operational risk by 8%	87,226	91,289	4,062	
		(D)	2,609,048	2,737,641	128,593
Consolidated capital-to-asset ratio		$\frac{(C)}{(D)}$	11.23%	11.01%	△ 0.22%

(Note) 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 14-2 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, 2022	As of March 31, 2023	Changes
Cash and due from banks	1,526,772	1,302,315	△ 224,456
Bills bought and call loans	—	714	714
Monetary claims purchased	10,000	10,000	—
Trust funds	7,781	1,979	△ 5,802
Trading securities	969	624	△ 345
Investment securities	1,864,853	1,860,939	△ 3,913
Loans	3,119,143	3,216,465	97,321
Foreign exchange	972	1,373	401
Other assets	33,347	36,245	2,897
Tangible fixed assets	55,577	57,483	1,906
Buildings	7,653	8,056	402
Land	43,954	44,599	644
Leased assets	1	1	△ 0
Construction work in progress	732	618	△ 114
Other tangible fixed assets	3,234	4,208	974
Intangible fixed assets	4,485	3,794	△ 690
Software	4,231	3,438	△ 793
Other intangible fixed assets	253	356	102
Deferred tax assets	5,748	14,182	8,434
Customers' liabilities for acceptances and guarantees	2,462	2,145	△ 317
Reserve for possible loan loss	△ 15,950	△ 15,412	537
Reserve for investment loss	△ 61	△ 105	△ 43
Total assets	6,616,102	6,492,747	△ 123,354
(Liabilities)			
Deposits	5,072,847	5,301,146	228,299
Certificate of deposit	175,000	15,000	△ 160,000
Borrowings	603,766	461,333	△ 142,433
Bills sold and call money	8,747	4,540	△ 4,207
Bond lending transaction collateral received	404,314	376,921	△ 27,393
Foreign exchange	121	164	43
Other liabilities	26,267	22,620	△ 3,646
Reserve for bonuses	10	10	0
Retirement benefit liability	11,171	11,168	△ 2
Reserve for retirement bonuses for directors	637	593	△ 44
Reserve for reimbursement of deposits	361	359	△ 1
Reserve for contingent losses	270	287	16
Reserve for reward payments of deposits	39	33	△ 6
Deferred tax liability	—	13	13
Deferred tax liabilities as for land revaluation	4,670	4,554	△ 116
Acceptances and guarantees	2,462	2,145	△ 317
Total liabilities	6,310,689	6,200,894	△ 109,795
(Net assets)			
Investments	19,879	19,620	△ 258
Capital surplus	46	46	—
Earned surplus	271,539	280,850	9,311
Unsettled equity	△ 1,590	△ 1,789	△ 198
Total members' equity	289,874	298,728	8,854
Net unrealized gains on available-for-sale securities	5,680	△ 17,889	△ 23,570
Deferred hedging gains and losses	2,211	3,631	1,419
Land revaluation surplus	7,566	7,303	△ 263
Total amount on valuation and translation	15,459	△ 6,954	△ 22,414
Non controlling interest	78	78	0
Total net assets	305,412	291,852	△ 13,559
Total liabilities and net assets	6,616,102	6,492,747	△ 123,354

Consolidated Financial Statements

Consolidated statement of income

(Unit : thousand yen)

	April 1, 2021 through March 31, 2022	April 1, 2022 through March 31, 2023	Changes
Ordinary income	62,430,934	70,975,875	8,544,940
Fund management income	48,488,388	53,528,616	5,040,227
Interest on loans	34,314,575	35,520,108	1,205,532
Interest on deposits	1,702,581	1,864,748	162,167
Interest on bills purchased and call loans	—	7,863	7,863
Interest and dividends on securities	11,910,873	15,600,753	3,689,879
Other interest income	560,358	535,142	△ 25,215
Fees and commissions	7,839,745	7,836,676	△ 3,069
Other operating income	3,884,015	5,202,977	1,318,961
Other ordinary income	2,218,784	4,407,605	2,188,821
Bad debt recovered	207,310	284,273	76,963
Other ordinary income	2,011,474	4,123,332	2,111,857
Ordinary expenses	45,845,044	59,038,893	13,193,848
Financing expenses	1,269,070	2,906,424	1,637,353
Interest on deposits	638,635	918,091	279,455
Interest on fixed savings deposits	1,658	1,119	△ 539
Certificate of deposit interest	59,123	42,843	△ 16,280
Interest on borrowings	12,195	11,152	△ 1,043
Interest on bills sold and call money	26,524	239,128	212,603
Interest paid in bond lending transactions	353,555	1,567,359	1,213,803
Other interest expenses	177,376	126,729	△ 50,646
Fees and commissions	6,337,464	6,428,413	90,949
Other operating expenses	3,707,618	14,665,777	10,958,158
Expenses	32,856,475	33,188,128	331,653
Other ordinary expenses	1,674,415	1,850,149	175,734
Provision of allowance for doubtful debt accounts	743,295	657,280	△ 86,015
Other ordinary expenses	931,119	1,192,869	261,749
Ordinary profit	16,585,890	11,936,982	△ 4,648,908
Extraordinary profit	60,341	1,867,314	1,806,973
Gain on disposal of fixed assets	60,341	1,867,314	1,806,973
Extraordinary loss	260,207	248,701	△ 11,506
Loss on disposal of fixed assets	260,207	187,381	△ 72,826
Impairment losses	—	61,319	61,319
Net income before taxes and other adjustments	16,386,024	13,555,595	△ 2,830,428
Corporate tax, inhabitant tax and business tax	4,058,223	3,750,156	△ 308,067
Adjustment with corporate tax, etc.	350,260	35,045	△ 315,215
Total corporate tax, etc.	4,408,484	3,785,202	△ 623,282
Net income	11,977,539	9,770,393	△ 2,207,145
Profit attributable to non-controlling interests	△ 5,198	△ 8,572	△ 3,373
Profit attributable to owners of parent	11,982,738	9,778,966	△ 2,203,771

Consolidated statement of retained earnings

(Unit : thousand yen)

	April 1, 2021 through March 31, 2022	April 1, 2022 through March 31, 2023	Changes
(Capital surplus)			
Capital surplus balance at beginning of year	46,756	46,756	—
Increase in capital surplus	—	—	—
Decrease in capital surplus	—	—	—
Capital surplus balance at end of year	46,756	46,756	—
(Earned surplus)			
Earned surplus balance at end of year	260,301,864	271,539,026	11,237,162
Increase in earned surplus	11,982,738	10,042,653	△ 1,940,084
Profit attributable to owners of parent	11,982,738	9,778,966	△ 2,203,771
Reversal of revaluation reserve for land	—	263,686	263,686
Decrease in earned surplus	745,575	731,607	△ 13,968
Dividends	745,575	731,607	△ 13,968
Earned surplus balance at end of year	271,539,026	280,850,072	9,311,045

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

Self-assessment and write-off/allowance

For ensuring the health of assets, the Bank has rigorously implemented "self-assessment" in order to scrutinize its own assets individually, as well as "write-off and allowance" in accordance with it.

In the self-assessment, the Bank assesses the repayment capacity of borrowers based on their financial condition, cash position and profitability. In accordance with the results of the assessment, they are classified into one of five groups consisting of "Normal entities," "Entities requiring caution," "Potentially bankrupt entities," "Entities bankrupt in substance" and "Bankrupt entities." Then, the Bank classifies each individual loan into one of four groups consisting of "Unclassified," "Classification II," "Classification III" and "Classification IV," based on the degree of the risk inherent in collection of the loan or based on the risk of damage to the value of the loan. The Bank has fully established regulations for write-off and allowance. It processes based on the classification of borrowers and loans.

Self-assessment, disclosed loans, and coverage conditions (non-consolidated basis)

(Unit : 100 million yen)

	Self-assessment				Loans and claims required to be disclosed by the Financial Reconstruction Law		Loans and claims required to be disclosed by the Shinkin Bank Act		Coverage conditions		
	Unclassified	Classification II	Classification III	Classification IV*	Classification	Year ended March 2023	Classification	Year ended March 2023	Collectible amount by collateral, guarantees, etc.	Reserve of the Bank	Coverage ratio
Bankrupt entities	20	8	11	—	Bankrupt and quasi-bankrupt loans and claims	81	Bankrupt and quasi-bankrupt loans and claims	81	57	24	100.00%
Entities bankrupt in substance	61	9	27	—	Doubtful loans and claims	550	Doubtful loans and claims	550	471	59	96.53%
Potentially bankrupt entities	549	257	213	78	Substandard loans and claims	48	Loans overdue for 3 months or more	—	23	2	52.71%
Entities requiring caution	5,065	1,392	3,673				Loans with eased lending conditions	48			
					Subtotal	680	Subtotal	680	552	86	93.84%
Normal entities	26,507	26,507			Normal loans and claims	31,558	Normal loans and claims	31,558			
Total			32,204		Total	32,239	Total	32,239			

* Category IV assessment off balance due to write-off is 1,700 million yen.

* The values of "Loans and claims required to be disclosed by the Financial Reconstruction Law" and "Loans and claims required to be disclosed by the Shinkin Bank Act" include the values of privately placed bonds that the Bank guarantees. In addition, "Coverage conditions" show ratios in proportion to the values shown under "Loans and claims required to be disclosed by the Financial Reconstruction Law."

* Coverage ratio is rounded to the second decimal place.

Status of Loan Assets

Disclosure of loan assets

The Bank is obliged to disclose loans and claims based on the Financial Reconstruction Law and the Shinkin Bank Act. The Bank has a total coverage ratio of 93.84% 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.

Coverage conditions and reserve for loans and claims required to be disclosed by the Financial Reconstruction Law and the Shinkin Bank Act (non-consolidated)

(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 2022	Year ended March 2023
Bankrupt and quasi-bankrupt loans and claims	72	81
Doubtful loans and claims	557	550
Substandard loans and claims	37	48
Loans overdue for 3 months or more	—	—
Loans with eased lending conditions	37	48
Subtotal (A)	667	680
Coverage amount (B)	631	638
Individual reserve for possible loan loss (C)	85	83
General reserve for possible loan loss (D)	3	2
Amount collectible by collateral, guarantee, etc. (E)	543	552
Coverage ratio (B) / (A) (%)	94.66%	93.84%
Reserve rate ((C) + (D)) / ((A) - (E)) (%)	71.39%	67.23%
Normal loans and claims (F)	30,605	31,558
Total credit balance (A) + (F)	31,272	32,239

* 1. The coverage ratio indicates the coverage ratio for the total amount of disclosed loans and claims (excluding normal loans and claims).

* 2. The reserve rate indicates the reserve rate for the unsecured balances within disclosed loans and claims (excluding normal loans and claims).

* 3. All rates within the table are rounded to the second decimal place.

Loans and claims required to be disclosed by the Shinkin Bank Act [consolidated]

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

(Unit : 100 million yen)

Classification	Year ended March 2022	Year ended March 2023
Bankrupt and quasi-bankrupt loans and claims	78	87
Doubtful loans and claims	558	551
Loans overdue for 3 months or more	—	—
Loans with eased lending conditions	37	48
Subtotal (A)	674	687
Normal loans and claims (B)	30,631	31,587
Total credit balance (A) + (B)	31,305	32,274