

2021

ANNUAL REPORT

The Aichi Bank, Ltd.

PROFILE

Aichi Bank is a regional bank whose business base is Aichi Prefecture, the central prefecture of the Tokai region, one of the country's three main industrial areas. Since its establishment in 1910, the Bank has worked to meet the diverse needs of customers in the region, based on its corporate mission of contributing to the prosperity of the community via a thorough commitment to sound management and business growth.

Aichi Bank has a domestic service network comprising 106 branches, and also engages in international operations. The Bank's head office is located in Nagoya, Aichi Prefecture, Japan's fourth-largest prefecture by population, and an area that combines a beautiful natural environment with a rich historical and cultural heritage.

As of March 31, 2021, the Bank had total assets of ¥3,788,132 million (US\$34,216 million) on a consolidated basis, and deposits amounting to ¥3,221,635 million (US\$29,099 million). Its capital ratio, calculated according to standards for banks operating only in Japan, stood at 9.99%.

FINANCIAL HIGHLIGHTS Years ended March 31, 2021 and 2020

Consolidated	Millions of Yen		Thousands of U.S. Dollars	
	2021	2020	2021	2020
For the year:				
Total income	¥ 53,296	¥ 53,172	\$ 481,401	\$ 480,281
Total expenses	47,329	48,849	427,504	441,233
Profit before income taxes	5,966	4,322	53,888	39,038
Profit attributable to owners of parent	4,266	2,930	38,533	26,465
At year-end:				
Deposits	¥ 3,221,635	¥ 2,808,769	\$ 29,099,765	\$ 25,370,508
Loans and bills discounted	2,528,640	2,063,699	22,840,213	18,640,583
Securities	953,370	964,260	8,611,417	8,709,782
Total assets	3,788,132	3,246,230	34,216,710	29,321,922
Total net assets	246,391	209,350	2,225,553	1,890,976

Note: The U.S. dollar amounts represent translation of Japanese yen at the rate of ¥110.71 to U.S. \$1.00 on March 31, 2021.

MESSAGE FROM THE MANAGEMENT

Business and Financial Conditions

Looking back at Japan's economy during the year ended March 31, 2021, while weaknesses were seen in private consumption and corporate profits of non-manufacturers affected by the global spread of the novel coronavirus disease (COVID-19), industrial production picked up on the back of increase in exports, and the economy continued on a recovery trend.

As for the local economy of our business base, which is centered in Aichi Prefecture, although areas such as restaurants and accommodation services continue to be under strong downward pressure, the economy started to show a moderate upswing with export and production picking up, particularly for the automobile industry, one of the major local industries, while private consumption also began to recover.

Looking forward, in regard to the economic outlook, while full attention should be given to developments in the COVID-19 situation and its impact on the economy, as socio-economic activities are resumed while taking measures to prevent the spread of infectious diseases, the economy is expected to pick up, supported by the effects of the economic measures under the revised budget and improvement in overseas economies.

In the financial sector, the Bank of Japan is examining the trends of the economy and the price of goods under "quantitative and qualitative monetary easing with yield curve control" and continuing to carry out monetary easing while holding the belief that it is important to respond to any changes in the economy, price of goods or financial situation agilely and effectively without hesitation.

Although the Nikkei Stock Average fell as low as ¥17,818 at the beginning of April, it rose continuously throughout the fiscal year, underpinned by the continuation of major countries' large-scale monetary easing policies and the effect of economic measures. Moreover, uncertainty toward the future is gradually easing due to the development and commencement of administration of vaccinations for COVID-19, and the Nikkei Stock Average rose temporarily above the ¥30,000 level. It then dropped due to concerns over rising U.S. long-term interest rates, and the year-end closing price was ¥29,178, slipping below the ¥30,000 level, but still a year-on-year rise of ¥10,261.

The Bank has started the three-year "Eleventh Medium-Term Management Plan" from April 2019, under which we have set four basic policies of "reinforce sales capabilities & profitability," "increase productivity," "reinforce human resources" and "reinforce governance," and implemented various initiatives toward our goal of being a "bank that contributes to the local community as our customers' partner."

Earnings

Our business results on a consolidated basis for the year ended March 31, 2021 are as follows.

Total income increased ¥124 million year on year to ¥53,296 million (US\$481 million) mainly due to increases in interest on loans and bills discounted and purchased, fees and commissions and gain on sales of equity securities. Total expenses decreased ¥1,520 million year on year to ¥47,329 million (US\$427 million) mainly due to decreases in losses on sales of bonds and others and losses on sales of equity securities. As a result, profit attributable to owners of parent increased ¥1,336 million year on year to ¥4,266 million (US\$38 million).

By segment, ordinary income of the banking segment increased ¥183 million year on year to ¥44,523 million (US\$402 million) and its segment profit increased ¥1,704 million to ¥5,576 million (US\$50 million). Ordinary income of the leasing segment increased ¥323 million year on year to ¥8,166 million (US\$73 million), and its segment profit increased ¥245 million to ¥336 million (US\$3 million).

Cash Flows

Net cash provided by operating activities increased ¥163,421 million year on year to ¥34,723 million (US\$313 million). This was mainly attributable to an increase in deposits. Net cash provided by investing activities decreased ¥23,371 million to ¥55,752 million (US\$503 million). This was mainly attributable to sales and maturities of securities. Net cash used in financing activities amounted to ¥1,100 million (US\$9 million), a decrease in cash used of ¥404 million. This was mainly due to dividends paid.

As a result, cash and cash equivalents at the end of the year amounted to ¥224,225 million (US\$2,025 million), an increase of ¥89,376 million from the previous year-end.

Medium-term Strategy

The Eleventh Medium-Term Management Plan sets our vision as being a "bank that contributes to the local community as our customers' partner," and we will set forth to fully "procure and operate locally" by continuing to follow "community-based finance," and have developed the following three points as our major roles and missions as a regional financial institution:

- 1) Support the growth of local companies
- 2) Support asset building for our individual customers
- 3) Contribution activities for the local community

We have set four basic policies in the Eleventh Medium-Term Management Plan, "reinforce sales capabilities & profitability," "increase productivity," "reinforce human resources" and "reinforce governance." We will demonstrate our consulting functions, which we have built up thus far, to fully support our local customers, and contribute toward the development of the local community.



Yukinori Ito, President

A handwritten signature in black ink that reads "Yuki Ito". The signature is written in a cursive, flowing style.

Yukinori Ito
President

BOARD OF DIRECTORS AND CORPORATE AUDITORS

President

Yukinori Ito

Senior Managing Director

Nobuhiko Kuratomi

Managing Director

Hiroyasu Matsuno

Directors

Audit and Supervisory Committee Members

Masahiro Kato*¹

Akira Katsuragawa*²

Toshiyasu Hayashi*²

Yasutoshi Emoto*²

Yasuo Hasegawa*²

Directors

Shigeru Murabayashi

Hiroaki Yoshikawa

Kenichi Taguchi

Norimasa Suzuki

*¹Standing Audit and Supervisory Committee Member

*²Outside Audit and Supervisory Committee Member

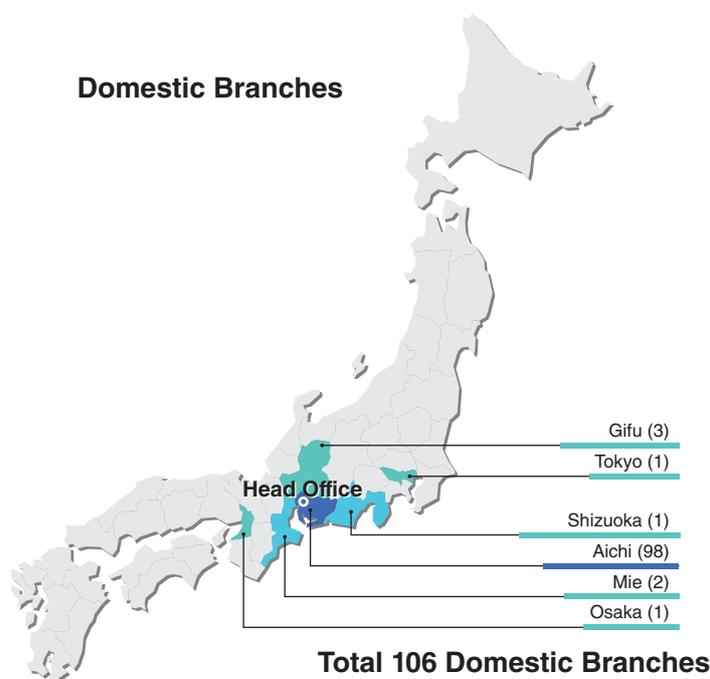
CORPORATE DIRECTORY

Service Network

Head Office (Securities & Foreign Business Department)

14-12, Sakae 3-chome, Naka-ku, Nagoya 460-8678
Telephone: 81-52-251-3211
SWIFT: AICHJPJN
Facsimile: 81-52-262-5793

Domestic Branches



Consolidated Companies

Aigin Business Service Co., Ltd.

Aigin DC Card Co., Ltd.

Aigin Lease Co., Ltd.

Aigin Computer Service Co., Ltd.

The Aichi Bank, Ltd.
Consolidated Financial Statements
March 31, 2021 and 2020

The Aichi Bank, Ltd. and Subsidiaries
Consolidated Balance Sheets
March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	2020
Assets:				
Cash and due from banks	¥ 226,415	¥ 137,615	\$ 2,045,117	\$ 1,243,022
Call loans and bills purchased	590	1,116	5,329	10,080
Monetary claims bought	3,090	-	27,910	-
Trading securities	-	1	-	9
Securities	953,370	964,260	8,611,417	8,709,782
Reserve for possible losses on investments	(0)	(2)	(0)	(18)
Loans and bills discounted	2,528,640	2,063,699	22,840,213	18,640,583
Foreign exchange	1,975	2,590	17,839	23,394
Other assets	38,044	40,971	343,636	370,074
Tangible fixed assets	35,050	34,463	316,592	311,290
Intangible fixed assets	1,002	1,030	9,050	9,303
Employee retirement benefit asset	7,461	2,644	67,392	23,882
Deferred tax assets	185	263	1,671	2,375
Customers' liabilities for acceptances and guarantees	6,014	6,299	54,322	56,896
Allowance for possible loan losses	(13,708)	(8,724)	(123,818)	(78,800)
Total assets	¥ 3,788,132	¥ 3,246,230	\$ 34,216,710	\$ 29,321,922

The Aichi Bank, Ltd. and Subsidiaries
Consolidated Balance Sheets (Continued)
March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	2020
Liabilities:				
Deposits	¥ 3,221,635	¥ 2,808,769	\$ 29,099,765	\$ 25,370,508
Negotiable certificates of deposit	4,100	4,100	37,033	37,033
Call money and bills sold	-	5,441	-	49,146
Security deposits received related to securities lending transactions	91,318	80,109	824,839	723,593
Borrowings	166,852	95,596	1,507,108	863,481
Foreign exchange	1,460	1,382	13,187	12,483
Other liabilities	22,227	19,708	200,767	178,014
Reserve for employee bonuses	587	600	5,302	5,419
Reserve for bonuses to directors	35	43	316	388
Employee retirement benefit liability	683	985	6,169	8,897
Reserve for executive retirement benefits	35	40	316	361
Reserve for reimbursement of deposits	188	253	1,698	2,285
Reserve for contingencies	1,449	1,314	13,088	11,868
Deferred tax liabilities	20,484	7,564	185,023	68,322
Deferred tax liabilities for revaluation	4,668	4,670	42,164	42,182
Acceptances and guarantees	6,014	6,299	54,322	56,896
Total liabilities	<u>3,541,740</u>	<u>3,036,879</u>	<u>31,991,148</u>	<u>27,430,936</u>
Net assets:				
Common stock	18,000	18,000	162,586	162,586
Capital surplus	13,883	13,883	125,399	125,399
Retained earnings	142,074	138,933	1,283,298	1,254,927
Less treasury stock, at cost	(1,055)	(1,071)	(9,529)	(9,673)
Total shareholders' equity	<u>172,903</u>	<u>169,746</u>	<u>1,561,764</u>	<u>1,533,249</u>
Accumulated other comprehensive income	68,850	35,131	621,895	317,324
Stock acquisition rights	302	295	2,727	2,664
Non-controlling interests	4,335	4,177	39,156	37,729
Total net assets	<u>246,391</u>	<u>209,350</u>	<u>2,225,553</u>	<u>1,890,976</u>
Total liabilities and net assets	<u>¥ 3,788,132</u>	<u>¥ 3,246,230</u>	<u>\$ 34,216,710</u>	<u>\$ 29,321,922</u>

The Aichi Bank, Ltd. and Subsidiaries
Consolidated Statements of Income
For the Years Ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	2020
Income:				
Interest and dividend income:				
Interest on loans and bills discounted and purchased	¥ 19,180	¥ 16,505	\$ 173,245	\$ 149,083
Interest on and dividends from securities	9,928	11,174	89,675	100,930
Other interest and dividend income	90	97	812	876
Total interest and dividend income	29,200	27,779	263,752	250,916
Fees and commissions	17,106	16,246	154,511	146,743
Other operating income	481	4,042	4,344	36,509
Other income	6,507	5,104	58,775	46,102
Total income	53,296	53,172	481,401	480,281
Expenses:				
Interest expense:				
Interest on deposits	250	448	2,258	4,046
Interest on call money and bills sold	21	223	189	2,014
Interest on borrowings	60	110	541	993
Other interest expense	16	16	144	144
Total interest expense	351	800	3,170	7,226
Fees and commissions	10,428	10,031	94,192	90,606
Other operating expenses	2,040	4,935	18,426	44,575
General and administrative expenses	26,409	26,176	238,542	236,437
Impairment loss on fixed assets	50	38	451	343
Other expenses	8,049	6,868	72,703	62,035
Total expenses	47,329	48,849	427,504	441,233
Profit before income taxes	5,966	4,322	53,888	39,038
Income taxes	1,560	1,330	14,090	12,013
Profit	4,405	2,991	39,788	27,016
Profit attributable to non-controlling interests	139	61	1,255	550
Profit attributable to owners of parent	¥ 4,266	¥ 2,930	\$ 38,533	\$ 26,465
	Yen		U.S. dollars	
Per share:				
Basic earnings	¥ 396.82	¥ 272.08	\$ 3.58	\$ 2.45
Diluted earnings	394.46	270.64	3.56	2.44
Cash dividends	120.00	100.00	1.08	0.90

The Aichi Bank, Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	2020
Profit	¥ 4,405	¥ 2,991	\$ 39,788	\$ 27,016
Other comprehensive income:				
Unrealized gains (losses) on available- for-sale securities	29,777	(21,154)	268,963	(191,075)
Deferred gains on hedges	100	-	903	-
Retirement benefit adjustment	3,815	(867)	34,459	(7,831)
Total other comprehensive income	33,692	(22,022)	304,326	(198,916)
Comprehensive income	<u>¥ 38,098</u>	<u>¥ (19,030)</u>	<u>\$ 344,124</u>	<u>\$ (171,890)</u>
Comprehensive income attributable to:				
Owners of parent	¥ 37,937	¥ (19,077)	\$ 342,670	\$ (172,315)
Non-controlling interests	160	47	1,445	424
Total comprehensive income	<u>¥ 38,098</u>	<u>¥ (19,030)</u>	<u>\$ 344,124</u>	<u>\$ (171,890)</u>

The Aichi Bank, Ltd. and Subsidiaries
Consolidated Statements of Changes in Net Assets
For the Years Ended March 31, 2021 and 2020

	Millions of yen														
	Number of shares of common stock issued	Shareholders' equity					Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets	
		Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on available-for-sale securities	Deferred gains on hedges	Land revaluation increment	Retirement benefit adjustment	Total accumulated other comprehensive income				
Balance at April 1, 2019	10,943,240	¥ 18,000	¥ 13,883	¥ 137,146	¥ (724)	¥ 168,305	¥ 50,729	¥ -	¥ 8,304	¥ (1,956)	¥ 57,077	¥ 274	¥ 4,132	¥ 229,790	
Profit attributable to owners of parent	-	-	-	2,930	-	2,930	-	-	-	-	-	-	-	2,930	
Cash dividends	-	-	-	(1,134)	-	(1,134)	-	-	-	-	-	-	-	(1,134)	
Reversal of land revaluation increment	-	-	-	(3)	-	(3)	-	-	-	-	-	-	-	(3)	
Treasury stock acquired, net	-	-	(5)	-	(348)	(353)	-	-	-	-	-	-	-	(353)	
Transfer to capital surplus from retained earnings	-	-	5	(5)	-	-	-	-	-	-	-	-	-	-	
Net changes in items other than shareholders' equity	-	-	-	-	-	-	(21,140)	-	62	(867)	(21,945)	20	45	(21,880)	
Balance at March 31, 2020	10,943,240	18,000	13,883	138,933	(1,071)	169,746	29,589	-	8,366	(2,823)	35,131	295	4,177	209,350	
Profit attributable to owners of parent	-	-	-	4,266	-	4,266	-	-	-	-	-	-	-	4,266	
Cash dividends	-	-	-	(1,075)	-	(1,075)	-	-	-	-	-	-	-	(1,075)	
Reversal of land revaluation increment	-	-	-	(46)	-	(46)	-	-	-	-	-	-	-	(46)	
Treasury stock acquired, net	-	-	(3)	-	16	13	-	-	-	-	-	-	-	13	
Transfer to capital surplus from retained earnings	-	-	3	(3)	-	-	-	-	-	-	-	-	-	-	
Net changes in items other than shareholders' equity	-	-	-	-	-	-	29,755	100	46	3,815	33,718	7	158	33,883	
Balance at March 31, 2021	10,943,240	¥ 18,000	¥ 13,883	¥ 142,074	¥ (1,055)	¥ 172,903	¥ 59,345	¥ 100	¥ 8,413	¥ 991	¥ 68,850	¥ 302	¥ 4,335	¥ 246,391	

	Thousands of U.S. dollars														
	Number of shares of common stock issued	Shareholders' equity					Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets	
		Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on available-for-sale securities	Deferred gains on hedges	Land revaluation increment	Retirement benefit adjustment	Total accumulated other comprehensive income				
Balance at April 1, 2019		\$ 162,586	\$ 125,399	\$ 1,238,786	\$ (6,539)	\$ 1,520,233	\$ 458,215	\$ -	\$ 75,006	\$ (17,667)	\$ 515,554	\$ 2,474	\$ 37,322	\$ 2,075,602	
Profit attributable to owners of parent		-	-	26,465	-	26,465	-	-	-	-	-	-	-	26,465	
Cash dividends		-	-	(10,242)	-	(10,242)	-	-	-	-	-	-	-	(10,242)	
Reversal of land revaluation increment		-	-	(27)	-	(27)	-	-	-	-	-	-	-	(27)	
Treasury stock acquired, net		-	(45)	-	(3,143)	(3,188)	-	-	-	-	-	-	-	(3,188)	
Transfer to capital surplus from retained earnings		-	45	(45)	-	-	-	-	-	-	-	-	-	-	
Net changes in items other than shareholders' equity		-	-	-	-	-	(190,949)	-	560	(7,831)	(198,220)	180	406	(197,633)	
Balance at March 31, 2020		162,586	125,399	1,254,927	(9,673)	1,533,249	267,265	-	75,566	(25,499)	317,324	2,664	37,729	1,890,976	
Profit attributable to owners of parent		-	-	38,533	-	38,533	-	-	-	-	-	-	-	38,533	
Cash dividends		-	-	(9,710)	-	(9,710)	-	-	-	-	-	-	-	(9,710)	
Reversal of land revaluation increment		-	-	(415)	-	(415)	-	-	-	-	-	-	-	(415)	
Treasury stock acquired, net		-	(27)	-	144	117	-	-	-	-	-	-	-	117	
Transfer to capital surplus from retained earnings		-	27	(27)	-	-	-	-	-	-	-	-	-	-	
Net changes in items other than shareholders' equity		-	-	-	-	-	268,765	903	415	34,459	304,561	63	1,427	306,051	
Balance at March 31, 2021		\$ 162,586	\$ 125,399	\$ 1,283,298	\$ (9,529)	\$ 1,561,764	\$ 536,040	\$ 903	\$ 75,991	\$ 8,951	\$ 621,895	\$ 2,727	\$ 39,156	\$ 2,225,553	

The Aichi Bank, Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	2020
Cash flows from operating activities:				
Profit before income taxes	¥ 5,966	¥ 4,322	\$ 53,888	\$ 39,038
Adjustments for:				
Depreciation	1,589	1,566	14,352	14,145
Impairment loss on fixed assets	50	38	451	343
Increase in allowance for possible loan losses	4,983	1,245	45,009	11,245
Interest and dividend income	(29,200)	(27,779)	(263,752)	(250,916)
Interest expense	351	800	3,170	7,226
Decrease (increase) in trading securities	1	(1)	9	(9)
Increase in loans and bills discounted	(464,940)	(259,332)	(4,199,620)	(2,342,444)
(Increase) decrease in call loans and bills purchased	(2,537)	782	(22,915)	7,063
Decrease in call money and bills sold	(5,441)	(10,097)	(49,146)	(91,202)
Increase in deposits	412,866	25,091	3,729,256	226,637
Increase in security deposits received related to securities lending transactions	11,209	54,437	101,246	491,708
Increase in borrowings (excluding subordinated borrowings)	71,256	55,584	643,627	502,068
Gain on securities transactions	(3,804)	(866)	(34,360)	(7,822)
(Gain) loss on foreign currency transactions	(950)	944	(8,580)	8,526
Increase in reserve for contingencies	134	39	1,210	352
Interest and dividend income received	29,919	28,870	270,246	260,771
Interest expense paid	(436)	(938)	(3,938)	(8,472)
Other, net	5,325	(1,064)	48,098	(9,610)
Subtotal	36,341	(126,355)	328,253	(1,141,315)
Income taxes paid	(1,618)	(2,343)	(14,614)	(21,163)
Net cash provided by (used in) operating activities	34,723	(128,698)	313,639	(1,162,478)
Cash flows from investing activities:				
Purchases of securities	(263,673)	(377,294)	(2,381,654)	(3,407,948)
Proceeds from sales and maturities of securities	321,489	457,520	2,903,884	4,132,598
Purchases of tangible fixed assets	(1,810)	(1,426)	(16,349)	(12,880)
Proceeds from sales of tangible fixed assets	74	575	668	5,193
Purchases of intangible fixed assets	(328)	(242)	(2,962)	(2,185)
Payment for asset retirement obligations	-	(9)	-	(81)
Net cash provided by investing activities	55,752	79,123	503,585	714,687
Cash flows from financing activities:				
Dividends paid	(1,075)	(1,134)	(9,710)	(10,242)
Other, net	(25)	(371)	(225)	(3,351)
Net cash used in financing activities	(1,100)	(1,504)	(9,935)	(13,585)
Net increase (decrease) in cash and cash equivalents	89,375	(51,080)	807,289	(461,385)
Cash and cash equivalents at beginning of year	134,849	185,930	1,218,038	1,679,432
Cash and cash equivalents at end of year	¥ 224,225	¥ 134,849	\$ 2,025,336	\$ 1,218,038

Basis of Presenting Consolidated Financial Statements

The consolidated financial statements of The Aichi Bank, Ltd. (the “Bank”) and its subsidiaries (collectively the “Group”) have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act of Japan and its related accounting regulations and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to the application and disclosure requirements from International Financial Reporting Standards. The accompanying consolidated financial statements have been reformatted and translated into English with some expanded descriptions from the consolidated financial statements of the Bank prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2021, which was ¥110.71 to U.S. \$1.00. This translation should not be construed as a representation that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

The Japanese yen amounts in the accompanying consolidated financial statements are expressed in millions of Japanese yen and have been rounded down. U.S. dollar amounts in the accompanying consolidated financial statements are expressed in thousands of U.S. dollars and also have been rounded down. As a result, total amounts expressed in both Japanese yen and U.S. dollars appearing in the consolidated financial statements thereto may not be equal to the sum of the individual amounts.

Certain comparative figures have been reclassified to conform to the current year’s presentation.