

FINANCIAL REVIEW Annual Report

▶▶ 2022

Profile

Throughout its 95 years, the Osaka City Shinkin Bank has grown together with Osaka, Japan's second largest city and a community the Bank is proud to serve. The Bank boasts a network of 86 office locations throughout Osaka Prefecture, making it one of the largest membership-based cooperative banks (shinkin banks) in Japan. Through this network, the Bank also provides a comprehensive range of international operations that Osaka requires as a city with an exciting future and ambitions that span the globe.

Message from the President



Satoshi Takahashi
President

With repeated declarations of a state of emergency due to the spread of COVID-19 and the appearance of new strains of the virus, last year saw a decreased level of economic activity. Even though the situation is starting to improve, it seems likely that some time will be required to bring the pandemic completely under control.

In addition, events such as Russia's invasion of Ukraine and lockdowns in major Chinese cities led to large increases in the prices of raw materials, disruptions in the supply chains of semiconductors and other components, fears of inflation, and the need to confront environmental problems. The continuing sense of uncertainty about the future is even greater than before.

Small and medium-sized enterprises (SMEs) continued to experience a harsh economic environment due to the influence of the pandemic, and both the public and private sectors did their utmost to provide them with proactive financial support and management assistance. At the same time, the pandemic accelerated societal change, and there was a rapid development of digitalization, as seen in the increased use of cashless payment, teleworking and other applications of remote technology, and electronic administrative procedures. Furthermore, there was a strong demand for increased productivity through digital transformation (DX), and the application of IT to operational reforms has become indispensable.

In this climate, fiscal 2021 marked the middle year of our medium-term management plan, Smart Shinkin 2022. With a sense of urgency, we pushed forward with various measures toward the plan's goal of becoming our customers' number one financial partner for problem resolution and for close ties to the region. With the expansion of our remote consultation desks and online negotiation systems, which have allowed a wide range of consultations to be conducted amid the pandemic, the greater use of communication tablets, and the deployment of personal adviser, we worked to improve communication with our customers. Furthermore, in addition to proactively enhancing our ability to offer solutions to problems faced by our customers, such as by establishing a support system for all counters at our branches in order to provide customers with a greater level of convenience, with the aim of invigorating and promoting the development of our local area, Osaka, we entered the Co-Creation Challenge of the TEAM EXPO 2025 Program established for the world exposition to be held in Osaka in 2025.

In addition, to protect our customers, we took steps to prevent financial crimes, such as money laundering and sophisticated fraud schemes, strengthened our cybersecurity measures, and further strengthened our internal control system.

As a result of these activities, our performance in fiscal 2021 was stable, as it was in the preceding financial year, and we are maintaining a healthy state of operations.

Fiscal 2022 will see the 95th anniversary of our founding. With greater empathy, depth, and speed, we will make every effort to solve the problems faced by local communities and SMEs, and carve out a bright future in partnership with communities as we approach our 100th anniversary.

In line with our management philosophy of tripartite prosperity and our slogan—"serving the community by building trust"—we will continue to fully respond to customers' needs, and through the combined efforts of executives and employees, strive to fulfill our mission as a regional financial institution.

This report presents in an easy-to-understand manner the management policies and the current status of operations of the Osaka City Shinkin Bank. We hope that its perusal may contribute to a fuller understanding of our operations, and that we may continue to enjoy your patronage and support.

July 2022

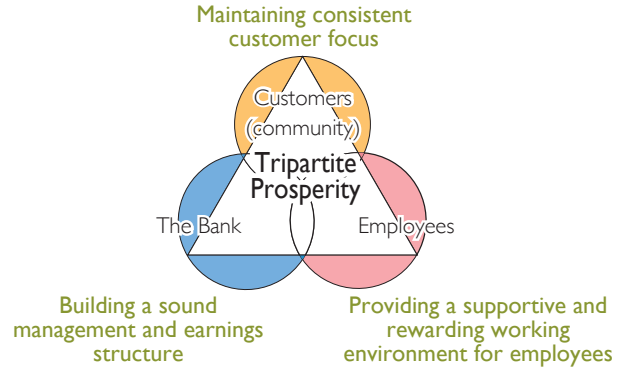
A handwritten signature in black ink that reads "S. Takahashi". The signature is written in a cursive, flowing style.

Satoshi Takahashi
President

Management Principles

Management Philosophy: Tripartite Prosperity

“Tripartite prosperity” is a concept in which Osaka City Shinkin Bank, its customers and its employees are regarded as a single, tripartite entity. The Bank nurtures mutual growth and happiness based on mutually supportive relationships. We always consider what we do within this conceptual framework, and strive in our business activities to balance the interests of each element.



Basic Management Policies for Fiscal 2022

Fiscal 2022 marks the milestone of the 95th anniversary of the founding of the Bank, and will be the final fiscal year of our medium-term management plan, Smart Shinkin 2022. This year, we will put the final touches on our efforts to be our customers' number one financial partner for problem resolution.

We will strive to improve customer satisfaction by further evolving the information cycle aimed at problem resolution we've established and developed in our medium-term management plan, boosting the quality and effectiveness of proposals, and working to make problem resolution a key part of our business.

In the last fiscal year, we launched various initiatives as operational reforms. Through steps such as improving efficiency of information gathering, increasing the sophistication of analysis and restoration techniques for accumulated data, adopting a support system for all counters at all branches, adopting communication tablets, and establishing occupation-specific sites, we are working to lock in results by strengthening customer contact points via various channels between the Bank and customers.

As we strive to overcome the COVID-19 pandemic and create a new post-COVID society, our slogan for this fiscal year will be “Pioneering the future together with the region.” We will work to provide side-by-side support to improve management by raising our information gathering capabilities and operational efficiency, and bolstering our lineup of problem resolution support services.

We will also support digital transformation (DX) of business partners using IT, as well as improvement of customer marketing capabilities and profitability.

In addition, to improve our problem resolution capabilities, we will continue training staff by sending more of them for training outside the Bank. We will reinforce head office backup capabilities (management support, business succession support, M&A, digitalization, etc.) and improve our ability to make proposals. As a good corporate citizen, we will actively work toward SDGs and ESG, contribute to the solution of issues facing the global environment and society, and support sustainable development of the regional economy.

In terms of risk management, our top priority will be protecting customers through our operations, and we will further strengthen steps to prevent financial crime and address money laundering. Also, we will further improve customer trust and security by establishing more robust defense capabilities against risks, including a stronger crisis management system and improved cyber-security measures.

Through these efforts, this will be the year we achieve the goal of our medium-term management plan—becoming our customers' number one financial partner for problem resolution and for close ties to the region—and achieve results worthy of

the Bank's 95th anniversary (pioneering the future).

Based on the above, we have formulated the following basic management policies for fiscal 2022.

Basic Management Policies

- Pioneering the future together with the region
- Overcoming difficulties together
- Closer and deeper relationships, faster responses
- 1. Improve customer satisfaction and strengthen profitability by establishing a continuous problem resolution model
- 2. Promote more efficient operations to broaden and deepen contact point opportunities with customers
- 3. Contribute to the region by sharing the principles of SDGs with customers
- 4. Improve all-around skills and abilities in specialized fields
- 5. Enhance risk response capability and strengthen compliance framework

Key Measures

- 1. Improve customer satisfaction and strengthen profitability by establishing a sustainable problem resolution model
 - (1) Create profit opportunities by promptly responding to problems, and strengthening proposals to resolve problems which exceed expectations
 - (2) In addition to ICT consulting, bolster our lineup of problem resolution support services
 - (3) Improve problem resolution capabilities by strengthening information gathering capabilities and ferreting out latent problems
- 2. Promote more efficient operations to broaden and deepen contact point opportunities with customers
 - (1) Augment contact point opportunities with customers by integrating and multitasking sales and loan tasks
 - (2) Promote more efficient operations through computerization of core operations, such as digitalization of loan operations
 - (3) Strengthen communication with customers by promoting efficient business support using AI
- 3. Contribute to the region by sharing the principles of SDGs with customers
 - (1) Promote efforts in line with SDG principles such as reduction of environmental impact and ESG investment
 - (2) Improve customer convenience and employee satisfaction by deploying branch strategies to achieve closer regional ties, and rebuilding and overhauling branches
 - (3) Deploy projects for the Bank's 95th anniversary to help ensure commitment to the management philosophy among employees and contribute to the region
- 4. Improve all-around skills and abilities in specialized fields
 - (1) Acquire and apply high-level expert knowledge to improve consulting capabilities by sending staff for training outside the Bank, and collaborating with outside institutions
 - (2) Strengthen the general abilities and teamwork capabilities of employees by reviewing personnel systems and establishing a new human resources development plan
 - (3) Create opportunities for employees to shine out by assigning diverse personnel to the right positions
- 5. Enhance risk response capability and strengthen compliance system
 - (1) Improve crisis management capability by enhancing risk management capability and ensuring the effectiveness of BCP
 - (2) Upgrade customer protection management system by strengthening measures to prevent money laundering, etc.
 - (3) Improve compliance awareness and engagement through deeper understanding of our management philosophy, etc.

Review of the Year

Financial and Economic Environment

In the previous fiscal year, we had to endure a slowdown in economic activity because a state of emergency was declared due to the COVID-19 pandemic, and there was also spread of new variants. Thus, the unpredictable situation is still continuing. On the other hand, the new Kishida Cabinet, advocating a new form of capitalism, was formed in the fall of last year. While downward pressure on the economy is intensifying due to the pandemic, there are hopes the government's new policy will realize a virtuous cycle of growth and distribution.

In the economic environment, geopolitical risk is increasing due to factors such as Russia's invasion of Ukraine and frictions between the U.S. and China, and the future has become increasingly unclear due to soaring raw material prices, inadequate supply of items such as semiconductors, inflation concerns, and response to environmental problems. Although constraints on economic activity due to the pandemic are gradually easing, the pace of recovery is slow for small, medium-sized and micro enterprises, and conditions remain difficult for face-to-face service industries.

For SMEs, corporate financing has improved due to factors such as COVID-19 support financing, but pressure on results is expected to increase in the future, primarily due to lingering effects of the pandemic. Therefore, in our operations as a financial institution, we will need to provide wide-ranging main business support responsive to partner problems at a higher level than ever before.

The COVID-19 pandemic is accelerating changes in social structure, and digitalization is progressing rapidly in areas such as cashless transactions, telework and other forms of remote presence, and electronic procedures. The government has created the Digital Agency to promote digital restructuring, and there is a need to improve productivity through digital transformation (DX).

Operating Policies

Fiscal 2021 marked the middle fiscal year of our medium-term business plan, Smart Shinkin 2022, and we have worked diligently and in due haste to more robustly achieve the objectives of the plan: becoming our customers' number one financial partner for problem resolution and for close ties to the region.

To improve communication with partners in our bank operations, we took steps such as expanding our remote consultation desk and online negotiation system to deal with a broad range of consultations during the COVID-19 pandemic, deploying communication tablets, and assigning personal adviser. Aside from that, we adopted a support system for all counters at all branches to improve customer convenience. Through these efforts, we actively promoted problem resolution for our partners.

Furthermore, we continued efforts to create a system for promoting a cyclical economy aimed at regional revitalization by, for example, installing vending machines which donate part of sales, and deploying a mobile battery sharing service. We also acquired the environmental certification Eco-Action 21 as part of the Bank's promotion of SDGs and development of an ESG financing support system.

To protect customers, we have also strengthened prevention of financial crimes, such as money laundering and sophisticated fraud schemes, as well as cyber-security countermeasures, and enhanced our internal control system.

Internal Control Systems

In accordance with the following Basic Policy on Internal Control Systems adopted by the board of directors based on Article 36, Paragraph 5, Item 5 of the Shinkin Bank Act and the provisions in Article 23 of the Ordinance for Enforcement of the Shinkin Bank Act, our Bank has continued working to develop a system for internal control.

- (1) Provide a system to ensure that all directors and personnel of the Bank execute all duties of the Bank in accordance with the law and the articles of incorporation of the Bank.
- (2) Provide a system to store and manage information with respect to the execution of the duties of each director of the Bank.
- (3) Provide rules and other systems for risk management against losses by the Bank.
- (4) Provide a system to ensure that each director of the Bank executes their duties efficiently.
- (5) Provide a system to ensure propriety of the following systems and other operations in the Bank group.
 - Provide a system to ensure that all directors and employees of subsidiaries of the Bank execute all duties of the Bank in accordance with the law and the articles of incorporation of the Bank.
 - Provide a system for reporting matters relating to the execution of duties by directors of the Bank's subsidiaries.
 - Provide rules and other systems for controlling the risk of losses by Bank subsidiaries.
 - Provide systems for ensuring efficient discharge of duties by senior management of Bank subsidiaries.
- (6) Establish provisions regarding personnel when requested to be assigned to assist auditors of the Bank in performing their duties.
- (7) Establish provisions to ensure the independence from directors' influence of personnel assigned to assist auditors of the Bank and the effectiveness of auditors' instructions with respect to said personnel.
- (8) Provide a system by which directors and personnel of the Bank and directors and employees of subsidiaries, or persons who have received reports from said persons, can report to auditors, and other systems for reporting to auditors.
- (9) Provide a system to ensure that persons who make reports described in the previous item are not subject to unfair treatment as a result of making such a report.
- (10) Establish provisions for policies regarding procedures for prepayment or reimbursement of costs that arise due to the execution of duties by auditors of the Bank, and for handling other costs or financial obligations that arise due to the execution of other pertinent work.
- (11) Provide a system to otherwise ensure the effectiveness of auditors of the Bank performing an audit.

The outline of the operation status during this fiscal year with regard to the above Internal Control Systems was as follows.

(1) Compliance Efforts

The Compliance Committee convened 16 times during the fiscal year to ascertain, manage, and quickly respond in a unified way to issues relating to compliance with laws and regulations, and to confirm the compliance status.

(2) Risk Management Efforts

The ALM Committee convened 12 times during the fiscal year to ensure the stability of earnings and soundness of assets. Every kind of risk was comprehensively managed and addressed appropriately.

(3) Other Major Meetings

The board of directors met 14 times during the fiscal year and the legality of the manner in which the directors carried out their duties was ensured. Auditors' meetings were held 7 times. The directors' performance of duties and compliance with laws and regulations were confirmed.

(4) Internal Control System for the Bank Group

The Compliance Code of Conduct was applied to subsidiaries as well to put in place a system of compliance with laws and regulations. Additionally, auditors of the Bank and the auditing department conducted audits of internal controls of subsidiaries and confirmed that there were no problems in their compliance with laws and regulations, or risk management systems.

Financial Review

We have worked to absorb small stable deposits, and endeavored to improve sales of special time deposit products with a higher than usual interest rate and expand the balance of liquid deposits. As a result, total deposits rose during the term to ¥2,625.4 billion.

During the pandemic, we have actively been supporting our customers with financing and our outstanding loan balance totaled ¥1,434.9 billion.

Net income for core operations totaled ¥4.31 billion; ordinary income was ¥4.281 billion; and net income for the period amounted to ¥3.521 billion. In addition, our capital adequacy ratio was 9.82%.

Issues and Outlook for the Bank in Fiscal 2022

Regarding the Japanese economy in fiscal 2022, the forecast is expected to remain very unclear due to factors such as worsening of consumer sentiment brought on by inflation of resources, raw materials, and consumer goods driven by the Ukraine situation, effects of the COVID-19 pandemic, and other factors.

On the other hand, downward pressure on personal consumption due to the pandemic is gradually lessening, and conditions are expected to recover, albeit slowly, due to factors like recovery of foreign demand and government stimulus.

In this current environment, the business plan for fiscal 2022 revolves around the following five basic policies.

- (1) Improve customer satisfaction and strengthen profitability by establishing a sustainable problem resolution model
- (2) Promote more efficient operations to broaden and deepen contact point opportunities with customers
- (3) Contribute to the region by sharing the principles of SDGs with customers
- (4) Improve all-around skills and abilities in specialized fields
- (5) Enhance risk response capability and strengthen compliance system

Fiscal 2022 marks the milestone of the 95th anniversary of the founding of the Bank, and will be the final fiscal year of our medium-term management plan, Smart Shinkin 2022. To achieve the objective of this plan, becoming our customers' number one financial partner for problem resolution and for

close ties to the region, we will implement the measures set forth in the plan based on the slogan "Pioneering the future together with the region."

We will strive to provide side-by-side support with customers for management improvement, by further evolving the information cycle aimed at problem resolution, boosting the quality and effectiveness of proposals, improving information gathering capabilities, and expanding our lineup of problem resolution support services.

To improve our problem resolution capabilities, we will send more staff for training outside the Bank and promote management support, business succession support, M&A, and digitalization as steps to improve our proposal capabilities.

Furthermore, we will actively work as a corporate citizen regarding SDGs and ESG, and contribute to the solution of global environmental and social problems, as well as sustainable development of the regional economy.

To make this a fiscal year where we achieve results worthy of the 95th anniversary of the Bank, becoming our customers' number one financial partner for problem resolution and for close ties to the region, all of our executives and employees will come together to work with all diligence, and strive to strengthen our management foundations.

We thank you all for your continued patronage and support.

Establishment of a Framework for Compliance

The Osaka City Shinkin Bank works hard to establish a compliance framework of the highest thoroughness and efficacy, based on the Osaka City Shinkin Bank Action Guidelines.

What Is Compliance?

“Compliance” refers to compliance with applicable laws, regulations and guidelines. In the case of the Bank, it refers to strict observance of all laws applicable to its operations, the Bank’s own internal regulations and principles, and rules of conduct generally accepted in society.

The Bank’s Compliance Framework

In order to foster a corporate climate stressing compliance and to establish a compliance framework, we formulated our Compliance Code of Conduct for matters that must be observed by directors and employees, including a basic policy for compliance with laws and regulations, a framework for compliance with laws and regulations, and guidelines for the conduct of directors and employees. This is distributed to all directors and employees and is subject to review when appropriate to ensure thorough understanding and implementation of compliance measures.

Basic Policy on Compliance

The Osaka City Shinkin Bank Action Guidelines are the Bank’s explicit statement of its basic policy toward compliance. These guidelines require all Bank employees and directors to comply strictly with all laws and other regulations, support the achievement of the Bank’s public mission and social responsibilities, and work diligently for the benefit of customers, as stipulated below:

- 1) We will always remain aware of the social mission and impact on society we have as a bank, and endeavor to achieve sound, responsible business operations.
- 2) As well as the functions we have through being part of the infrastructure that supports economic activities, we use our original ideas and ingenuity and through our customer-centric business operations we will respond to our customers’ needs. Equally, we will contribute to the development of the regional economy and community by providing high-quality financial and non-financial services that consider appropriate safeguards for customers’ revenue earning ability. This might include improving customers’ security levels or securing business continuity to prepare for terrorism, cyber-attacks, or natural disasters—all of which threaten citizens’ lifestyles or corporate activities.
- 3) We will construct a robust system of internal controls, striving to prevent violations of laws and regulations.
- 4) We will actively disclose management information and other data effectively and fairly to develop fuller communication with the regional community. Through constructive dialogue with our many different stakeholders, we will gain the understanding and trust of society and improve our corporate value.
- 5) We will respect the human rights of all.
- 6) We will provide working styles that respect the diverse backgrounds, personalities, and individuality of all those who work for us. We will ensure the working environments we offer take health and safety into full consideration.

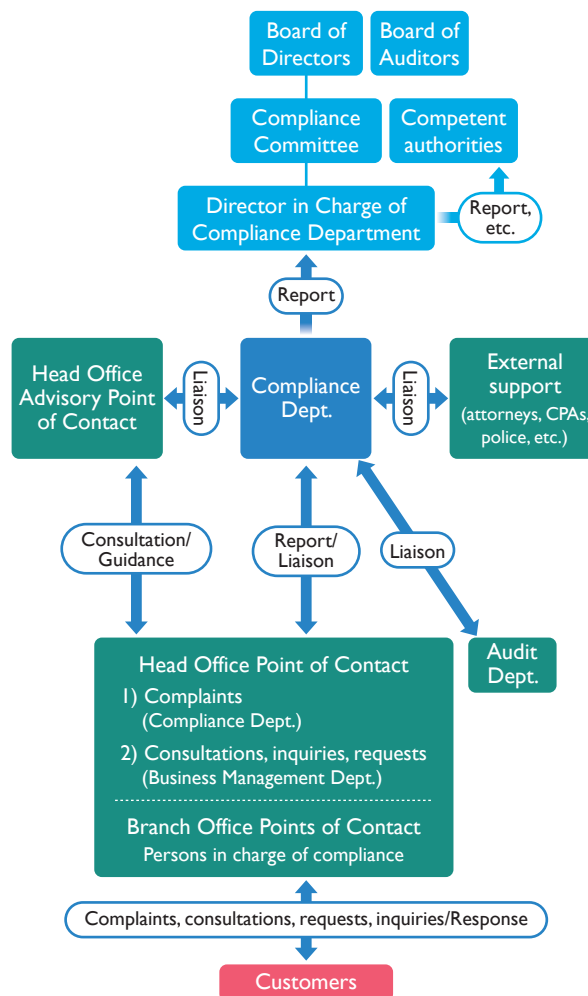
- 7) As well as working to utilize finite resources effectively and reduce the amount we waste, we will work to tackle environmental issues, such as by providing financial services that contribute to conservation activities.
- 8) We will remain cognizant of the fact that our existence and development is reliant on being part of the community. By evolving with society as a good corporate citizen, we will be an active member of society and aid that development.
- 9) We will decisively exclude and ban all relations with anti-social forces which threaten social order and safety. With international society also facing terrorism and other threats, we are working hard to enhance our measures against money laundering or the funding of terrorism.

Compliance Framework

To establish a robust framework for compliance, the Osaka City Shinkin Bank has constructed the management framework shown in the chart below, headed by a board of directors.

Compliance Framework

As of June 2022



Basic Policy on Criminal Organizations

In order to block relationships with criminal organizations that threaten social order and safety, and interfere with the sound development of the economy and society, the Bank has established, and will abide by, the following Basic Policy on Criminal Organizations.

1. The Bank shall block relationships, including transactions, with criminal organizations, and resolutely refuse illegal demands.
2. In response to illegal demands by criminal organizations, the Bank shall work to quickly resolve the problem by responding as an organization, while ensuring the safety of employees.

3. The Bank will not provide funds, engage in improper or exceptional transactions, or provide logistical assistance to criminal organizations.
4. To prepare for the possibility of illegal demands by criminal organizations, the Bank shall establish close and ongoing collaborative relationships with expert outside organizations such as the police, the National Center for the Removal of Criminal Organizations, and the Bar Association.
5. If there are any illegal demands by criminal organizations, the Bank shall respond with a resolute stance, taking action such as legal countermeasures based on both civil and criminal law.

Measures Against Money Laundering and Terrorism Financing

In response to the full enforcement of the revised Act on Prevention of Transfer of Criminal Proceeds in October 2016, management system and compliance items such as identity verification at the time of transactions and notification of suspicious transactions have been revised, and the industry has been practicing strict compliance regarding prevention of the acceptance of illegal funds and involvement in illegal transactions.

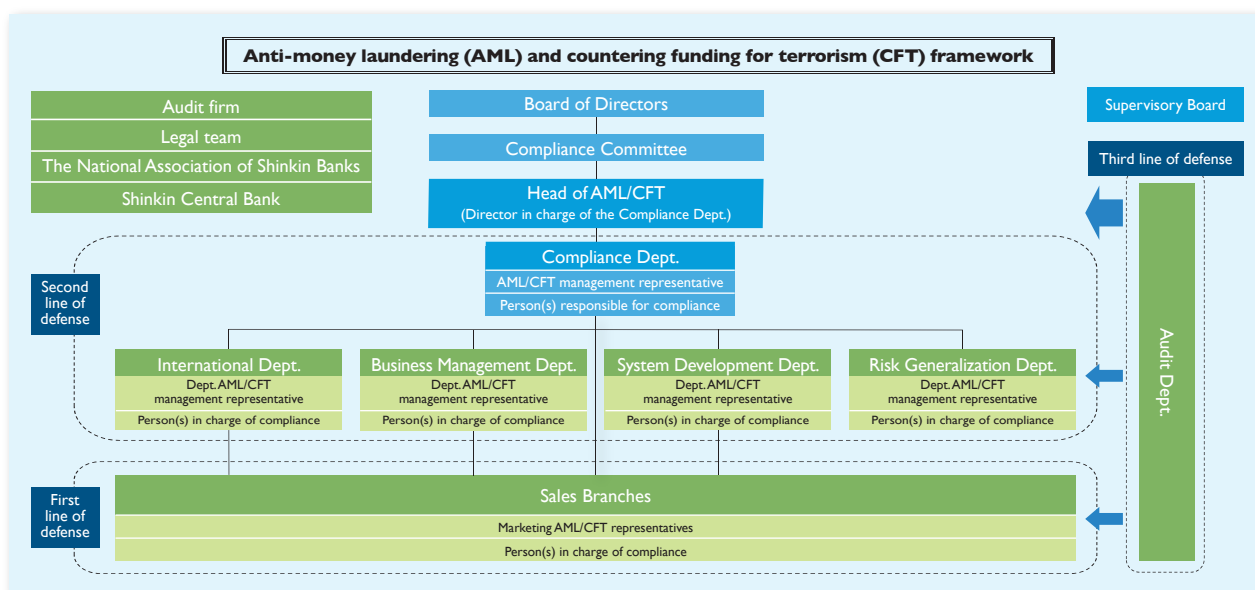
At the Bank too, we are working hard to counter increasingly complex and sophisticated money laundering and terrorism financing in collaboration with relevant institutions, in order to protect the safe and secure lives and transactions of customers.

As part of that, we send requests to confirm the purpose of

transactions and other matters to customers we have relationships with, and, while taking care to protect personal information, we periodically have customers present identification, and check the occupation, purpose of transaction, and other information relating to the customer.

Going forward, we will continue to improve the necessary management systems such as staff training and human resource deployment, and work for the further strengthening of those arrangements.

Also, specific initiatives and the Bank's management system concerning measures against money laundering and terrorist financing (AML/CFT) are as follows.



Building Internal Controls

Steps Toward Building Robust Internal Controls

In order to establish a sound, robust business administration system, we will put in place systems based on the Basic Policy for Building Internal Control Systems set forth by our board of directors, and in this way we will provide a higher level of security and trust to all of our valued stakeholders, including all members who support the Bank, business partners, and people in the local region.

Basic Policy for Building Internal Control Systems (Overview)

- (1) Provide a system to ensure that all directors and personnel of the Bank execute all duties of the Bank in accordance with the law and the articles of incorporation of the Bank.
 - Position compliance with laws and regulations as the top-priority policy for Bank management, and establish a Compliance Code of Conduct to be followed by all directors and employees, and a Compliance Program as a concrete, implementation plan.

- Establish a Compliance Committee, review and discuss important matters for management relating to compliance with laws and regulations, and evaluate the compliance implementation situation.
 - To facilitate early discovery and rectification of any wrongdoing, establish Whistleblower Protection Management Rules clearly setting forth matters such as the system for directors and employees to report on conduct violating laws and regulations, and establish a liaison for consultation and reporting.
 - Resolutely block criminal organizations which threaten social order and safety.
 - The Internal Audit Department shall examine and evaluate the propriety and effectiveness of the compliance framework, and shall report the results to the President, board of directors, and auditors.
- (2) Provide a system to store and manage information with respect to the execution of the duties of each director of the Bank.

- Information with respect to the execution of the duties of each director of the Bank shall be properly stored and managed based on in-house rules prescribing procedures such as document filing/storage (including electromagnetic records), storage periods, and disposal rules.
- (3) Provide rules and other systems for risk management against losses by the Bank.
 - The board of directors shall position risk management as the top-priority issue for management, develop a system for accurately ascertaining risks and carrying out proper management/operations, and strive to improve the soundness of assets and stability of earnings.
 - Establish an ALM Committee, Operational Risk Management Committee, and other groups as organizations for cross-departmental discussion and decision-making relating to various risks, and discuss and evaluate important matters relating to risk.
 - To minimize the damage and impact in an emergency situation, such as a large-scale natural disaster or a major system failure, establish an Emergency Response Manual (Contingency Plan), and put in place a crisis management system during ordinary times.
 - (4) Provide a system to ensure that each director of the Bank executes their duties efficiently.
 - The board of directors shall decide important matters relating to management of the Bank and execution of duties, and shall supervise proper and efficient execution of duties by directors.
 - The board of directors shall establish rules on matters such as management organization, office organization, division of duties, and responsibilities/authority, clarify the chain of command of the Bank, establish a system for taking responsibility, and efficiently carry out duties.
 - (5) Provide a system to ensure propriety of the following systems and other operations in the Bank group.
 1. Provide a system to ensure that all directors and employees of subsidiaries of the Bank execute all duties of the Bank in accordance with the law and the articles of incorporation of the Bank.
 2. Provide a system for reporting matters relating to the execution of duties by directors of the Bank's subsidiaries.
 3. Provide a system for risk management against losses by subsidiaries of the Bank.
 4. Provide a system to ensure that all directors of subsidiaries of the Bank execute their duties efficiently.
 - The Compliance Code of Conduct established by the Bank shall be the basis for the approach to compliance of the Bank's entire group, and shall be made known to all directors and employees of subsidiaries of the Bank.
 - The Bank shall receive from subsidiaries reports on certain matters relating to the execution of duties prescribed by in-house rules.
 - Auditors and the Internal Audit Department shall audit the compliance and risk management situation at subsidiaries, within the scope that does not contravene laws and regulations, and shall verify the effectiveness and propriety of work.
 - (6) Establish provisions regarding personnel when requested to be assigned to assist auditors of the Bank in performing their duties, and provisions to ensure the independence from directors' influence of said personnel and the effectiveness of auditors' instructions with respect to said personnel.
 - To ensure the effectiveness of auditing work, auditors can request assignment of assisting employees. Also, independence from directors shall be ensured for employees assisting auditors in performing their duties.
 - Employees assisting auditors in performing their duties shall follow the instructions of auditors relating to their work, and shall not receive instructions from directors.
 - (7) Provide a system by which directors and personnel of the Bank and directors and employees of subsidiaries, or persons who have received reports from said persons, can report to auditors, and other systems for reporting to auditors.
 - Directors and employees of the Bank and subsidiaries shall be able to report directly to auditors if a matter has been recognized to have a major impact on management, and the Internal Audit Department shall promptly report the results of internal auditing to auditors.
 - (8) Provide a system to ensure that persons who make reports described in the previous item are not subject to unfair treatment as a result of making such a report.
 - If a person has made such a report and for that reason been treated unfairly, there shall be strict punishment in accordance with in-house rules.
 - (9) Establish provisions for policies regarding procedures for prepayment or reimbursement of costs that arise due to the execution of duties by auditors of the Bank, and for handling other costs or financial obligations that arise due to the execution of other pertinent work.
 - If auditors make a request for prepayment or reimbursement of auditing expenses, the costs or financial obligations shall be handled promptly, unless the costs or financial obligations involved in the request are deemed to be unnecessary for execution of the duties.
 - (10) Provide a system to otherwise ensure the effectiveness of auditors of the Bank performing an audit.
 - Auditors shall attend the board of directors and other important meetings, and shall conduct a proper and effective audit through collaboration with directors, accounting auditors, the Internal Audit Department, and other relevant personnel.

Privacy Policy Declaration

Privacy Policy

At the Osaka City Shinkin Bank, the trust of our customers is our first priority. Therefore, we manage our customers' personal information with the most rigorous care and a strict commitment to privacy. We take every precaution to ensure that the personal information we maintain is kept accurate and held in the strictest confidence.

I. Personal information

"Personal information" in this privacy policy refers to any information relating to a living person, that can be used to identify a specific individual, such as name, address, date of birth or telephone number (including information that can be easily correlated with other information to identify a specific individual) or information containing individual identification codes.

An individual identification code is one of the following, individually designated by cabinet orders, etc.:

- (1) Data for which a bodily partial feature has been converted to enable processing by computers
[Examples] Data for face, vein, voiceprint, or fingerprint authentication, etc.
- (2) An official number assigned to a user by a national or local government, or other similar body
[Examples] Driver's license number, passport number, Individual Number (My Number), etc.

2. Compliance

The Bank strictly complies with the Act on the Protection of Personal Information (Act No. 57 of May 30, 2003), the Act on the Use of Numbers to Identify a Specific Individual in the Administrative Procedure (Act No. 27 of May 31, 2013), Guidelines for the Protection of Personal Information in the Financial Sector and other related laws and regulations pertaining to the protection of personal information. The Bank is also committed to the constant improvement of its privacy policy, to better protect its customers' personal information.

3. Privacy policy

The Bank shall handle customers' personal information in accordance with the following guidelines.

- (1) Customers' personal information shall only be used for the purposes stated in (3) of 4. below, and shall never be used for any other purpose. Individual Numbers (My Number) shall only be used within the scope established by laws and regulations. The Bank shall specifically set forth the purpose of use so it is clear to the customer and strive to limit the purpose of use according to the situation in which the information was obtained.
- (2) Unless required by law, customers' personal information shall not be divulged to any third party without the express prior permission of the customer.
- (3) The Bank shall take appropriate measures to ensure that its customers' personal information is accurate and up-to-date at all times, and shall take appropriate security measures to prevent loss, destruction, tampering, leaking and illegal access.
- (4) The Bank shall establish appropriate internal control systems for the safe management of personal information, and conduct necessary and appropriate monitoring of its personnel.
- (5) The Bank contracts handling of personal data to other parties. In the event that management of personal information is entrusted to an outside contractor, the Bank shall conduct appropriate monitoring of the contractor to ensure that customers' information is safely managed.
- (6) The Bank shall respond in good faith to customers' complaints and disclosure requests.

4. Collection and use of personal information

To ensure the smooth and appropriate execution of transactions with customers, the Bank collects personal information in an appropriate manner in order to verify an individual's identity in the course of a transaction, to sell financial products and to accept orders for various services, and to conduct credit checks and perform appropriate management after credit checks are completed. Prior to collecting such personal data, the Bank shall clearly explain to the customer the purpose for which the customer's personal information is to be used. Personal information is never collected through deceit or other illegitimate means.

- (1) Main personal information collected
 - (a) The main personal information the Bank shall collect from customers consists of name, address, date of birth, sex, telephone number (including work telephone number) and place of work (or occupation).

- (b) When customers apply for or request financial services, the Bank may request other information in addition to that listed in (a) above. Such information may include number of dependents if any, family composition, assets, annual income, number of years of service at present employer (or number of years in current business), status of outstanding loans at other financial institutions and the debtor's relationship with the guarantor.
- (c) When customers order mutual funds or other financial products, the Bank may collect other information in addition to the above, including investment knowledge and experience, assets and annual income.

(2) Method of collection of information

Customers' personal information shall be collected by the following methods.

- (a) The customer may be requested to supply the information on the various application forms and agreement forms required for services such as opening of new savings accounts.
- (b) The customer may be asked to supply information verbally or in writing, to a Bank teller or liaison clerk.
- (c) The customer may be asked to enter the information on the Bank's website, when requesting a product, service, information or advice.
- (d) The customer may be asked to supply information from third parties, such as joint users of bill clearing houses and personal-credit rating agencies.
- (e) Other information available from ordinary, public sources.

(3) Purposes for which the personal information may be used

The Bank will use customers' personal information for the following purposes in the following operations and shall not use it for any other purpose. Individual Numbers shall only be used within the scope established in laws and regulations. The purpose of use shall be specifically set forth so it is clear to the customer and efforts shall be made to limit the purpose of use according to the situation in which the information was obtained.

With the exception of situations where the customer consents, or where disclosure is required by laws or regulations, personal information shall not be disclosed to third parties.

A. Purposes for which personal information may be used (except for when it includes Individual Numbers)

- (A) Nature of operations
 - (a) Deposit operations, draft operations, exchange operations, financing operations, foreign exchange operations, and operations incidental to these
 - (b) Operations that can be carried out by shinkin banks based on laws and regulations such as public debt security and investment trust sales operations, insurance sales operations, financial instruments intermediary operations, trust operations, corporate bond operations, and operations incidental to these
 - (c) Other operations that can be carried out by shinkin banks, and operations incidental to these (including operations whose handling will be approved in the future)

(B) Purpose of use

- (a) To process applications for financial products, including opening a bank account.
- (b) The customer may be asked to supply proof of identity based on legal requirements, or proof of qualification to use certain financial instruments and services.
- (c) For daily management or ongoing processing of credit transactions, such as deposit taking and lending.
- (d) To assess applications for or ongoing use of lending and other credit transactions.
- (e) To assess the appropriateness of providing financial products and services, including judgments based on the Bank's conformance principles.

- (f) To supply information to third parties for the strict purposes of executing appropriate banking operations, such as providing information to personal credit rating organizations of which the Bank is a member; for credit rating purposes.
 - (g) To ensure the appropriate processing of personal information, in whole or in part, when outside operators contract the Bank to process such personal information.
 - (h) To execute the Bank's rights or duties with respect to the law or an agreement with the customer.
 - (i) To conduct market research, data analysis or surveys, as part of research or development regarding financial products.
 - (j) To inform the customer of financial products or services, as part of a direct-mail campaign or other marketing program.
 - (k) To inform customers of financial products or services provided by Bank partner companies.
 - (l) To cancel or terminate a transaction with a customer, or conduct the processing required after such cancellation or termination
 - (m) For other purposes necessary for the smooth and appropriate execution of transactions with the customer.
- (C) Restrictions on scope of use
- (a) In accordance with Article 110 of the Ordinance for Enforcement of the Shinkin Bank Act, information provided by personal-credit rating agencies on the ability of persons requesting loans to repay said loans shall be used for the sole purpose of appraising said ability, and shall not be used or divulged to third parties for any other reason.
 - (b) In accordance with Article 111 of the Ordinance for Enforcement of the Shinkin Bank Act, special confidential information such as information regarding race, religious belief, lineage, domicile of origin, insured health/medical record or criminal record, shall not be used or divulged to third parties for any other reason for any purpose other than as necessary to perform appropriate banking operations or as otherwise deemed necessary.
- B. Purposes for which Individual Numbers may be used
- (a) For the purpose of preparing and submitting legal documentation related to the payment of investment dividends.
 - (b) For the purpose of applying for and reporting opening of accounts related to financial product transactions.
 - (c) For the purpose of preparing and submitting legal documentation related to financial product transactions.
 - (d) For the purpose of preparing and submitting legal documentation related to gold bullion transactions.
 - (e) For the purpose of preparing and submitting legal documentation related to transactions such as international remittances.
 - (f) For the purpose of administrative work related to applying financial legal systems such as the tax-exempt savings system.
 - (g) For the purpose of preparing and submitting legal documentation related to financial legal systems such as the tax exemption system for educational and other funds.
 - (h) For the purpose of administrative work related to the numbering of savings accounts.
- (4) Cancellation of direct marketing
- The Bank may use customers' personal information for the purpose of direct marketing, contacting the individual by mail or telephone to offer products and services. If the Bank receives from a customer a request to cancel such direct-marketing approaches, the Bank shall stop using said personal information for this purpose.

5. Notification of the purposes of use, disclosure, correction and suspension of use of personal information

- (1) If a customer requests disclosure of the personal information the Bank holds regarding that same customer (including disclosure of records divulged to third parties), the Bank shall disclose said information upon verification of the customer's identification unless specific reasons exist for refraining from doing so.
- (2) If a customer requests that the personal information on that customer be corrected, added to, edited or deleted, or that the use of said personal information be suspended, because said personal information is incorrect in whole or in part, the Bank shall examine the personal information without delay and correct or suspend use of the personal information as required. If, as a result of said examination, the Bank decides not to correct the personal information, the Bank shall explain to the customer the reasons for said decision.
- (3) If a customer requests that the personal information possessed by the Bank on that customer be deleted, or that the use of said personal information be suspended, as stipulated by laws and regulations, the Bank shall examine the personal information without delay and delete or suspend use of the personal information as required. If, as a result of the examination, the Bank decides not to delete or suspend use of the personal information, the Bank shall explain to the customer the reasons for said decision.
- (4) Customers may request disclosure of the purposes of use of their personal information, disclosure of their personal information, and disclosure of records divulged to third parties by presenting identification and their personal seal at the consultation counter of a Bank branch as indicated in 8. below. A fee is payable for this service.

6. Secure management of personal information

The Bank will enact measures necessary for the appropriate management of customers' personal information to prevent its leaking, loss, or damage.

Measures for secure management of personal information at the Bank are set forth in the Bank's internal rules and other provisions, but the main content is as follows.

- (1) To ensure proper handling of personal data, the Bank complies with relevant laws, regulations, and guidelines, and accepts questions, consultations, and complaints relating to handling of personal data at the consultation counter indicated in 8. below.
- (2) Handling methods, responsible persons, handlers, and the associated duties are established for each stage, such as acquisition, use, storage, transport, deletion, and disposal.
- (3) The Bank establishes a person responsible for handling personal data, and clarifies the employees who handle personal data, and the scope of personal data handled by said employees. A system is in place for reporting violations, or risk of violations, of laws, regulations, etc., or internal rules, etc. The Bank periodically carries out self-inspection regarding the handling of personal data, and auditing is done by the Internal Audit Department.
- (4) Employees are given periodic training on precautions for handling of personal data.
- (5) In zones where personal data is handled, the Bank establishes employee access control and limitations on equipment brought in, and measures are taken to prevent viewing of personal data by persons without authority. Measures are also taken to prevent theft or loss of equipment handling personal data, related electronic media, or documents, and steps are taken to ensure personal data is not easily readable from the said equipment or electronic media, etc.
- (6) Handlers and the scope of handled personal information databases and the like are limited through access control. The Bank has also adopted a framework for protecting information systems handling personal data against unauthorized access or malicious software from the outside.

- Links

The Bank's website has links to external sites. The websites linked to are not operated by the Bank, and thus the responsibility for protecting personal information of the customer lies with the operator of the linked site.

- Cookies

The Bank's website uses cookies, but not to gather data on the site usage trends of individuals.

[What is a cookie?]

A cookie is a technology which stores certain information in the web browser of the customer's PC or other device when the customer accesses the Bank's website, and this makes it easier for the customer to use our website again. Only the website which sets a cookie can read it. Cookies are enabled only when a customer is connected to the website, and they do not contain any personal identifying information such as the customer's name or email address.

7. Outsourcing

The Bank may outsource the handling of personal information in cases such as those detailed below. Where we do, we will supervise the outside contractor as appropriate to ensure the secure management of customer or other personal information.

- Tasks related to the issuance or shipping of cash cards
- Tasks related to the operation or maintenance of information systems
- Tasks related to direct marketing
- Tasks related to direct debit data transfers

International Business Support

With its specialist expertise and ability to provide international financial payments and mediation, the Osaka City Shinkin Bank is able to offer comprehensive support, which is vital for SMEs looking overseas. The Bank helps businesses looking to become involved in import/export, or trying to establish or run a local subsidiary as a base for overseas manufacture or sales and can advise on new financing for such or on other related topics.

In 2011 the Bank established the Asia Business Support Desk within the International Department to provide specialist support for customers wishing to expand abroad. Both branch staff and staff from the aforementioned support desk are able to offer speedy support on a face-to-face basis, even during the lingering COVID-19 pandemic, through visits and remote interaction.

For customers looking to engage in international (import/export) transactions, expand their foreign sales channels, or improve their results by establishing or increasing the operational efficiency of a foreign subsidiary, the Osaka City Shinkin Bank—the customer's international operations bank of choice—welcomes inquiries on these and any other aspect of international business.

Risk Management

In tandem with changes in business environments and advancements in financial technologies, both the scale and diversity of the risks financial institutions face today are expanding rapidly. In such an environment it is crucial to maintain sound management by assessing when and to what degree specific risks may surface and by developing appropriate responses to those risks.

The Osaka City Shinkin Bank recognizes risk management to be its most important management issue. To assess and manage latent risks more precisely, the Bank is implementing centralized management of risk, including the monitoring of its capital adequacy ratio. Each type of risk is to be managed in an appropriate and timely manner. These initiatives are intended for the construction of a solid management base.

Basic Policy on Risk Management

The Osaka City Shinkin Bank's general approach to risk management is described in the Bank's Basic Risk Management Policy. Our organization for risk management and related matters is similarly described in a document called The Osaka City Shinkin Bank Risk Management System.

Within this framework, the Bank assigns teams of specialists to manage the wide spectrum of risks it faces, according to the characteristics of each type of risk. The Risk Generalization Department provides centralized appraisal of risks facing the Bank as a whole, keeping risk within an acceptable scope. The Department accomplishes this daunting task by promoting overall risk management through careful risk quantification.

The Bank is determined to strengthen its internal control mechanisms, giving them the effectiveness to handle risks of varying types and degrees. For this reason, an organizationally independent auditing sector carefully examines and monitors the actual status of risk management at the Bank.

General Risk Management

The Bank manages risk to ensure that it does not accept levels of risk exceeding its capacity to absorb them. The Bank does this by making a capital provision for each category of risk within the basic tier of capital adequacy, i.e. market risk, credit risk and operational risk, and controlling the quantity of risk through measurement.

The Bank furthermore maintains a surplus-owned capital buffer to prepare for unforeseen risks.

The Bank is working to quantify value at risk (VaR)*¹ in market risk and credit risk. To manage operational risk,*² the Bank selects a basic approach and calculates the amount of risk.

To manage market risk, the Bank measures on a daily basis the amount of interest risk according to VaR, price fluctuation risk, and exchange rate risk. The Bank also measures the interest risk of profit margin moneys (loans, deposits, and the like) on a monthly basis and keeps the amount of risk it takes on within the range of its risk capital.

For credit risk, the Bank uses a system for quantifying credit risk to calculate VaR in credit risk.

Notes:

*¹ Value at Risk (VaR)

VaR is the maximum possible future loss at a specified range of probability. It is used to manage risk through statistical measurement. The Bank deals and measures market risk and credit risk using a 99% confidence level, a data observation period of one year and a holding period of one year (250 operating days).

*² Operational risk

Operational risk is the risk of loss caused by administrative accidents, system failure, illegal acts, and the like.

Credit Risk Management

Credit risk is the risk that principal and/or interest of loans to enterprises and individuals may not be recovered.

The Bank recognizes credit risk as the most important of all the risks to be managed in its operations. The Credit Risk Management Regulations we have established clearly stipulate our credit policy in lending operations. We strive to maximize our control of credit risk by managing loans so they are not concentrated in certain corporations or corporate groups, and by grasping how loans are distributed among different business sectors.

The Bank ascertains factors such as business conditions and quantifies credit risk of borrowers using a credit risk quantification system, and properly manages changes in the risk of loan assets.

To ensure the soundness of its loan portfolio, the Bank separates its loan examination sector from its financial promotion sector, installing a system of checks and balances.

Furthermore, the Management Improvement Support Team of the Audit Dept. actively provides assistance with management improvements to business partners experiencing poor performance.

Liquidity Risk Management

Liquidity risk is the potential that market conditions may change to impede fundraising. To respond to this sort of risk, the Osaka City Shinkin Bank categorizes the stringency of prevailing cash flow as "normal," "difficult" or "critical." Appropriate management methods are devised for each, so that effective action can be taken quickly.

Specifically, at the beginning of each fiscal year the ALM Committee determines the "liquidity risk amount" as a standard for the amount of highly liquid current assets the Bank must secure. The Bank then uses this figure to secure a sufficient reserve.

Market Risk Management

Market risk is the potential of uncertainty of profit due to market fluctuations, including variations in interest rates, bond prices and yields, share prices and exchange rates. Recognizing the impact that market risk can have on operations, the Bank is working hard to implement an appropriate market risk management structure. One of its approaches is to introduce absorption assets to its general risk management system, which effectively caps market risk. To measure market risk, the Bank introduced value-at-risk (VaR) measurement and is now striving to assess risk on this basis.

To provide a system of market checks and balances, the Bank is separating the sector tasked with executing market transactions (the "front office") from the sector responsible for managing the general administration of those market transactions (the "back office"). We also instituted a "middle office," consisting of risk management functions.

To control market risk, the ALM Committee examines the Bank's asset portfolio from the viewpoint of market risk and sets limits on interest rate risk, price fluctuation risk, and exchange rate risk within the range for that risk capital. Management of these risk limits is performed on a daily basis.

Based on these risk parameters, each Bank department handles market transactions flexibly and efficiently. Moreover, a comparison of these limits with the risk volumes calculated by the middle office is monitored by managers on a frequent basis via the Bank's intranet, providing valuable feedback for management decision-making.

Operational Risk Management

Operations, products, and services are becoming increasingly sophisticated and complex as they diversify.

The Osaka City Shinkin Bank's system for management of operational risk and its risk management policy for management methods are stipulated in the Operational Risk Management Policy and Operational Risk Management Regulations.

The Bank has created a Risk Generalization Department which comprehensively manages operational risk along with other departments for overseeing specific types of risk including business risk, and controls risk based on a system in which mutual constraints operate.

A number of committees, including the Operational Risk Management Committee, confer regularly to debate these various risks. Moreover, we are developing a system in which these committees report their findings to the management team at a managerial meeting.

System Risk Management

System risk is the potential of loss from damage to or the malfunctioning of computer systems, system defects, misuse, and the like.

At Osaka City Shinkin Bank, we have established System Risk Management Regulations whose purpose is to maintain the safety and reliability of our systems and to protect our data assets while avoiding system risk. Specifically, the Bank has seismically reinforced and isolated the computer room, and installed in-house generators and fire-extinguishing equipment. In addition, the Bank is working to add redundancy to crucial infrastructure and has implemented policies to keep damage to a minimum even in the unlikely event of a major disaster.

Entry and exit on the independent computer floor is rigorously restricted and controlled. Operationally, by clearly separating the System Development Department from the Operations Department, the Bank has guaranteed the functioning of mutual constraints and prevents system risks due to the unlikely event of misuse.

In order to protect customers' valuable assets and critical information from the recent surge in cybercrime, the Bank has established a Basic Policy for Information Asset Protection (Information Security Policy) and strengthened its control mechanisms relating to information security based on relevant regulations. The Bank is also making efforts to improve security by blocking unauthorized access from external connections such as the Internet, preventing information leaks via computer viruses, and promoting timely information sharing with external institutions regarding increasingly high-level, sophisticated cyber-attacks.

Business Risk Management

Business risk is the risk of incurring losses as a result of the employees who perform administrative tasks neglecting to do their work correctly, or due to the occurrence of accidents or misconduct.

At the Osaka City Shinkin Bank, in order to manage business risk appropriately and insure the properness of operations, we have built a system in which mutual constraints and checking functions work fully and systematically, based on internal audits by in-house auditors and the Audit Department and external audits by an audit corporation. In addition, the Bank also develops regulations and manuals and has constructed a system through which employees can easily share information through an in-house computer system called the Shishin Information Network System (SINS).

In order that our customers will feel confident and comfortable in doing business with us, the Bank is working to enhance its training systems. These include joint training programs, OJT, and a range of telecourses and e-learning through which employees can acquire operational knowledge and improve their business capabilities. The levels of employee awareness and behavior are also improved through prior confirmation and back-checking of the details regarding the execution of business, as well as enhancing self-inspections and the functioning of mutual constraints.

Additionally, the Bank is focused on increasing the sophistication of its IT application controls through system checks that use Bank-designed supplementary systems and through the construction of a system for monitoring the processing of business.

Because business risk is diversifying in keeping with changes to the external environment, the Bank is constantly collecting and analyzing data on potential and actual business risks. We are working to enhance our business risk controls based on the PDCA cycle, for example, by adding and changing controls in the course of application control as needed when it comes to the sources of risk that will have an effect on the operational process.

Business Continuity Systems

In view of the public nature of the Bank's operations, the Bank has worked to provide the necessary financial services to support social and economic activities in the community even in the event of natural disasters such as earthquakes, system failures, or outbreaks of new infectious diseases. It also created a Basic Business Continuity Plan for rapid recovery and is working to upgrade its business continuity systems.

Non-Consolidated Balance Sheets

Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Assets			
Cash	¥ 28,001	¥ 27,247	\$ 228,769
Due from banks	1,028,503	969,606	8,402,805
Monetary claims purchased (Note 5)	4,927	7,769	40,259
Securities (Notes 4, 5 & 6)	448,519	434,001	3,664,374
Loans and bills discounted (Note 7)	1,434,923	1,434,920	11,723,233
Foreign exchange (Note 8)	994	880	8,128
Other assets (Note 9)	14,512	14,336	118,570
Tangible fixed assets	26,864	27,599	219,478
Intangible fixed assets	835	943	6,824
Deferred tax assets	7,463	6,890	60,976
Customers' liabilities for acceptances and guarantees	12,627	11,744	103,166
Reserve for possible loan losses	(10,599)	(10,457)	(86,595)
Total Assets	¥ 2,997,575	¥ 2,925,482	\$ 24,489,992
Liabilities and Net Assets			
Liabilities			
Deposits (Note 10)	¥ 2,625,403	¥ 2,623,879	\$ 21,449,375
Borrowed money	255,100	181,600	2,084,150
Foreign exchange	16	2	135
Other liabilities (Note 11)	5,132	5,283	41,933
Reserve for bonuses	1,045	1,068	8,545
Reserve for directors' bonuses	40	45	326
Reserve for retirement allowances	1,204	1,265	9,842
Reserve for directors' retirement bonuses	439	478	3,593
Reserve for point losses	64	68	523
Reserve for repayment of dormant accounts	197	202	1,615
Reserve for contingency losses	154	237	1,258
Deferred tax liabilities related to land revaluation	1,401	1,489	11,447
Acceptances and guarantees	12,627	11,744	103,166
Total Liabilities	¥ 2,902,827	¥ 2,827,366	\$ 23,715,914
Net Assets			
Paid-in capital	¥ 26,636	¥ 26,695	\$ 217,620
Common shares	13,886	13,945	113,453
Preferred shares	2,350	4,362	19,199
Other shares	10,400	8,387	84,967
Capital surplus	1,317	1,317	10,765
Capital surplus reserve	1,317	1,317	10,765
Retained earnings	66,969	67,654	547,135
Legal reserve	11,904	11,504	97,255
Other retained earnings	55,065	56,150	449,880
Special reserve	51,157	52,701	417,956
[Reserve for management stabilization]	[5,050]	[5,050]	(41,258)
[Reserve for accelerated depreciation of land]	[737]	[737]	6,022
Unappropriated retained earnings	3,907	3,448	31,923
Unsettled equity	(0)	(1)	(2)
Total Members' Equity	¥ 94,923	¥ 95,665	\$ 775,520
Valuation differences of available-for-sale securities	¥ (1,180)	¥ 1,255	\$ (9,646)
Excess of land revaluation	1,004	1,194	8,204
Total Differences in Evaluation and Conversion	(176)	2,449	(1,441)
Total Net Assets	94,747	98,115	774,078
Total Liabilities and Net Assets	¥ 2,997,575	¥ 2,925,482	\$ 24,489,992

Non-Consolidated Statements of Income and Retained Earnings

Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Income			
Interest and dividend income	¥ 23,461	¥ 23,280	\$ 191,677
Interest on loans and discounts	18,901	18,545	154,426
Interest on deposits	1,408	1,017	11,508
Dividends on securities	2,865	3,411	23,408
Other	285	305	2,333
Fees and commissions	3,091	3,358	25,258
Other operating income	720	916	5,889
Other income (Note 12)	1,167	1,355	9,538
Total Income	¥ 28,441	¥ 28,911	\$ 232,363
Expenses			
Interest expenses	¥ 1,704	¥ 1,825	\$ 13,927
Interest on deposits	1,668	1,783	13,629
Transferred supplementary reserve for installment savings	20	23	164
Interest on borrowings	1	2	14
Interest paid on interest swaps	13	15	111
Other	0	0	0
Fees and commissions	1,061	1,194	8,672
Other operating expenses	833	1,145	6,807
General and administrative expenses	19,438	19,984	158,811
Other expenses (Note 13)	1,557	1,203	12,722
Total Expenses	¥ 24,595	¥ 25,352	\$ 200,941
Income before income taxes	3,846	3,558	31,422
Income taxes: current	42	38	349
Income taxes: deferred	281	298	2,303
Net Income	¥ 3,521	¥ 3,221	\$ 28,769
Statements of Retained Earnings			
Balance at beginning of year	¥ 195	¥ 223	\$ 1,601
Additions:			
Net income	3,521	3,221	28,769
Reversal of revaluation reserve	190	3	1,552
Unappropriated retained earnings	3,907	3,448	31,923
Appropriations:			
Transfer to legal reserve	400	400	3,267
Dividends	275	278	2,251
Dividends paid to preferred shares (issued March 2004)	15	15	128
Dividends paid to preferred shares (issued March 2006)	22	58	180
Special reserve	3,000	2,500	24,509
Amount carried forward (balance at end of year)	¥ 194	¥ 195	\$ 1,585

Notes to Non-consolidated Financial Statements

1. Basis of Presentation

Amounts denominated in U.S. dollars are converted into yen on the basis of this Bank's posted median market rate of ¥122.40 to US\$1.00, the rate prevailing on March 31, 2022.

Amounts less than one million yen have been omitted. As a result, the totals in Japanese yen shown in the financial statements do not necessarily agree with the sum of the individual amounts.

2. Significant Accounting Policies

a) Depending on the type, securities are stated using the following methods. Held-to-maturity bonds are stated at moving average amortized cost (straight-line method). Stocks of subsidiaries are stated at moving average cost. Available-for-sale securities are stated at market value based on their price at the year end (sale cost is primarily calculated as moving average cost), while those with no market value are stated at moving average cost.

Valuation difference on available-for-sale securities are directly charged or credited to the shareholders' equity.

b) The depreciation of tangible fixed assets is stated using the declining balance method. However, buildings acquired after April 1, 1998 (except appurtenant facilities and equipment) and appurtenant facilities/equipment and structures acquired after April 1, 2016 are accounted for under the straight-line method. The service life for these items is as follows:

Buildings: 15-50 years

Other: 5-20 years

c) The Reserve for Possible Loan Losses of the Bank is provided based on the predetermined rules for write-offs and provisioning.

The reserve for possible loan losses for legally/substantially bankrupt borrowers is provided based on the amount after deductions of the expected collectable amount through the disposal of collateral or through the execution of guarantees.

The reserve for possible loans losses for borrowers who are not currently legally bankrupt but are likely to become bankrupt is provided based on the amount considered to be necessary, based on the overall solvency assessment of the amounts after deductions of the expected collectable amount through the disposal of collateral or through the execution of guarantees.

For claims extended to other obligors, reserves for the next one or three years are maintained at rates derived from historical credit loss or bankruptcy experience for one or three years. Adjustments, according to future prospects or for other reasons, are made as necessary.

All loans are assessed by sales-related business departments based on internal rules for the self-assessment of assets. The results of these self-assessments are audited by asset auditing departments that are independent of those business departments.

In the case of loans extended by the Bank to borrowers who are classified as legally/substantially bankrupt, the amount remaining after deductions of the amount of collateral considered to be disposable and the amount recoverable under guarantees is set off from the original outstanding loan balance. The amount of such write-offs totaled ¥23,073 million in the year ended March 31, 2022.

d) The reserve for retirement allowances is calculated based on the projected benefit obligation and the estimated amount of pension assets at the end of the current business year. In calculating the projected benefit obligation, the method of

attributing the estimated value of retirement benefits to the period up to the current business year conforms to standards for a periodic fixed-amount benefit. The methods of recognizing past service cost and actuarial gain or loss are as follows:

Past service cost: Recognized by the straight-line method over 10 years, which is the estimated average remaining years of service of the employees at the time cost is incurred.

Actuarial gain or loss: Amount distributed by the straight-line method over 10 years, which is the estimated average remaining years of service of the employees at the time the gain or loss is incurred in each business year, is recognized from the following business year after each gain or loss is incurred.

e) Estimates used in these statements are amounts included in calculation documents pertaining to the fiscal year under review. The following items are those that may exert a significant influence on calculation documents for the following fiscal year.

Reserve for possible loan losses ¥10,599 million

The reserve for possible loan losses is calculated using the method outlined in c) as a significant accounting policy. The main assumption made is the future performance forecast for borrowers judged to be debtors. This forecast is set on an individual basis, on each debtor's ability to earn revenue. While the impact on the economy that comes with the spread of COVID-19 is set to continue for a period of time, we are working on the assumption that the pandemic will gradually come to an end during the next fiscal year and beyond.

There may be changes to individual borrowers' performance or other situations, including if pandemic conditions evolve, and in such cases the assumptions used for the original estimate will need to be changed. In such cases, the reserve for possible loan losses in calculation documents for the following fiscal year may be significantly affected.

Deferred tax assets ¥7,463 million

Recognized deferred tax assets are estimates based on the amount and period of taxable income in line with future business plans. These estimates may be affected by future changes to uncertain economic criteria and so may differ from actual amounts and periods of taxable income. In such cases, the amount of deferred tax assets in calculation documents for the following fiscal year may be significantly affected.

f) Based on the Act on Revaluation of Land (Act No. 34 of March 31, 1998), the Bank revalued its land used for business operations. The difference in taxes based on the resulting difference in valuation was appropriated under liabilities as a "deferred tax liability related to land revaluation." The revalued amount with the aforementioned difference in taxes subtracted was appropriated under net assets as "excess of land revaluation."

Date of revaluation: March 31, 1999.

Method of revaluation, as stipulated in Article 3, Section 3 of the Act on Revaluation of Land: a reasonable value is determined using the official method stipulated by the Director-General of the National Tax Administration Agency for the calculation of the value of land that forms the basis of calculation of land taxes under Article 16 of the Land Prices Act.

Difference between the total current value at end of the fiscal year under review of land used for operations and the total book value of said land used for operations, after revaluation as stipulated in Article 10 of the Land Prices Act: ¥4,609 million.

g) The breakdown of the principal sources of deferred tax assets is as follows.

Deferred tax assets	
Reserve for possible loan losses:	¥7,948 million
Reserve for retirement allowances:	¥336 million
Tax loss carried forward:	¥23 million
Valuation differences of available-for-sale securities:	¥457 million
Other:	¥1,956 million
Deferred tax assets – Subtotal:	¥10,722 million
Valuation reserve:	(¥2,873 million)
Deferred tax assets – Total:	¥7,848 million
Deferred tax liabilities	
Land appraisal profit:	¥100 million
Reserve for accelerated depreciation of land:	¥284 million
Deferred tax liabilities – Total:	¥385 million
Deferred tax assets – Net:	¥7,463 million

h) Net income per share is ¥12.57.

3. Trading Securities

No applicable transactions

4. Held-to-Maturity Bonds with Market Value

As of March 31	Millions of yen	Thousands of U.S. dollars
	2022	2022
Bonds whose current value exceeds balance-sheet value		
National government bonds		
Balance-sheet value	¥ –	\$ –
Current value	–	–
Difference	–	–
Municipal government bonds		
Balance-sheet value	¥ –	\$ –
Current value	–	–
Difference	–	–
Corporate bonds		
Balance-sheet value	¥ –	\$ –
Current value	–	–
Difference	–	–
Other		
Balance-sheet value	¥ –	\$ –
Current value	–	–
Difference	–	–
Subtotal		
Balance-sheet value	¥ –	\$ –
Current value	–	–
Difference	–	–
Bonds whose current value does not exceed balance-sheet value		
National government bonds		
Balance-sheet value	¥ –	\$ –
Current value	–	–
Difference	–	–
Municipal government bonds		
Balance-sheet value	¥ –	\$ –
Current value	–	–
Difference	–	–
Corporate bonds		
Balance-sheet value	¥ –	\$ –
Current value	–	–
Difference	–	–
Other		
Balance-sheet value	¥ –	\$ –
Current value	–	–
Difference	–	–
Subtotal		
Balance-sheet value	¥ –	\$ –
Current value	–	–
Difference	–	–
Total		
Balance-sheet value	¥ –	\$ –
Current value	–	–
Difference	–	–

5. Other Securities with Market Value

As of March 31	Millions of yen	Thousands of U.S. dollars
	2022	2022
Securities whose balance-sheet value exceeds acquisition cost		
Stocks		
Balance-sheet value	¥ 717	\$ 5,857
Acquisition cost	367	2,998
Difference	349	2,851
Bonds		
Balance-sheet value	¥126,577	\$1,034,125
Acquisition cost	124,805	1,019,648
Difference	1,771	14,468
National government bonds		
Balance-sheet value	¥ 17,996	\$ 147,026
Acquisition cost	17,173	140,302
Difference	823	6,723
Municipal government bonds		
Balance-sheet value	¥ 8,143	\$ 66,527
Acquisition cost	8,076	65,980
Difference	66	539
Corporate bonds		
Balance-sheet value	¥100,437	\$ 820,563
Acquisition cost	99,555	813,357
Difference	881	7,197
Other		
Balance-sheet value	¥ 16,656	\$ 136,078
Acquisition cost	16,266	132,892
Difference	389	3,178
Subtotal		
Balance-sheet value	¥143,951	\$1,176,070
Acquisition cost	141,439	1,155,547
Difference	2,511	20,514
Securities whose balance-sheet value does not exceed acquisition cost		
Stocks		
Balance-sheet value	¥ 333	\$ 2,720
Acquisition cost	409	3,341
Difference	(75)	(612)
Bonds		
Balance-sheet value	¥257,624	\$2,104,771
Acquisition cost	260,788	2,130,620
Difference	(3,163)	(25,841)
National government bonds		
Balance-sheet value	¥ 35,980	\$ 293,954
Acquisition cost	36,998	302,271
Difference	(1,018)	(8,316)
Municipal government bonds		
Balance-sheet value	¥ 74,291	\$ 606,952
Acquisition cost	75,123	613,750
Difference	(831)	(6,789)
Corporate bonds		
Balance-sheet value	¥147,352	\$1,203,856
Acquisition cost	148,666	1,214,591
Difference	(1,314)	(10,735)
Other		
Balance-sheet value	¥ 50,691	\$ 414,142
Acquisition cost	51,600	421,568
Difference	(909)	(7,426)
Subtotal		
Balance-sheet value	¥308,648	\$2,521,633
Acquisition cost	312,798	2,555,539
Difference	(4,149)	(33,897)
Total		
Balance-sheet value	¥452,600	\$3,697,712
Acquisition cost	454,238	3,711,094
Difference	(1,637)	(13,374)

- Notes: 1. Balance-sheet value is based on year-end market value, etc.
2. "Other" in this table includes foreign securities, mutual funds and monetary claims purchased.
3. This table does not include stocks and others with no market price and investments in partnerships.

6. Stocks and Others with No Market Price and Investments in Partnerships

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Stocks of subsidiaries (Note 1)			
Balance-sheet value	¥ 58		\$ 473
Unlisted stocks (Note 1)			
Balance-sheet value	188		1,535
Investments in partnerships (Note 2)			
Balance-sheet value	599		4,893
Total	¥ 847		\$6,919

Note: 1. Stocks of subsidiaries and unlisted stocks are excluded from market value based disclosure in accordance with section 5 of ASBJ Guidance No. 19 Guidance on Disclosures about Fair Value of Financial Instruments (March 31, 2020).

2. Investments in partnerships are excluded from market value based disclosure in accordance with section 27 of ASBJ Guidance No. 31 Implementation Guidance on Accounting Standard for Fair Value Measurement (July 4, 2019).

7. Loans and Bills Discounted

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Bills discounted	¥ 26,383	¥ 23,899	\$ 215,553
Loans on notes	12,887	11,625	105,290
Loans on deeds	1,376,442	1,382,234	11,245,449
Overdrafts	19,209	17,160	156,940
Total	¥1,434,923	¥1,434,920	\$11,723,233

8. Foreign Exchange (Assets)

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Due from foreign banks	¥ 924	¥ 813	\$7,551
Foreign bills of exchange bought	7	7	58
Foreign bills of exchange receivable	63	60	518
Total	¥ 994	¥ 880	\$8,128

9. Other Assets

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Domestic exchange settlement account, debit	¥ 651	¥ 508	\$ 5,323
Investment in Shinkin Central Bank	10,269	10,269	83,901
Prepaid expenses	43	52	355
Accrued income	2,231	2,022	18,227
Other	1,317	1,482	10,761
Total	¥14,512	¥14,336	\$118,570

10. Deposits

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Current deposits	¥ 168,269	¥ 176,561	\$ 1,374,753
Ordinary deposits	974,665	932,906	7,962,957
Savings deposits	9,439	9,314	77,118
Deposits at notice	2,795	2,411	22,838
Time deposits	1,396,695	1,426,875	11,410,912
Installment savings	55,436	57,205	452,913
Other deposits	18,100	18,605	147,881
Total	¥2,625,403	¥2,623,879	21,449,375

11. Other Liabilities

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Domestic exchange settlement account credit	¥ 899	¥ 810	\$ 7,348
Accrued expenses	2,070	2,292	16,912
Reserve for replenishing benefits	31	36	259
Accrued income taxes	41	41	342
Unearned income	621	646	5,077
Unsettle equity refunds	87	94	716
Equity to be redeemed	59	49	484
Financial derivatives	11	0	96
Asset retirement obligations	727	711	5,947
Other	581	600	4,747
Total	¥5,132	¥5,283	\$41,933

12. Other Income

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Gains on recovery of written-off claims	¥ 750	¥1,031	\$ 6,132
Gains on sale of stocks and other securities	0	17	0
Gain on Money Held in trust	143	94	1,173
Gains on disposal of fixed assets	33	115	274
Other	239	96	1,958
Total	¥1,167	¥1,355	\$ 9,538

13. Other Expenses

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Transfer to reserve for possible loan losses	¥ 909	¥ 136	\$ 7,428
Write-off of loans	127	647	1,043
Losses on sales of stocks and other securities	0	22	0
Amortization of other assets	—	1	—
Losses on disposal of fixed assets	365	122	2,985
Impairment losses	81	164	664
Other	73	107	600
Total	¥1,557	¥1,203	\$12,722

Auditor's Report

The Osaka City Shinkin Bank

HIBIKI AUDIT CORPORATION audited the Osaka City Shinkin Bank's balance sheets, statements of income and plans for surplus appropriations for the years 2021 and 2022. Auditing was carried out under the provisions of Article 38-2-3 of the Shinkin Bank Act.

Coverage and reserve conditions of disclosed loans based on the Shinkin Bank Act (risk management loans) and disclosed claims based on the Financial Reconstruction Act

	Millions of yen		Millions of U.S. dollars
	Mar 31, 2022	Mar 31, 2021	Mar 31, 2022
Bankrupt or de-facto bankrupt	¥ 31,510	¥ 28,838	\$ 257
Doubtful (In danger or bankruptcy)	72,478	66,397	592
Special attention	2,271	1,934	18
Loans in arrears 3 months or more	—	—	—
Loans whose conditions have been eased	2,271	1,934	18
Subtotal (a)	106,260	97,169	868
Normal loans and claims	1,341,998	1,350,275	10,964
Total	1,448,259	1,447,445	11,832
Coverage amount (b)	101,755	92,559	831
Portion of loans and claims secured by collateral or guarantees, etc. (c)	94,890	85,312	775
Reserve (d)	6,865	7,246	56
Protection ratio (%) (b) / (a)	95.76	95.25	—
Reserve rate (%) (d) / ((a) - (c))	60.38	61.12	—

1. "Bankrupt or de-facto bankrupt"

Loans to borrowers who have fallen into bankruptcy for reasons such as commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, or commencement of reorganization proceedings.

2. "Doubtful (in danger of bankruptcy)"

Loans for which final collection of principal and interest in line with original agreements is highly improbable due to deterioration of financial position and business performance, but not insolvency of the borrower (except those in 1).

3. "Special attention"

Total amount of loans classified as "Loans in arrears for 3 months or more" and loans classified as "Loans whose conditions have been eased" in the Shinkin Bank Act.

4. "Loans in arrears for 3 months or more"

Loans for which repayment of the capital or interest is past the stipulated due date by three months or more (except those in 1 and 2 above).

5. "Loans whose conditions have been eased"

Loans for which special conditions have been negotiated that are favorable to the borrower, such as reduction of interest rate, delay of interest payment, delay of capital repayment, or debt forgiveness, to encourage management reorganization of the borrower (except those in 1, 2, and 4 above).

6. "Normal loans and claims"

Loans for which there are no particular problems in terms of the financial situation or operating results of the borrower; i.e., loans other than those in 1, 2, and 3 above.

7. "Portion of loans and claims secured by collateral or guarantees, etc." (c) is the total of collateral expected to be available for disposition, plus the amount of funds expected to be recoverable from guarantees, calculated based on self-assessment.

8. "Reserve" (d) is calculated by excluding general reserves for possible loan losses for normal loans and claims.

9. Loans in the categories "Bankrupt or de-facto bankrupt," "Doubtful (in danger of bankruptcy)," and "Normal loans and claims" appear in the balance sheet as: corporate bonds under securities (only those for which redemption of principal and all or part of interest payments are guaranteed, and for which issue of the said bond is "private placement of securities" (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act)), loans and bills discounted, foreign exchange, accrued interest and suspense payments under other assets, and customers' liabilities for acceptances and guarantees, and securities in the case when there is lending of securities indicated in the note (only loans for use based on an agreement and lending based on an agreement).

Items to Be Disclosed Relating to Structure of Equity Capital

Item	Millions of yen	Millions of U.S. dollars
	March 31, 2022	March 31, 2022
Basic items relating to core capital		
Members' equity relating to common shares or non-cumulative permanent preferred shares	¥ 94,610	\$ 772
Paid-in capital and capital surplus	27,954	228
Retained earnings	66,969	547
Estimated outflow	313	2
Other	(0)	(0)
Total reserves included in basic items relating to core capital	1,917	15
General reserve for possible loan losses included in core capital	1,917	15
Of amount equivalent to 45% of the difference between the value of the revalued land and its book value prior to revaluation, amount included in basic items relating to core capital	216	1
Basic items relating to core capital	96,744	790
Adjustment items relating to core capital		
Total amount of intangible fixed assets (excluding those relating to mortgage servicing rights)	602	4
Amount not relating to goodwill and mortgage servicing rights	602	4
Deferred tax assets (excluding those relating to temporary differences)	13	0
Amount of adjustment items relating to core capital	615	5
Equity capital	96,128	785
Risk assets, etc.		
Total credit risk assets	934,219	7,632
Total included in risk assets due to interim measures	980	8
Exposure for other financial institutions, etc.	(1,425)	(11)
Other	2,405	19
Total amount of operational risk equivalent divided by 8%	43,781	357
Total amount of risk assets, etc.	¥978,000	\$7,990
Capital adequacy ratio	9.82%	

Board of Directors

President

Satoshi Takahashi

Vice President

Hiroshi Fukuoka

Senior Managing Directors

Kazuki Hatanaka

Minoru Kitano

Directors

Takashi Kubo

Masanori Fujiwara

Akira Ono

Masayuki Kuroda

Hitoshi Omoto

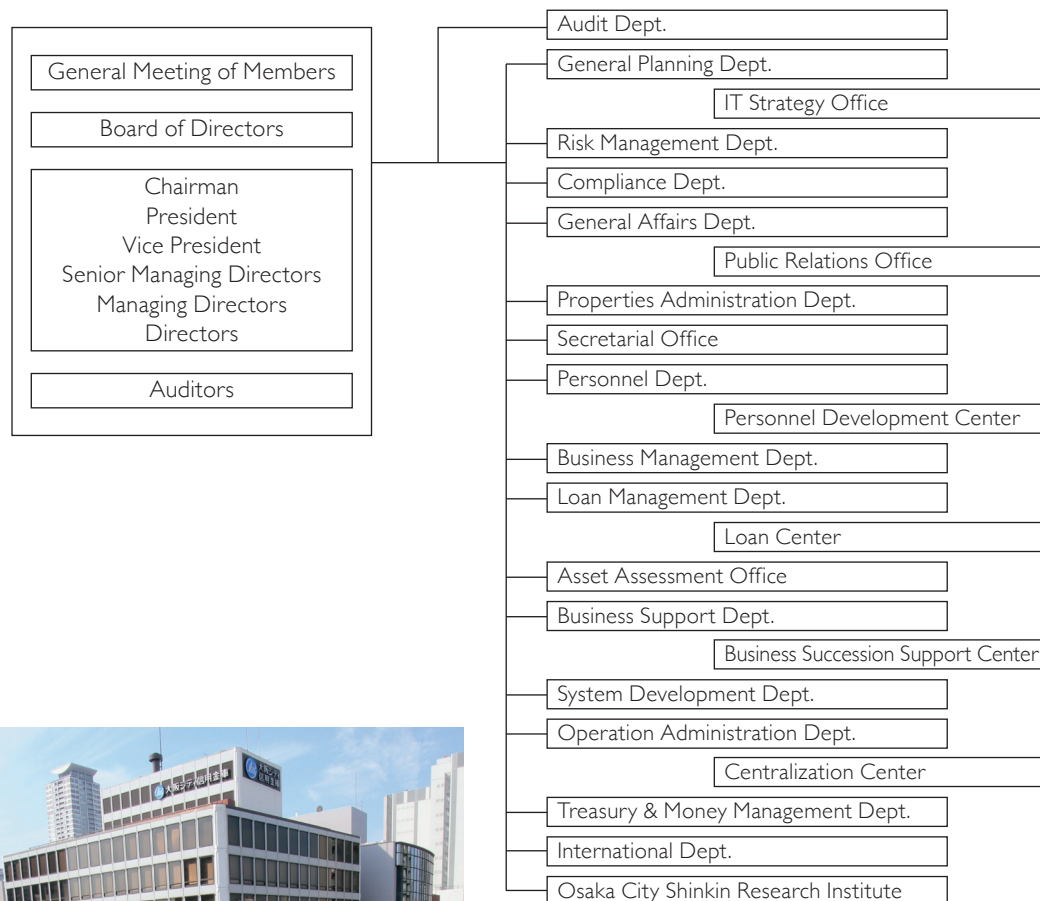
Kazuo Hanada

Keiji Matsubara

Auditor

Hideki Morimoto

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