

FINANCIAL REVIEW

Annual Report

2023

Profile

Throughout its 96 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 87 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.

Last fiscal year saw an economic environment beset by increasing global uncertainty. Against a backdrop of geopolitical risks, logistics costs rose and the price of raw materials rocketed, while interest rate rises in the US spurred a rapid weakening of the Japanese yen and rising goods prices.

On the other hand, in Japan, the COVID-19 pandemic calmed, and with the disease's legal reclassification as a Class V infectious disease (the same as the flu), social and economic activities were both gradually returning to normal. Inbound tourism also recovered, and while personal consumption was still somewhat weak, it was increasing.

In our hometown of Osaka, work has been progressing as the city prepares to host Expo 2025 Osaka, Kansai. Expectations are further mounting for the economic benefits that will result from its contributions to achieving the SDGs and development of digital technologies, as well as the opportunity it will provide local SMEs to demonstrate their technical capabilities.

For small and medium-sized enterprises (SMEs), most recently there have been signs of a gentle recovery, but a plethora of issues—such as soaring raw material and energy prices and higher wages driven by labor shortages—have come together to make the future increasingly unclear.

It was amid this climate that in fiscal 2022, the final year of our medium-term management plan Smart Shinkin 2022, all of our employees came together with a sense of urgency to implement a range of measures aimed at achieving the plan's targets.

With the aim of enhancing the menu of support options we offer customers to address their issues, we have been promoting ongoing support for fundraising since the outbreak of COVID-19 that takes each customer's situation into account, M&A and business succession support, and digital transformation/IT support through the Kei-Yell corporate online portal. In this way, we strove to help business partners with problem resolution and to improve productivity.

For individual customers, we created the new post of senior trust adviser and we enhanced our support systems for customers' asset formation or inheritance measures.

Furthermore, to raise the efficiency of tasks even within Osaka City Shinkin Bank, we introduced online meeting systems and pushed forward with measures such as improving marketing through the use of AI. In this and other ways, we promoted initiatives aimed at raising productivity.

As a result, our performance in fiscal 2022 continued to be stable, and we were able to further raise sound operations, including improved equity capital.

This fiscal year is the first of Smart Shinkin Stock 2025, our new medium-term management plan. The aim of the plan is once again for us to be our customers' number one financial partner for problem resolution and for close ties to the region. We will drive these efforts in two key areas: marking a new start with the region, and forging full steam ahead toward the future. In addition, in line with our management philosophy of tripartite prosperity and our slogan—"serving the community by building trust"—we will continue to be able 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 has been created to give a fuller understanding of the management policies and the current status of operations of the Osaka City Shinkin Bank. We hope that we can continue to enjoy your even greater patronage and support.

July 2023

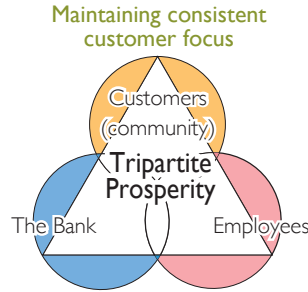
A handwritten signature in black ink that reads "S. Takahashi". The signature is written in a cursive, flowing style.

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.



Building a sound management and earnings structure

Providing a supportive and rewarding working environment for employees

Basic Management Policies for Fiscal 2023

This fiscal year marks the launch of our new medium-term management plan, Smart Shinkin Stock 2025.

Under Smart Shinkin 2022, we developed information cycle systems as well as quality and consulting capabilities to help us resolve issues. Now we will go further, by constructing information networks that upgrade those with the aims of becoming a bank that can offer business partners and the region speedy problem resolution, and raising customer satisfaction.

In the last fiscal year, we enhanced our menu of problem-resolution support options and promoted ongoing support for fundraising since the outbreak of COVID-19 that takes each customer’s situation into account, M&A and business succession support, and digital transformation (DX) support through Kei-Yell. Through these efforts, we helped SMEs resolve their issues and worked to improve their productivity. Elsewhere, for individual customers, we also created the role of senior trust adviser and expanded our systems for customer asset formation and inheritance measures.

To further raise the efficiency of tasks within Osaka City Shinkin Bank, we introduced online meeting systems, switched out work mobile phones for smartphones, and pushed forward with measures such as improving marketing through the use of AI. In this and other ways, we were able to raise productivity.

As the first fiscal year of the new medium-term management plan, this year we will ramp up efforts to accumulate three key types of capital (“stock”): human capital, regional capital, and equity capital.

We will improve our human capital by enhancing our employees’ problem-resolution ability and IT literacy, as well as promoting support for their personal growth, such as through reskilling. At the same time, we will develop a system to offer sustainable problem-resolution support that aims to revitalize the region, such as through stronger DX support, business startup support, or collaborations with external bodies.

By pursuing these initiatives and greater task efficiency, we will raise productivity even further and work hard to accumulate equity capital through risk management that strikes a good balance between earnings, risk, and equity capital.

Alongside this, on the risk management front, we will ensure that our governance systems are robust and we will continue to strengthen efforts to protect customers.

We will also raise the level of trust customers have in us by working hard to tackle money laundering and to improve the effectiveness of our risk management systems.

In addition, we will make sure our regional contribution activities—which consider the SDGs and decarbonization—are effective, and contribute to the sustainable development of the regional economy.

Through these kinds of efforts, all executives and other employees will work as one team to steadily implement the measures outlined in the medium-term management plan. We will also press ahead systematically with initiatives that help us to be our customers’ number one financial partner for problem

resolution and for close ties to the region.

Based on the above, we have formulated the following basic management policies for fiscal 2023.

Basic Management Policies

Customers’ number one financial partner for problem resolution and for close ties to the region

Marking a new start with the region

Forging full steam ahead toward the future

1. Improve employee motivation and capabilities through greater investment in personnel development
2. Promote measures aimed at sustainable support for resolving problems
3. Contribute to sustainable regional productivity improvements by supporting technical development that considers the SDGs and decarbonization
4. Promote productivity improvement measures by raising topline revenue and task efficiency
5. Strengthen risk governance systems and improve compliance effectiveness

Key Measures

1. Improve employee motivation and capabilities through greater investment in personnel development
 - (1) Expand wide-ranging and diverse training opportunities aimed at improving our problem-resolution capabilities
 - (2) Boost motivation by uncovering diverse personnel and allocating the right people to the right places
 - (3) Improve ease of working and motivation in a way that suits employees’ life plans, and enhance employee welfare systems
2. Promote measures aimed at sustainable support for resolving problems
 - (1) Discover new businesses and advanced technologies coming out of Expo 2025 Osaka, Kansai
 - (2) Promote support for SMEs, including business startup support, sales channel expansion, business succession, and collaborations with external bodies
 - (3) Bolster service proposal capabilities by gathering information via customer databases
3. Contribute to sustainable regional productivity improvements by supporting technical development that considers the SDGs and decarbonization
 - (1) Support improved productivity for business partners using Kei-Yell and other digital channels, as well as DX
 - (2) Redevelop a network of next-generation branches to act as regional bases
 - (3) Support decarbonization by business partners and work continuously on our own SDGs activities
4. Promote productivity improvement measures by raising topline revenue and task efficiency
 - (1) Secure appropriate revenue levels by improving customer satisfaction through problem resolution and turn this into a business
 - (2) Reorganize our portfolio in order to strengthen market operation capabilities
 - (3) Promote measures aimed at improving productivity, such as strategic IT investments and integrating sales and financing
5. Strengthen risk governance systems and improve compliance effectiveness
 - (1) Reinforce risk management to consider market environment changes such as rising interest rates
 - (2) Implement thorough initiatives to protect customers through cyber-security or money laundering countermeasures, etc.
 - (3) Ensure compliance through a deeper understanding of elements such as high ethical standards, management principles, etc.

Review of the Year

Financial and Economic Environment

Last fiscal year saw a high degree of uncertainty in the economic environment. Against a backdrop of geopolitical risks, logistics costs rose and the price of raw materials rocketed, while interest rate rises in the US precipitated a rapid weakening of the Japanese yen and rising goods prices.

However, in Japan, COVID-19 has been legally reclassified as a Class V infectious disease, and social and economic activities both gradually returned to normal. Personal consumption was sluggish but it was increasing.

In our hometown of Osaka, work is underway to get ready for Expo 2025 Osaka, Kansai. There are rising expectations for the boost to the economy that will come from its contribution to accomplishing the SDGs and its efforts toward Society 5.0, as well as its publicity chances for the region's SMEs to show off their technical prowess.

On the financial services front, last autumn we established electronic exchange points for bills and checks, and in addition to digitalizing exchanges for bills and other items, we also started a small remittance service for sending money between individuals.

Due to the enacting of new invoice systems and a law governing electronic records, SMEs too are becoming more acquainted with the digitalization of finance and a range of other tasks.

In SME financing, COVID-19 support financing and other measures meant corporate fundraising remained stable but in the post-COVID-19 world the burden of repayments will coincide with higher raw material and energy costs and wage growth resulting from labor shortages. Business performance is therefore likely to worsen.

Therefore, to resolve these issues through our work as a financial institution, we need to expand the lineup of support services we offer business partners. We must also focus more on training the personnel in whom our business is rooted and further strengthen our consulting functions.

Operating Policies

Fiscal 2022 marked the final fiscal year of our medium-term business plan, Smart Shinkin 2022, and all executives and other employees have worked together and in due haste to achieve the objectives of the plan: becoming our customers' number one financial partner for problem resolution and for close ties to the region.

We enhanced our lineup of problem-resolution support services for customers and promoted ongoing support for fundraising since the outbreak of COVID-19 that takes each customer's situation into account, M&A and business succession support, and digital transformation (DX) support through ICT consulting teams and the Kei-Yell corporate portal. In this way, we strove to help business partners with problem resolution and to improve productivity.

For individual customers, we created the role of senior trust adviser and expanded our approach to customer asset formation and inheritance measures.

To further raise the efficiency of tasks within Osaka City Shinkin Bank, we introduced online meeting systems and went ahead with measures such as improving marketing

through AI, promoting efforts to raise productivity.

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 ¥2,559.2 billion.

We have actively been supporting our customers with problem-resolving financing and our outstanding loan balance totaled ¥1,422.4 billion.

Net income for core operations totaled ¥4.889 billion; ordinary income was ¥4.167 billion; and net income for the period amounted to ¥3.609 billion. In addition, our capital adequacy ratio was 10.30%.

Issues and Outlook for the Bank in Fiscal 2023

Regarding the Japanese economy in fiscal 2023, the current state of strong uncertainty is predicted to continue. This is due to a range of factors, including the continued impact of geopolitical risks such as the war in Ukraine. The Japanese economy has also been affected by the increasing price of goods and rising interest rates in the US and Europe, while in Japan consumer goods price rises are the result of higher costs for resources and pressure is being felt over higher interest rates.

However, social and economic activities are returning to normal after the pandemic. Infection controls and economic activities are both advancing, so we can expect to see a return to better economic conditions, such as with recoveries in personal consumption and inbound tourism.

In this current environment, the business plan for fiscal 2023 features five basic policies: (1) improving employee motivation and capabilities through greater investment in

personnel development; (2) promoting measures aimed at sustainable support for resolving problems; (3) contributing to sustainable regional productivity improvements by supporting technical development that considers the SDGs and decarbonization; (4) promoting productivity improvement measures by raising topline revenue and task efficiency; and (5) strengthening risk governance systems and improving compliance effectiveness.

This fiscal year is the start year for Smart Shinkin Stock 2025, our new medium-term management plan. To enact the plan's main policy of accumulating three key types of capital ("stock")—human capital, regional capital, and equity capital—we will swiftly implement measures summed up by two key themes: marking a new start with the region, and forging full steam ahead toward the future.

We will enhance our human capital by promoting support for personal growth through measures such as reskilling so as to improve problem-resolution capabilities and IT literacy, while also offering business partners better DX support, business startup support, and collaborations with external bodies. Through these basic policies, we will construct sustainable systems for problem-resolution support aimed at revitalizing the region.

Through these initiatives and by promoting greater work task efficiency, we plan to raise productivity. We will also endeavor to maximize the amount of time we can dedicate to communicating with customers, and we will ensure that our regional contribution activities—which also take the SDGs and decarbonization into consideration—are effective so that we can contribute to the sustainable development of the regional economy.

In terms of risk management, we will further bolster our efforts to protect customers, and plan to raise the effectiveness of our money laundering countermeasures and crisis management systems.

To become 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.

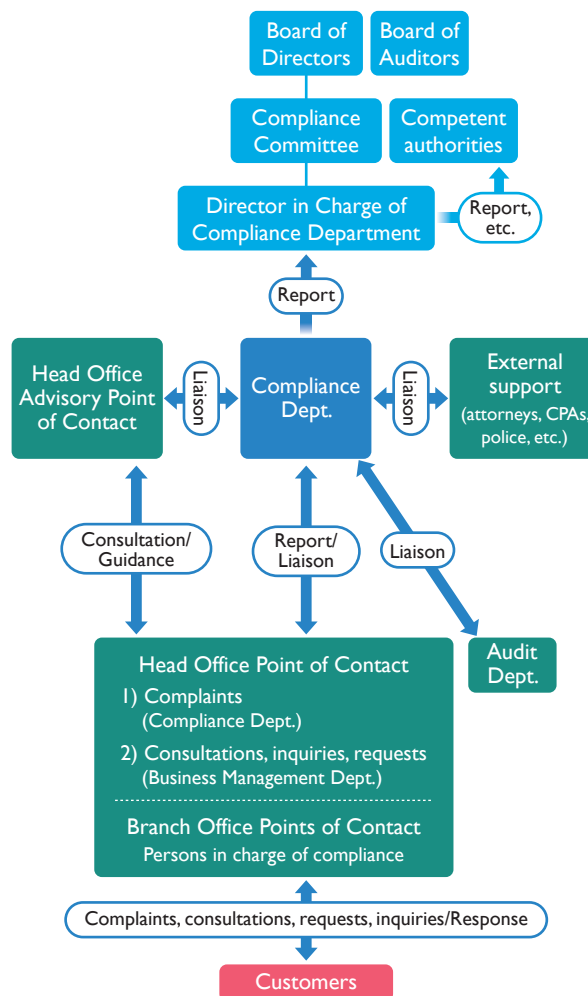
- 7) As well as working to utilize finite resources effectively and reduce the amount we waste, we will work to tackle environmental issues, such as by providing financial services that contribute to conservation activities.
- 8) We will remain cognizant of the fact that our existence and development 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 2023



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.

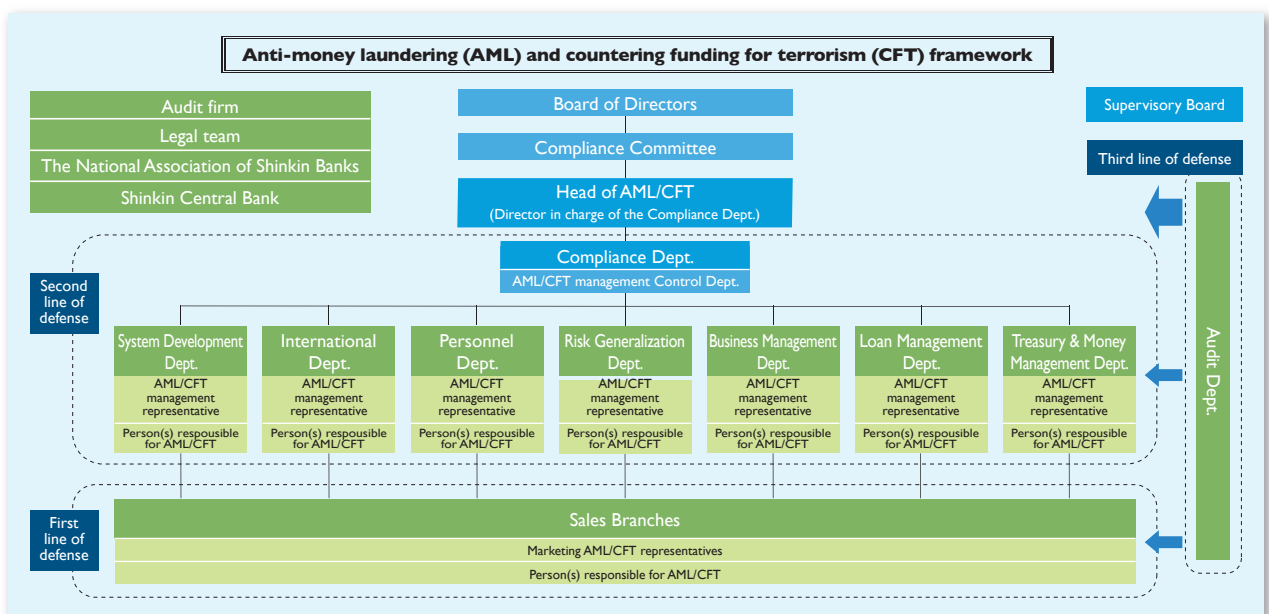
At the Bank too, we are working hard to counter increasingly complex and sophisticated money laundering and terrorism financing in collaboration with relevant institutions, in order to protect the safe and secure lives and transactions of customers.

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.



AML and CFT Policies

Osaka City Shinkin Bank strives against money laundering (AML) and toward countering funding for terrorism (CFT), and to that end adheres to applicable associated laws and regulations, and to ensure the appropriateness of tasks, the Bank has formulated the following basic policies and will put in place management systems.

I. Operational policy

The Bank has positioned AML and CFT among its most important management issues. With respect to AML/CFT risks, it will construct and maintain management systems that allow it to

respond appropriately as an organization. Specifically, management is demonstrating leadership in a range of measures. These include creating systems that bring the whole organization together to identify and evaluate risks related to AML and CFT; reconciling interests for individual departments; offering guidance and support for identifying and evaluating risks; formulating policies, rules, and procedures that take into account the results of AML/CFT risk evaluations; and allocating management resources needed to appropriately control AML/CFT risks.

Furthermore, should these risks change, or should operational

issues be detected, the Bank will look into reviewing said policies, rules, and procedures anew, and will develop response systems that raise the effectiveness of its AML/CFT measures.

2. Management systems

The Bank has set the Compliance Department as the lead department for AML/CFT measures, and it works with connected departments, branches, and others to work on effective AML/CFT measures.

In order to manage and oversee coordinated AML/CFT measures at affiliated subsidiaries as a united group, the Compliance Department takes the lead and works on responses and information sharing within the Bank group. Moreover, for the entire group to implement AML/CFT measures, it has put in place set processes for policies, rules, procedures, and concrete measures, among other things, and will ensure these are consistent throughout the group.

3. Risk-based approach

The Bank identifies and evaluates any risks it faces connected to money laundering and funding of terrorism. Then, based on a risk-based approach, it implements mitigation measures focused on risks. By undertaking periodic reviews, the Bank will ensure these are effective.

4. Customer management policy

When the Bank accepts customers or after accepting them, it will implement a range of customer management measures, including appropriate transaction checks. It will also put in place systems to execute responses that cater to customers' individual attributes. In addition, it will regularly gather information on our customers, and periodically survey and analyze the state of transactions and similar through records made at the time of transactions, etc. By doing so, it will review response measures via continuous customer management.

5. Reporting suspicious transactions

Based on reports from branches and transactions that have been flagged through transaction monitoring and filtering, the Bank will comprehensively assess and evaluate customers' associations and

their status at the time of making the transaction. In such ways, the Bank will develop systems that allow it to accurately detect and oversee these kinds of suspicious transactions, and should reporting be deemed necessary, will immediately inform the authorities.

6. Asset-freezing measures

The Bank will implement measures such as asset freezing for terrorists and others as appropriate.

7. Management of correspondent arrangement signees

The Bank will strive to gather information on correspondents, carry out appropriate evaluations of this, and implement suitable countermeasures based on these risks. For the Bank and for correspondent arrangement signees, the Bank prohibits transactions with shell banks with no sales presence, or transactions with highly anonymized accounts. The Bank will cancel any correspondent arrangements with signees associated with such transactions.

8. Executive and employee training

Through continuous training, the Bank will improve its executives' and other employees' knowledge and understanding of risks and countermeasures connected to money laundering and terrorism funding. It will also endeavor to secure and train personnel with specialisms and adaptability befitting their roles.

9. Studies into compliance status and effectiveness

As the lead department for management systems related to AML/CFT measures, the Compliance Department periodically assesses the effectiveness of such measures at branches, ATMs and other locations. As well as making improvements to ensure they are effective, the Bank has the independent Internal Audit Department carry out regular audits, and it strives to make further improvements by taking audit results into consideration.

10. Promotion of greater understanding among customers

So as to periodically compile data from customers, the Bank will work on awareness-raising and publicity activities through our website, branches, ATMs, and other locations to better inform customers about this subject.

Building Internal Controls

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.
 - The supervising department for work at subsidiaries shall be the General Affairs Department, and the director in charge of the General Affairs Department shall provide overall management, while striving for information sharing and collaboration within the scope that does not contravene laws and regulations.
 - (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 III 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

8. Providing personal information to third parties

The Bank receives permission from customers before providing their personal information to a third party. In such cases, the Bank provides the customer with advance notice of data such as who the third party is, the purpose of their use of the information, and what personal information will be provided. As a rule, the Bank requests written permission (including by electronic means).

Should the third party be located outside Japan, in addition to the stipulations above, depending on set laws or regulations, the Bank would also provide customers with the following information in advance:

- (1) the name of the country in which the third party is located,
- (2) information about systems in the relevant country concerning protections for personal information,

(3) measures the third party has in place to protect personal information, and other relevant information.

*When the Bank goes to request permission, if it cannot pinpoint the country the third party is located in, it will inform the customer of that fact as well as the specific reasons why. Equally, if the Bank is unable to ascertain the measures the third party has in place to protect personal information, it will tell the customer that, and the reasons why. In such cases, if the Bank is later able to pinpoint the country where the third party is located, it can provide information on (1) and (2) above to customers upon request. Likewise, if the Bank is later able to provide information on measures the third party has in place to protect personal information, it can provide information on (3) above to customers upon request. If you do require such information in such a case, please contact the Bank and it will be provided (except in cases where doing so would have a serious adverse effect on the Bank's proper operations).

International Business Support

With its specialist expertise and ability to provide financial payments, 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 international trade, or trying to establish a local subsidiary as a base for manufacture or sales.

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 through visits and remote interaction.

For customers looking to engage in international transactions, expand their foreign sales channels, or improve their results by establishing and operating 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, which cuts across the Management Improvement Support Center and related departments of the Loan Management Department, 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 cyber-crime, 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. Moreover, based on our Cyber-security Countermeasure Manual, the Bank is putting in place a system

that aims to prevent damage from cyber-attacks by stopping them before they occur, or minimizing damage to customers or Bank operations if they do. 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. In order to recover rapidly from such an event, it has also created the Basic Business Continuity Plan and formulated other rules and manuals. Furthermore, to ensure that first responses to an emergency are calm rather than panicked, the Bank carries out periodic experiential and assembly drills, and is working to improve effectiveness by identifying issues, making improvements, and fostering a greater awareness among employees.

Non-Consolidated Balance Sheets

Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Assets			
Cash	¥ 27,730	¥ 28,001	\$ 207,639
Due from banks	943,906	1,028,503	7,067,814
Monetary claims purchased (Note 5)	1,927	4,927	14,434
Securities (Notes 4, 5 & 6)	432,765	448,519	3,240,476
Loans and bills discounted (Note 7)	1,422,402	1,434,923	10,650,709
Foreign exchange (Note 8)	1,159	994	8,681
Other assets (Note 9)	14,206	14,512	106,372
Tangible fixed assets	29,970	26,864	224,410
Intangible fixed assets	701	835	5,255
Deferred tax assets	9,652	7,463	72,278
Customers' liabilities for acceptances and guarantees	15,426	12,627	115,508
Reserve for possible loan losses	(11,190)	(10,599)	(83,791)
Total Assets	¥ 2,888,658	¥ 2,997,575	\$ 21,629,790
Liabilities and Net Assets			
Liabilities			
Deposits (Note 10)	¥ 2,559,233	¥ 2,625,403	\$ 19,163,113
Borrowed money	212,600	255,100	1,591,913
Foreign exchange	22	16	167
Other liabilities (Note 11)	5,479	5,132	41,032
Reserve for bonuses	1,037	1,045	7,770
Reserve for directors' bonuses	40	40	299
Reserve for retirement allowances	1,112	1,204	8,329
Reserve for directors' retirement bonuses	317	439	2,379
Reserve for point losses	64	64	485
Reserve for repayment of dormant accounts	183	197	1,373
Reserve for contingency losses	171	154	1,282
Deferred tax liabilities related to land revaluation	1,401	1,401	10,492
Acceptances and guarantees	15,426	12,627	115,508
Total Liabilities	¥ 2,797,090	¥ 2,902,827	\$ 20,944,146
Net Assets			
Paid-in capital	¥ 26,617	¥ 26,636	\$ 199,303
Common shares	13,867	13,886	103,833
Preferred shares	2,350	2,350	17,596
Other shares	10,400	10,400	77,873
Capital surplus	1,317	1,317	9,867
Capital surplus reserve	1,317	1,317	9,867
Retained earnings	70,265	66,969	526,135
Legal reserve	12,304	11,904	92,131
Other retained earnings	57,961	55,065	434,003
Special reserve	54,157	51,157	405,525
[Reserve for management stabilization]	[5,050]	[5,050]	[37,813]
[Reserve for accelerated depreciation of land]	[737]	[737]	[5,519]
Unappropriated retained earnings	3,803	3,907	28,478
Unsettled equity	(1)	(0)	(13)
Total Members' Equity	¥ 98,198	¥ 94,923	\$ 735,292
Valuation differences of available-for-sale securities	¥ (7,634)	¥ (1,180)	\$ (57,168)
Excess of land revaluation	1,004	1,004	7,519
Total Differences in Evaluation and Conversion	(6,630)	(176)	(49,648)
Total Net Assets	91,567	94,747	685,643
Total Liabilities and Net Assets	¥ 2,888,658	¥ 2,997,575	\$ 21,629,790

Non-Consolidated Statements of Income and Retained Earnings

Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Income			
Interest and dividend income	¥ 22,837	¥ 23,461	\$ 171,005
Interest on loans and discounts	18,608	18,901	139,338
Interest on deposits	1,633	1,408	12,231
Dividends on securities	2,313	2,865	17,323
Other	282	285	2,112
Fees and commissions	3,026	3,091	22,660
Other operating income	360	720	2,699
Other income (Note 12)	848	1,167	6,350
Total Income	¥ 27,072	¥ 28,441	\$ 202,717
Expenses			
Interest expenses	¥ 1,516	¥ 1,704	\$ 11,354
Interest on deposits	1,486	1,668	11,128
Transferred supplementary reserve for installment savings	19	20	144
Interest on borrowings	1	1	9
Interest paid on interest swaps	9	13	69
Other	0	0	0
Fees and commissions	987	1,061	7,397
Other operating expenses	236	833	1,770
General and administrative expenses	18,991	19,438	142,207
Other expenses (Note 13)	1,384	1,557	10,364
Total Expenses	¥ 23,116	¥ 24,595	\$ 173,094
Income before income taxes	3,956	3,846	29,622
Income taxes: current	37	42	279
Income taxes: deferred	309	281	2,316
Net Income	¥ 3,609	¥ 3,521	\$ 27,025
Statements of Retained Earnings			
Balance at beginning of year	¥ 194	¥ 195	\$ 1,452
Additions:			
Net income	3,609	3,521	27,025
Reversal of revaluation reserve	-	190	-
Unappropriated retained earnings	3,803	3,907	28,478
Appropriations:			
Transfer to legal reserve	400	400	2,995
Dividends	274	275	2,055
Dividends paid to preferred shares (issued March 2004)	15	15	117
Dividends paid to preferred shares (issued March 2006)	22	22	165
Special reserve	3,000	3,000	22,463
Amount carried forward (balance at end of year)	¥ 90	¥ 194	\$ 681

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 ¥133.55 to US\$1.00, the rate prevailing on March 31, 2023.

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 ¥18,978 million in the year ended March 31, 2023.

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 ¥11,190 million

The reserve for possible loan losses is calculated using the method outlined in c) as a significant accounting policy. The assumption made is the future performance forecast for borrowers judged to be debtors. This forecast is set on an individual basis, based on each debtor's ability to earn revenue. While the impact on the economy that comes with the spread of COVID-19 will gradually subside, but it is assumed that a difficult business environment will continue for the time being for reasons such as rising costs due to factors like soaring raw material and energy prices. Therefore, for debtors whose performance is projected to worsen based on forecasts of the business environment going forward, the reserve for possible loan losses contains a reserve amount calculated assuming downgraded debtor status. Furthermore, if the assumptions used for the initial estimate have changed, due to factors such as changes in performance of the individual borrower, this may exert a significant influence on the reserve for possible loan losses in calculation documents for the following fiscal year.

Deferred tax assets ¥9,652 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: ¥4,600 million.

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

Deferred tax assets	
Reserve for possible loan losses:	¥6,930 million
Reserve for retirement allowances:	¥310 million
Tax loss carried forward:	¥14 million
Valuation differences of available-for-sale securities:	
	¥2,955 million
Other:	¥1,922 million
Deferred tax assets – Subtotal:	¥12,133 million
Valuation reserve:	(¥2,095 million)
Deferred tax assets – Total:	¥10,038 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:	¥9,652 million

h) Net income per share is ¥12.93.

3. Trading Securities

No applicable transactions

4. Held-to-Maturity Bonds with Market Value

	Millions of yen	Thousands of U.S. dollars
As of March 31	2023	2023
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

	Millions of yen	Thousands of U.S. dollars
As of March 31	2023	2023
Securities whose balance-sheet value exceeds acquisition cost		
Stocks		
Balance-sheet value	¥ 859	\$ 6,432
Acquisition cost	410	3,070
Difference	449	3,362
Bonds		
Balance-sheet value	¥ 46,776	\$ 350,250
Acquisition cost	45,925	343,878
Difference	850	6,364
National government bonds		
Balance-sheet value	¥ 8,684	\$ 65,024
Acquisition cost	8,123	60,823
Difference	560	4,193
Municipal government bonds		
Balance-sheet value	¥ 224	\$ 1,677
Acquisition cost	222	1,662
Difference	2	14
Corporate bonds		
Balance-sheet value	¥ 37,866	\$ 283,534
Acquisition cost	37,579	281,385
Difference	287	2,149
Other		
Balance-sheet value	¥ 9,972	\$ 74,668
Acquisition cost	9,802	73,395
Difference	170	1,272
Subtotal		
Balance-sheet value	¥ 57,608	\$ 431,359
Acquisition cost	56,138	420,351
Difference	1,470	11,007
Securities whose balance-sheet value does not exceed acquisition cost		
Stocks		
Balance-sheet value	¥ 248	\$ 1,856
Acquisition cost	280	2,096
Difference	(32)	(239)
Bonds		
Balance-sheet value	¥324,595	\$2,430,512
Acquisition cost	334,159	2,502,126
Difference	(9,563)	(71,606)
National government bonds		
Balance-sheet value	¥ 39,879	\$ 298,607
Acquisition cost	42,031	314,721
Difference	(2,151)	(16,106)
Municipal government bonds		
Balance-sheet value	¥ 83,157	\$ 622,665
Acquisition cost	85,723	641,879
Difference	(2,566)	(19,213)
Corporate bonds		
Balance-sheet value	¥201,558	\$1,509,232
Acquisition cost	206,404	1,545,518
Difference	(4,845)	(36,278)
Other		
Balance-sheet value	¥ 50,974	\$ 381,684
Acquisition cost	53,439	400,142
Difference	(2,465)	(18,457)
Subtotal		
Balance-sheet value	¥375,818	\$2,814,062
Acquisition cost	387,879	2,904,372
Difference	(12,060)	(90,303)
Total		
Balance-sheet value	¥433,427	\$3,245,428
Acquisition cost	444,018	3,324,732
Difference	(10,590)	(79,296)

- 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
	2023	2022	2023
Stocks of subsidiaries (Note 1)			
Balance-sheet value	¥ 58		\$ 434
Unlisted stocks (Note 1)			
Balance-sheet value	188		1,407
Investments in partnerships (Note 2)			
Balance-sheet value	1,018		7,622
Total	¥ 1,265		\$ 9,472

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
	2023	2022	2023
Bills discounted	¥ 25,688	¥ 26,383	\$ 192,348
Loans on notes	10,972	12,887	82,162
Loans on deeds	1,364,713	1,376,442	10,218,743
Overdrafts	21,028	19,209	157,455
Total	¥1,422,402	¥1,434,923	\$10,650,709

8. Foreign Exchange (Assets)

As of March 31	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Due from foreign banks	¥1,064	¥ 924	\$7,971
Foreign bills of exchange bought	24	7	185
Foreign bills of exchange receivable	69	63	523
Total	¥1,159	¥ 994	\$8,681

9. Other Assets

As of March 31	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Domestic exchange settlement account, debit	¥ 619	¥ 651	\$ 4,637
Investment in Shinkin Central Bank	10,269	10,269	76,896
Prepaid expenses	40	43	305
Accrued income	1,894	2,231	14,183
Financial derivatives	14	—	109
Other	1,367	1,317	10,240
Total	¥14,206	¥14,512	\$106,372

10. Deposits

As of March 31	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Current deposits	¥ 171,738	¥ 168,269	\$ 1,285,948
Ordinary deposits	989,174	974,665	7,406,773
Savings deposits	9,227	9,439	69,092
Deposits at notice	3,069	2,795	22,985
Time deposits	1,319,024	1,396,695	9,876,635
Installment savings	52,336	55,436	391,889
Other deposits	14,662	18,100	109,788
Total	¥2,559,233	¥2,625,403	\$19,163,113

11. Other Liabilities

As of March 31	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Domestic exchange settlement account credit	¥1,000	¥ 899	\$ 7,495
Accrued expenses	2,123	2,070	15,903
Reserve for replenishing benefits	28	31	214
Accrued income taxes	41	41	312
Unearned income	637	621	4,774
Unsettle equity refunds	89	87	668
Equity to be redeemed	58	59	437
Financial derivatives	—	11	—
Asset retirement obligations	744	727	5,574
Other	754	581	5,651
Total	¥5,479	¥5,132	\$41,032

12. Other Income

As of March 31	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Gains on recovery of written-off claims	¥ 687	¥ 750	\$ 5,147
Gains on sale of stocks and other securities	—	0	—
Gain on Money Held in trust	68	143	511
Gains on disposal of fixed assets	7	33	59
Other	84	239	632
Total	¥ 848	¥1,167	\$ 6,350

13. Other Expenses

As of March 31	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Transfer to reserve for possible loan losses	¥ 896	¥ 909	\$ 6,711
Write-off of loans	189	127	1,421
Losses on sales of stocks and other securities	33	0	250
Amortization of other assets	0	—	6
Losses on disposal of fixed assets	200	365	1,502
Impairment losses	10	81	76
Other	52	73	395
Total	¥1,384	¥1,557	\$10,364

Auditor's Report

The Osaka City Shinkin Bank

HIBIKI AUDIT CORPORATION audited the Osaka City Shinkin Bank's balance sheets and statements of income reported at the 96th and 97th General Meetings of Members and the approved plans for surplus appropriations. 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, 2023	Mar 31, 2022	Mar 31, 2023
Bankrupt or de-facto bankrupt	¥ 35,853	¥ 31,510	\$ 268
Doubtful (In danger or bankruptcy)	65,857	72,478	493
Special attention	1,818	2,271	13
Loans in arrears 3 months or more	—	—	—
Loans whose conditions have been eased	1,818	2,271	13
Subtotal (a)	103,529	106,260	775
Normal loans and claims	1,335,152	1,341,998	9,997
Total	1,438,681	1,448,259	10,772
Coverage amount (b)	100,319	101,755	751
Portion of loans and claims secured by collateral or guarantees, etc. (c)	93,126	94,890	697
Reserve (d)	7,193	6,865	53
Protection ratio (%) (b) / (a)	96.90	95.76	—
Reserve rate (%) (d) / ((a) - (c))	69.15	60.38	—

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, 2023	March 31, 2023
Basic items relating to core capital		
Members' equity relating to common shares or non-cumulative permanent preferred shares	¥ 97,885	\$ 732
Paid-in capital and capital surplus	27,934	209
Retained earnings	70,265	526
Estimated outflow	312	2
Other	(1)	(0)
Total reserves included in basic items relating to core capital	1,660	12
General reserve for possible loan losses included in core capital	1,660	12
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	108	0
Basic items relating to core capital	99,655	746
Adjustment items relating to core capital		
Total amount of intangible fixed assets (excluding those relating to mortgage servicing rights)	506	3
Amount not relating to goodwill and mortgage servicing rights	506	3
Deferred tax assets (excluding those relating to temporary differences)	9	0
Amount of adjustment items relating to core capital	515	3
Equity capital	99,139	742
Risk assets, etc.		
Total credit risk assets	917,401	6,869
Total included in risk assets due to interim measures	980	7
Exposure for other financial institutions, etc.	(1,425)	(10)
Other	2,405	18
Total amount of operational risk equivalent divided by 8%	44,304	331
Total amount of risk assets, etc.	¥961,705	\$7,201
Capital adequacy ratio	10.30%	

Board of Directors

President

Satoshi Takahashi

Vice President

Hiroshi Fukuoka

Senior Managing Directors

Kazuki Hatanaka

Minoru Kitano

Managing Directors

Takashi Kubo

Masanori Fujiwara

Masayuki Kuroda

Directors

Akira Ono

Hitoshi Omoto

Kazuo Hanada

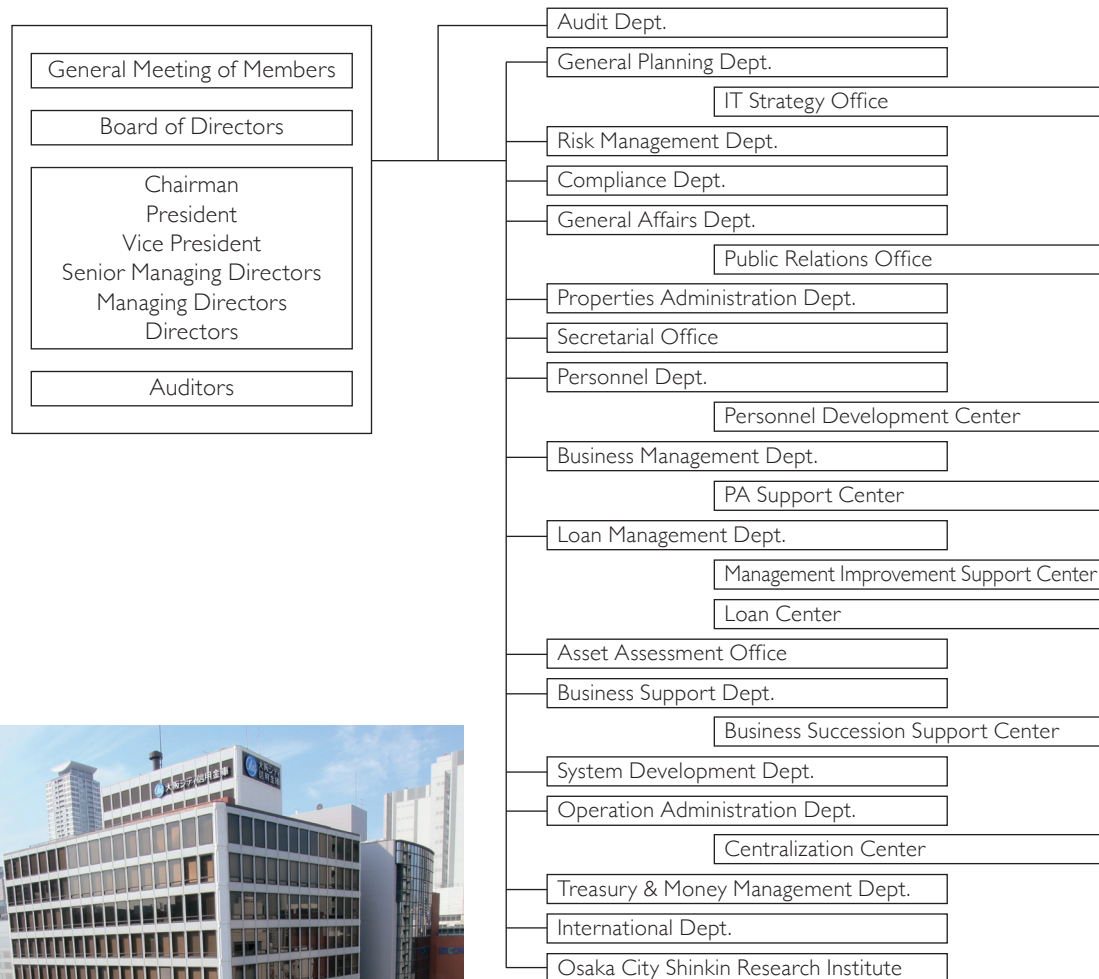
Keiji Matsubara

Seiichiro Sakai

Auditor

Hideki Morimoto

Organization



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