

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.