

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.