

FINANCIAL REVIEW Annual Report

2020

Profile

Throughout its 93 years, the Osaka City Shinkin Bank has grown together with Osaka, Japan's second largest city and a community the Bank is proud to serve. The Bank boasts a network of 86 office locations throughout Osaka Prefecture, making it one of the largest membership-based cooperative banks (shinkin banks) in Japan. Through this network, the Bank also provides a comprehensive range of international operations that Osaka requires as a city with an exciting future and ambitions that span the globe.

Message from the Management



Masao Kawamura
Chairman



Satoshi Takahashi
President

The Japanese economy in the first half of the previous fiscal year marked lively business activity spurred among other factors by growing foreign tourism to Japan, strong exports, and sports events such as the Rugby World Cup.

However, starting in the second half, public life was impacted by a number of developments which included the consumption tax rate increase, the US-China trade conflict, and most of all, the COVID-19 global pandemic, broadly upsetting conditions also in the stock- and foreign exchange market.

The immense impact of the sudden economic slowdown caused by the spread of COVID-19 has hit also SMEs, on top of the pre-existing burden of structural issues such as labor shortages and business succession problems, increasing the urgency of a concerted public and private sectors aid framework for financing and management support.

With the provision of faster and stabler financing being indispensable, Osaka City Shinkin Bank too has been at the forefront of support efforts through measures such as establishing consultation counters for financial stability under the impact of COVID-19.

Moreover, value creation from the customer perspective has become more important than ever in light of developments in finance such as proliferating cashless payment and the initiation of 5G services, associated with broad-based digitization promoting the full-scale entry of non-financial industries into financial services.

In response to these changes, under the theme of becoming our customers' number one financial partner for problem resolution established in our "Best Partner 2019" Medium-Term Management Plan, we have been tackling every conceivable issue, including enterprise value enhancement through the results of merger and management integration. Moreover, with a view to customer protection, in addition to strengthening measures for the prevention of financial crime such as money laundering and sophisticated fraud schemes, as well as reinforcing cyber security, we further increased the robustness of internal control systems such as ensuring the effectiveness of our business continuation planning (BCP), among other measures.

Thanks to these efforts, continuing from the previous fiscal year, we were able to achieve stable business results also in fiscal 2019 and increased the Bank's soundness.

The current fiscal year marks the start of our new Medium-Term Management Plan "Smart Shinkin 2022" under the theme of "Continuing to Be a Shinkin Bank," and with the aim of becoming our customers' number one financial partner for problem resolution and for close ties to the region.

Based on the management principle of "tripartite prosperity" (our customers and community, our bank, and our employees) and based on our slogan of "serving the community by building trust." in order to be able to offer best solutions to customers' needs, corporate officers and employees together are committed to fulfilling the Bank's mission as a regional financial institution.

This report presents in an easy-to-understand manner the management policies and the current status of operations of The Osaka City Shinkin Bank, in hopes that its perusal may contribute to a fuller understanding of the Bank's operations, associated with our sincere request for your continued patronage and support.

July 2020

Handwritten signature of Masao Kawamura in black ink.

Masao Kawamura
Chairman

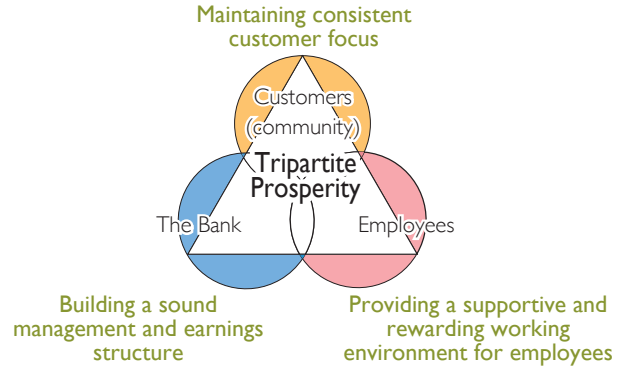
Handwritten signature of Satoshi Takahashi in black ink.

Satoshi Takahashi
President

Management Principles

Management Philosophy: Tripartite Prosperity

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



Basic Management Policies for Fiscal 2020

The current fiscal year will become an important year in light of the start of the Bank's new Medium-Term Management Plan "Smart Shinkin 2022."

Based on the theme of "Continuing to Be a Shinkin Bank," the plan calls to further expand the two-way communication between the Bank and our customers by creating a system designed to put us in close contact with the community and in one-stop fashion quickly solve the problems of the community and our business partners.

Six years have passed since the merger, and in order to continue reinforcing our management base, we will further strengthen the Bank's soundness by creating frameworks for stable earning power and thorough operational efficiency, meet the responsibilities assigned us by our customers, and keep contributing to the development of the local economy.

To this end, with the current fiscal year as the first year of our new medium-term management plan, in order to establish problem-solving finance as an earnings-enhancing business model, we will thoroughly apply the TSPE cycle (Task, Solution, Planning, Execute), develop human resources through practical training to enhance our consulting abilities, and will build frameworks that enable us to demonstrate our high team strength by promoting the right person to the right place and by sharing our management philosophy.

In addition, in order to improve productivity, we will promote operational efficiency through measures such as centralizing administrative office work and transitioning to paperless operations by using IT applications. Through the deployment of lobby concierges our bank branches will be transformed from a place of clerical processing to a place of communication, associated with the integration of face-to-face transactions and non-face-to-face transactions. Additionally, we will strengthen our customer service representatives' ability to back up dealings with long-standing customers, and work to enhance the consultation capabilities at bank branches.

Customer account representatives will likewise intensify the communication with customers involving both traditional face-to-face and digital technology-supported non-face-to-face interaction with a view to reinforcing the information provision and proposal capabilities surrounding issues such as management support, business succession, and M & A.

In terms of risk management, we will continue to strengthen our risk management systems by utilizing RAF (Risk Appetite Framework: a system for actively managing risks to achieve the Bank's management goals), address the prevention of financial crime such as money laundering, and provide for cyber security.

With regard to these issues, all officers and employees will act swiftly in concert with a strong sense of responsibility to

ensure thorough implementation so as to realize the objective of being our customers' number one financial partner for problem resolution, as proposed under our new medium-term management plan.

Based on the above, the Bank has formulated the following basic management policies for fiscal 2020.

Basic Management Policies

Becoming our customers' number one financial partner for problem resolution

1. Enhance financial services and establish frameworks for stable earning power
2. Enhance productivity through greater efficiency
3. Rebuild the Bank's branch strategy as a point of contact with customers
4. Enhance consulting abilities and promote the right person to the right place through personnel sourcing
5. Improve risk management capabilities and reinforce response capacity

Key Measures

1. Enhance financial services and establish frameworks for stable earning power
 - (1) Establish a problem-solving finance model through thorough TSPE cycle implementation
 - (2) Acquire commission revenue by providing comprehensive services
 - (3) Strengthen our ability to make proposals to customers by utilizing an integrated database
2. Enhance productivity through greater operational efficiency
 - (1) Promote work efficiency through centralization, a transition to paperless operations, and IT
 - (2) Make productivity improvements by establishing a task rotation system and by creating a backup system for our dealings with long-standing customers.
 - (3) Promote greater business process efficiency, such as through store layout reviews and promotion of control transfers
3. Rebuild the Bank's branch strategy as a point of contact with customers
 - (1) Implement strategic branch layouts that take advantage of branch characteristics
 - (2) Improve convenience for customers and reduce paperwork by streamlining bank counter operations
 - (3) Create a branch office lobby strategy based on integration of face-to-face and non-face-to-face transactions
4. Enhance consulting abilities and promote the right person to the right place through personnel sourcing
 - (1) Strengthen practical training for problem solving
 - (2) Foster a workplace culture that maximizes team strength
 - (3) Pursue the activation of human potential and promotion of the right person to the right place
5. Improve risk management capabilities and reinforce response capacity
 - (1) Improve management capacity and utilization of RAF by identifying potential risks
 - (2) Prevent financial crimes, such as money laundering; implement cyber security measures; and strengthen BCP response capacity
 - (3) Increase compliance awareness and prevention of malfeasance through governance propagation

Review of the Year

Financial and Economic Environment

In the previous fiscal year the change from the Heisei period to the Reiwa period raised the curtain on a new era. Although the Japanese economy in the first half of the fiscal year saw sluggish foreign demand due to the slowdown in overseas economies, capital investment in labor saving and digitization remained firm, leaving the ongoing moderate recovery trend intact.

However, in the second half of the year, the consumption tax hike, the US-China trade conflict, the deterioration of Japan-Korea relations, and the spread of COVID-19 at the end of the fiscal year stopped the flow of people and goods, associated with turmoil in financial markets and falling crude oil prices. The resulting rapid slowdown in the global economy has been responsible for the most critical situation since the global financial crisis.

Conditions are expected to turn increasingly adverse also for SMEs as the effects of COVID-19 cause the rapid disappearance of demand from foreign tourists in Japan, damage to the supply chain, and future deterioration of business conditions.

It is therefore necessary for the public and private sectors together to engage in efforts surrounding financing and management aid for SMEs and promote robust support action that must be immediate and wide-ranging.

Moreover, traditional boundaries in financial services have been diminishing due to the penetration of cashless payments, the acceleration of digitalization spurred by the launch of 5G services, and the full-scale entry of non-financial industries, which more than ever raises the need to create service value from the perspective of the customer.

Operating Policies

Fiscal 2019 marked the final fiscal year of our medium-term management plan. Toward the realization of the goal of "Becoming Customers' Number One Financial Partner for Problem Resolution" targeted under the plan, all corporate officers and employees were united in their efforts centered on enhancing the consulting abilities of all employees and enhancing productivity through greater operational efficiency.

Regarding shinkin banking operations, we worked to centralize branch office operations at headquarters, promote operation efficiency and work style reform, and strove to ensure the soundness of management. In addition, in order to improve the problem-solving ability of employees, we dispatched personnel members to external companies, supported our business partners by forming project teams for problem-solution based lending, and promoted employees' self-development using the Internet.

To solve customers' problems, we worked to provide a full service range addressing a diversity of needs, among other measures by establishing a business succession support center; by providing a bank passbook application function for smartphones, and by hosting seminars to support productivity improvements at our business partners.

In addition, in collaboration with the Credit Guarantee Corporation of Osaka we established the "City Simpo Step-Up Fund" to promote local SMEs, set up consultation desks as a support measure for customers affected by the spread of COVID-19, and initiated "New Pneumonia Emergency Aid Loans," and in this way rolled out wide-ranging support for local SMEs.

We also actively engaged in activities contributing to local communities in connection with SDGs (Sustainable Development Goals), such as our continuing sponsorship and employee participation in events for regional revitalization and our sponsorship of a contest for working out plans with potential for the health industry.

In the second half of the fiscal year, we continued to strengthen our customer protection efforts, took measures for the prevention of financial crime such as money laundering and sophisticated fraud schemes, and reinforced cyber security measures. Additionally, we further fortified internal control systems by enhancing crisis management systems, among other measures.

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 his/her 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 15 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 ¥2,478.7 billion.

At the same time, the total of loans outstanding expanded to ¥1,282.9 billion, reflecting in part our active promotion of problem-solving financing.

Net income for core operations totaled ¥3.086 billion; ordinary income was ¥3.863 billion; and net income for the period amounted to ¥3.016 billion. In addition, our capital adequacy ratio was 8.59%.

Issues and Outlook for the Bank in Fiscal 2020

The Japanese economy in fiscal 2020 to date saw the domestic and international economies materially impacted by COVID-19 spread. With the loss of demand from foreign tourism to Japan, the rapid decline in personal consumption, the decrease in corporate capital investment and exports, the deterioration of the employment environment, among other factors, there is a growing possibility that the economy will fall back further yet in the time ahead.

Efforts to support economic activity such as the government's measures for neutralizing the spread of COVID-19 as quickly as possible as well as the implementation of large-scale economic measures are in progress. However, depending on when the pandemic can be neutralized, it is expected that the economic recovery will take a long time.

On the financing side, the impact of COVID-19 on SMEs is enormous. In response to this unprecedented emergency, it is necessary to achieve a strong recovery of the local economy by providing our business partners with seamless financing and management support.

In addition, as non-face-to-face transactions in financial services are becoming widespread, swiftness in collecting information on customers' problems and in offering solutions becomes a necessity.

In this operating environment we have formulated and will diligently work for the implementation of basic management policies comprising the following five points:

- (1) Enhance financial services and establish frameworks for stable earning power.
- (2) Enhance productivity through greater operational efficiency.
- (3) Rebuild the Bank's branch strategy as a point of contact with customers.
- (4) Enhance consulting abilities and promote the right person to the right place through personnel sourcing.
- (5) Improve risk management capabilities and reinforce response capability.

Moreover, the fiscal 2020 marks the first year of our new Medium-Term Management Plan. With "Smart Shinkin" as the key phrase, we will work to implement the plan's measures.

We will improve productivity by utilizing digitalization and maximize communication time with customers by integrating face-to-face and non-face-to-face transactions so as to accumulate information and strengthen proposal capabilities regarding management support, business succession, and asset management.

By expanding the two-way communication between the Bank and customers as well the region, we will thoroughly implement a cycle of accumulating varied information and proposing and executing problem solutions, and create a system for the swift one-stop problem solution across the entire region.

We are aiming to become our customers' number one financial partner for problem resolution. Our directors and employees will work together to further strengthen our management foundation as a financial institution.

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 Compliance Environment for Financial Institutions in Japan

In recent years, as the social responsibilities and corporate ethics of financial institutions have come under close scrutiny, the establishment of a robust compliance framework has emerged as an issue of the utmost importance in corporate governance.

Meanwhile, the increased diversity of customer needs and the advance of financial liberalization have broadened these institutions' scope for operation. As a result, in 2001 the Japanese government passed the Act on Sales, etc. of Financial Products. This law stipulates financial institutions' duty of disclosure of risks and other important issues associated with financial products, and obliges these institutions to prepare and publish a solicitation policy, to ensure the propriety of solicitation activities.

Also, in September 2007 the Financial Instruments and Exchange Act came into effect, establishing numerous regulations on the activities of financial institutions and requiring strict compliance with rules for the protection of users.

In 2005, the Act on the Protection of Personal Information came into effect to ensure appropriate handling of personal information. This law mandates companies that collect personal information to circulate and publish the purpose for which it is used, and to prepare and publish a privacy policy. In addition, strict obligations regarding the acquisition, management and other use of individual numbers and personal information containing individual numbers (referred to below as "specific personal information") were established when the Act on the Use of Numbers to Identify a Specific Individual in the Administrative Procedure came into effect in 2015.

The Bank's Compliance Framework

To achieve our social mission and establish a robust compliance framework, in March 1999 the Bank established the Compliance Committee and the Compliance Office (currently the Compliance Dept.). At the same time, in order to foster a corporate climate stressing compliance and establish a compliance framework, we formulated our Compliance Code of Conduct for matters that must be observed by directors and employees, including 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.

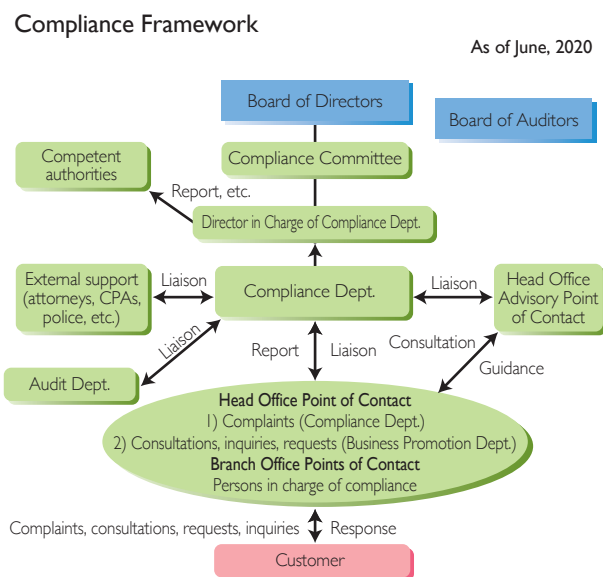
Basic Policy on Compliance

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, cabinet orders 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 strictly comply with the law, the rules of the financial industry and the regulations governing cooperative banks as we strive to fulfill our public mission and social responsibilities.
- 2) Aiming to put the Bank's management principles, basic concept and code of conduct into practice, we place importance on listening sincerely to the expectations of our customers and the desires of the regional community, and taking proactive action to meet and exceed them.
- 3) We construct a robust system of internal controls, striving to prevent violations of laws and regulations.
- 4) We recognize that thoroughgoing compliance is the most important policy for the Bank's management, and are working Bank-wide to be number one in customer trust and preference.
- 5) In strict compliance with all applicable regulations, the Bank rigorously controls customer information to prevent leaks and other incidents that can compromise customer privacy.
- 6) We aim to be a soundly managed Bank that actively discloses management information and takes sincere and effective measures against potential risks.
- 7) We take care never to conduct business dealings that are unreasonable or contrary to the social good, in order to build relationships of trust with our customers based on fair business dealings.
- 8) We decisively exclude and ban all relations with anti-social forces which threaten social order and safety.

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.



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, the Bank's management system and compliance items such as identity verification at the time of transactions and notification of suspicious transactions have been revised, and the Bank has been practicing strict compliance regarding the prevention of the acceptance of illegal funds and involvement in illegal transactions.

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.

Specific initiatives and the Bank's management system concerning measures against money laundering and terrorist financing are as follows.

Initiatives of the Bank

June 2018

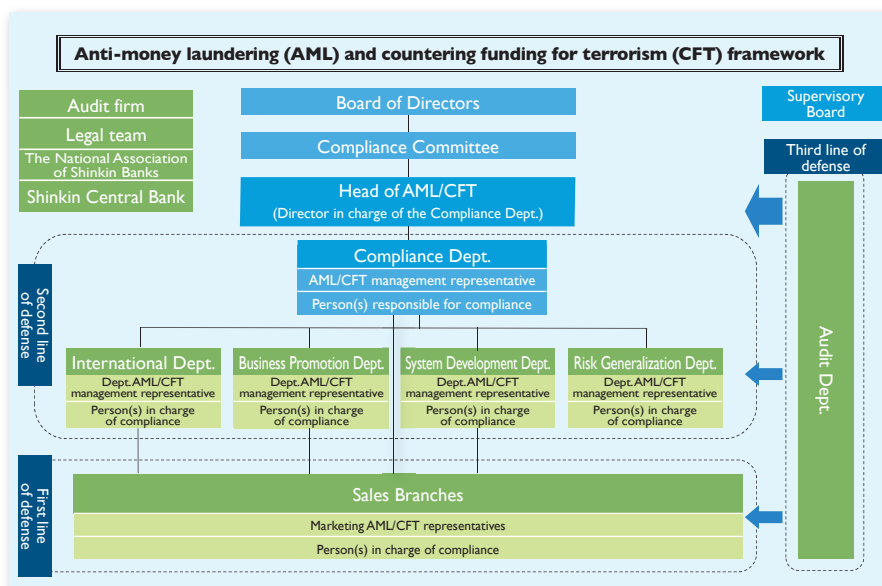
Establishment of fundamental regulations on measures against money laundering and terrorism financing

November 2018

Establishment of a Risk Evaluation Report and various kinds of check sheets

March 2019

Release as fundamental guidelines of policies against money laundering and terrorism financing



Building Internal Controls

Steps Toward Building Robust Internal Controls

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

Basic Policy for Building Internal Control Systems (Overview)

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

- To facilitate early discovery and rectification of any wrongdoing, establish Whistleblower Protection Management Rules clearly setting forth matters such as the system for directors and employees to report on conduct violating laws and regulations, and establish a liaison for consultation and reporting.
 - Resolutely block criminal organizations which threaten social order and safety.
 - The Internal Audit Department shall examine and evaluate the propriety and effectiveness of the compliance framework, and shall report the results to the President, board of directors, and auditors.
- (2) Provide a system to store and manage information with respect to the execution of the duties of each director of the Bank.
 - Information with respect to the execution of the duties of each director of the Bank shall be properly stored and managed based on in-house rules prescribing procedures such as document filing/storage (including electromagnetic records), storage periods, and disposal rules.

- (3) Provide rules and other systems for risk management against losses by the Bank.
 - The board of directors shall position risk management as the top-priority issue for management, develop a system for accurately ascertaining risks and carrying out proper management/operations, and strive to improve the soundness of assets and stability of earnings.
 - Establish an ALM Committee, Operational Risk Management Committee, and other groups as organizations for cross-departmental discussion and decision-making relating to various risks, and discuss and evaluate important matters relating to risk.
 - To minimize the damage and impact in an emergency situation, such as a large-scale natural disaster or a major system failure, establish an Emergency Response Manual (Contingency Plan), and put in place a crisis management system during ordinary times.
- (4) Provide a system to ensure that each director of the Bank executes his/her 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.

1. Personal information

"Personal information" in this privacy policy is any information that could be used to identify a specific individual, such as name, address, date of birth or telephone number.

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.
The following operations are contracted to outside contractors: duties related to administering issuance and shipping of cash cards, duties related to sending direct mail, duties related to the operation and maintenance of information systems, and duties related to receipt of account transfer data.
- (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, holds and uses 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 and held.

- (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 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. Personal information (except for when it includes individual numbers)
 - (A) 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 a transaction with a customer, or conduct the processing required after such cancellation.
 - (m) For other purposes necessary for the smooth and appropriate execution of transactions with the customer.
 - (B) Restrictions on scope of use
 - (a) In accordance with Article 110 of the Ordinance for Enforcement of the Shinkin Bank Act, information provided by personal-credit rating agencies on the ability of persons requesting loans to repay said loans shall be used for the sole purpose of appraising said ability, and shall not be used or divulged to third parties for any other reason.
 - (b) In accordance with Article 111 of the Ordinance for Enforcement of the Shinkin Bank Act, special confidential information such as information regarding race, religious belief, lineage, domicile of origin, insured health/medical record or criminal record, shall not be used or divulged to third parties for any other reason for any purpose other than as necessary to perform appropriate banking operations or as otherwise deemed necessary.

B. Individual numbers

- (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. 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, 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) Customers may request disclosure of their personal information by presenting identification and their personal seal at any Bank branch. A fee is payable for this service.

International Business Support

With its high level of expertise and global capabilities in the fields of financial payments and mediation, Osaka City Shinkin Bank is able to offer comprehensive international business support, which is vital for small and medium enterprises looking overseas. The Bank helps businesses looking to become involved in import/export, or trying to establish or increase the operational efficiency of a local subsidiary as a base for overseas manufacture or sales and can advise on the necessity of new financing for such. In 2011, the Bank established the Asia Business Support Desk within the International Department to provide specialist support for customers wishing to expand abroad. With face-to-face support from both sales branch staff and staff from the aforementioned help desk, the Bank is able to suggest appropriate, timely proposals. For customers looking to engage in international (import/export) transactions, expand their foreign sales channels or improve their results by establishing or increasing the operational efficiency of a foreign subsidiary, the Osaka City Shinkin Bank—the customer's international operations bank of choice—welcomes inquiries on these and any other aspect of international business.

Risk Management

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

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

Basic Policy on Risk Management

The Osaka City Shinkin Bank's general approach to risk management is described in the Bank's Basic Risk Management Policy. Our organization for risk management 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 within the range of the market risk framework, valuation risk, and exchange rate risk. The Bank also measures the interest risk of profit margin moneys (loans, deposits, and the like) based on the VaR 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 that varies by type of asset from 21 operating days (one month) to 250 operating days (one year).

*² Operational risk

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

Credit Risk Management

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

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

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

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

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

Liquidity Risk Management

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

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

Market Risk Management

Market risk is the potential of uncertainty of profit due to market fluctuations, including variations in interest rates, bond prices and yields, share prices and exchange rates.

Recognizing the impact that market risk can have on operations, the Bank is working hard to implement an appropriate market risk management structure. One of its approaches is to introduce absorption assets to its general risk management system, which effectively caps market risk.

To measure market risk, the Bank introduced value-at-risk (VaR) measurement and is now striving to assess risk on this basis.

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

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

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

Operational Risk Management

Operations, products, and services are becoming increasingly sophisticated and complex as they diversify. The Osaka City Shinkin Bank's system for management of operational risk and its risk management policy for management methods are stipulated in the Operational Risk Management Policy and Operational Risk Management Regulations.

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

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

System Risk Management

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

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

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

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

Business Risk Management

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

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

In order that our customers will feel confident and comfortable in doing business with us, the Bank is working to enhance its training systems. These include joint training programs, OJT, and a range of telecourses 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 strains of influenza virus. It also created a Basic Business Continuity Plan for rapid recovery and is working to upgrade its business continuity systems.

Non-Consolidated Balance Sheets

Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Assets			
Cash	¥ 28,517	¥ 27,787	\$ 261,988
Due from banks	816,703	841,495	7,503,016
Monetary claims purchased (Note 5)	13,200	10,336	121,271
Securities (Note 4, 5 & 6)	414,243	398,645	3,805,638
Loans and bills discounted (Note 7)	1,282,963	1,298,045	11,786,526
Foreign exchange (Note 8)	634	1,043	5,827
Other assets (Note 9)	13,896	14,521	127,667
Tangible fixed assets	27,512	25,874	252,755
Intangible fixed assets	806	433	7,406
Deferred tax assets	7,505	6,451	68,952
Customers' liabilities for acceptances and guarantees	10,341	7,930	95,011
Reserve for possible loan losses	(11,807)	(13,093)	(108,471)
Total Assets	¥ 2,604,518	¥ 2,619,470	\$ 23,927,590
Liabilities and Net Assets			
Liabilities			
Deposits (Note 10)	¥ 2,478,708	¥ 2,491,245	\$ 22,771,781
Borrowed money	9,600	12,750	88,194
Foreign exchange	1	20	13
Other liabilities (Note 11)	6,406	6,958	58,859
Reserve for bonuses	1,066	1,076	9,798
Reserve for directors' bonuses	45	45	413
Reserve for retirement allowances	1,221	1,285	11,219
Reserve for directors' retirement bonuses	432	430	3,971
Reserve for point losses	70	66	645
Reserve for repayment of dormant accounts	225	264	2,073
Reserve for contingency losses	284	185	2,613
Deferred tax liabilities related to land revaluation	1,490	1,490	13,697
Acceptances and guarantees	10,341	7,930	95,011
Total Liabilities	¥ 2,509,895	¥ 2,523,750	\$ 23,058,292
Net Assets			
Paid-in capital	¥ 26,883	¥ 27,068	\$ 246,980
Common shares	14,133	14,318	129,847
Preferred shares	4,362	4,362	40,078
Other shares	8,387	8,387	77,055
Capital surplus	1,317	1,317	12,106
Capital surplus reserve	1,317	1,317	12,106
Retained earnings	64,785	62,135	595,179
Legal reserve	11,104	10,604	102,012
Other retained earnings	53,681	51,531	493,167
Special reserve	50,201	47,201	461,196
[Reserve for management stabilization]	[5,050]	[5,050]	[47,529]
[Reserve for accelerated depreciation of land]	[737]	[737]	[6,937]
Unappropriated retained earnings	3,480	4,330	31,971
Unsettled equity	(2)	(1)	(26)
Total Members' Equity	¥ 92,984	¥ 90,520	\$ 854,240
Valuation differences of available-for-sale securities	¥ 439	¥ 4,008	\$ 4,040
Deferred hedge income (loss)	1	(6)	11
Excess of land revaluation	1,197	1,197	11,005
Total Differences in Evaluation and Conversion	1,639	5,199	15,057
Total Net Assets	94,623	95,719	869,297
Total Liabilities and Net Assets	¥ 2,604,518	¥ 2,619,470	\$ 23,927,590

Non-Consolidated Statements of Income and Retained Earnings

Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Income			
Interest and dividend income	¥ 22,877	¥ 23,001	\$ 210,177
Interest on loans and discounts	17,834	18,455	163,844
Interest on deposits	887	1,211	8,153
Interest on call loans	0	2	4
Dividends on securities	3,808	2,992	34,987
Other	347	339	3,188
Fees and commissions	3,431	3,354	31,521
Other operating income	1,113	2,250	10,231
Other income (Note 12)	1,452	3,365	13,341
Total Income	¥ 28,874	¥ 31,972	\$ 265,272
Expenses			
Interest expenses	¥ 2,316	¥ 2,872	\$ 21,277
Interest on deposits	2,263	2,803	20,798
Transferred supplementary reserve for installment savings	29	40	274
Interest on borrowings	3	5	32
Interest on payables under securities lending transactions	—	0	—
Interest paid on interest swaps	18	22	172
Other	0	0	0
Fees and commissions	1,211	1,238	11,126
Other operating expenses	732	910	6,732
General and administrative expenses	20,167	20,956	185,275
Other expenses (Note 13)	1,063	1,188	9,773
Total Expenses	¥ 25,490	¥ 27,167	\$ 234,184
Income before income taxes	3,383	4,804	31,087
Income taxes: current	45	39	415
Income taxes: deferred	322	298	2,958
Net Income	¥ 3,016	¥ 4,467	\$ 27,713
Statements of Retained Earnings			
Balance at beginning of year	¥ 463	¥ 239	\$ 4,257
Additions:			
Net income	3,016	4,467	27,713
Reversal of revaluation reserve	—	(376)	—
Unappropriated retained earnings	3,480	4,330	31,971
Appropriations:			
Transfer to legal reserve	400	500	3,674
Dividends	282	286	2,596
Dividends paid to preferred shares (issued March 2004)	15	22	144
Dividends paid to preferred shares (issued March 2006)	58	58	535
Special reserve	2,500	3,000	22,967
Amount carried forward (balance at end of year)	¥ 223	¥ 463	\$ 2,052

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 ¥108.85 to US\$1.00, the rate prevailing on March 31, 2020.

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). Shares in subsidiaries are stated at moving average cost. Available-for-sale securities with market value are stated at market value based on their price at the year end (sale cost is generally calculated as moving average cost), while those with no market value are stated at moving average cost. Valuation differences of 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 loan 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 branches and business departments based on internal rules for the self-assessment of assets. The Audit Department, independent of the branches and business departments, audits the results of the self-assessment of assets.

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 ¥28,658 million in the year ended March 31, 2020.

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) 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: ¥5,029 million.

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

Deferred tax assets	
Reserve for possible loan losses:	¥9,634 million
Reserve for retirement allowances:	¥340 million
Tax loss carried forward	¥72 million
Other:	¥2,349 million
Deferred tax assets – Subtotal:	¥12,397 million
Valuation reserve:	(¥4,315 million)
Deferred tax assets – Total:	¥8,082 million
Deferred tax liabilities	
Land appraisal profit:	¥121 million
Valuation differences of available-for-sale securities:	¥170 million
Reserve for accelerated depreciation of land:	¥284 million
Other:	¥0 million
Deferred tax liabilities – Total:	¥577 million
Deferred tax assets – Net:	¥7,505 million

g) Net income per share is ¥10.34.

3. Trading Securities

No applicable transactions

4. Held-to-Maturity Bonds with Market Value

As of March 31	Millions of yen		Thousands of U.S. dollars	
	2020		2020	
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		—		—

Notes: 1. Current value is based on year-end market value, etc.

2. This table does not include securities whose current value is extremely difficult to assess.

5. Other Securities with Market Value

As of March 31	Millions of yen		Thousands of U.S. dollars	
	2020		2020	
Securities whose balance-sheet value exceeds acquisition cost				
Stocks				
Balance-sheet value	¥	563	\$	5,172
Acquisition cost		316		2,903
Difference		246		2,259
Bonds				
Balance-sheet value	¥	192,695	\$	1,770,280
Acquisition cost		189,008		1,736,407
Difference		3,687		33,872
National government bonds				
Balance-sheet value	¥	29,808	\$	273,844
Acquisition cost		28,270		259,715
Difference		1,538		14,129
Municipal government bonds				
Balance-sheet value	¥	17,711	\$	162,710
Acquisition cost		17,093		157,032
Difference		618		5,677
Corporate bonds				
Balance-sheet value	¥	145,176	\$	1,333,725
Acquisition cost		143,645		1,319,660
Difference		1,531		14,065
Other				
Balance-sheet value	¥	33,915	\$	311,575
Acquisition cost		33,526		308,001
Difference		388		3,564
Subtotal				
Balance-sheet value	¥	227,174	\$	2,087,037
Acquisition cost		222,851		2,047,322
Difference		4,322		39,706
Securities whose balance-sheet value does not exceed acquisition cost				
Stocks				
Balance-sheet value	¥	428	\$	3,932
Acquisition cost		578		5,310
Difference		(150)		(1,378)
Bonds				
Balance-sheet value	¥	134,858	\$	1,238,934
Acquisition cost		136,253		1,251,750
Difference		(1,395)		(12,815)
National government bonds				
Balance-sheet value	¥	1,996	\$	18,337
Acquisition cost		2,002		18,392
Difference		(6)		(55)
Municipal government bonds				
Balance-sheet value		—		—
Acquisition cost		—		—
Difference		—		—
Corporate bonds				
Balance-sheet value	¥	132,861	\$	1,220,587
Acquisition cost		134,250		1,233,348
Difference		(1,388)		(12,751)
Other				
Balance-sheet value	¥	64,144	\$	589,288
Acquisition cost		66,310		609,186
Difference		(2,166)		(19,898)
Subtotal				
Balance-sheet value	¥	199,430	\$	1,832,154
Acquisition cost		203,143		1,866,265
Difference		(3,712)		(34,101)
Total				
Balance-sheet value	¥	426,605	\$	3,919,200
Acquisition cost		425,995		3,913,596
Difference		610		5,604

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 securities whose current value is extremely difficult to assess.

6. Financial Instruments Whose Current Value Is Extremely Difficult To Assess

As of March 31	Thousands of U.S. dollars	
	Millions of yen	2020
Stocks of subsidiaries (Note 1)		
Balance-sheet value	¥ 58	\$ 532
Unlisted stocks (Note 1)		
Balance-sheet value	400	3,674
Investments in partnerships (Note 2)		
Balance-sheet value	379	3,481
Total	¥ 839	\$ 7,707

Notes: 1. Stocks of subsidiaries and unlisted stocks are excluded from market value based disclosure since exchange quoted market prices do not exist and determination of market prices is therefore judged impracticable.
2. Investments in partnerships are excluded from market value based disclosure to the extent that the relevant association assets consist of unlisted stocks and other assets whose market values are judged impracticable to determine.

7. Loans and Bills Discounted

As of March 31	Thousands of U.S. dollars	
	Millions of yen	2020
Bills discounted	¥ 39,008	\$ 358,371
Loans on notes	21,957	201,718
Loans on deeds	1,199,824	11,022,735
Overdrafts	22,172	203,701
Total	¥1,282,963	\$11,786,526

8. Foreign Exchange (Assets)

As of March 31	Thousands of U.S. dollars	
	Millions of yen	2020
Due from foreign banks	¥ 506	\$ 4,657
Foreign bills of exchange bought	2	23
Foreign bills of exchange receivable	124	1,145
Total	¥ 634	\$ 5,827

9. Other Assets

As of March 31	Thousands of U.S. dollars	
	Millions of yen	2020
Domestic exchange settlement account, debit	¥ 661	\$ 6,074
Investment in Shinkin Central Bank	10,269	94,345
Prepaid expenses	38	354
Accrued income	1,461	13,422
Financial derivatives	—	—
Other	1,466	13,470
Total	¥13,896	\$127,667

10. Deposits

As of March 31	Thousands of U.S. dollars	
	Millions of yen	2020
Current deposits	¥ 136,998	\$ 1,258,599
Ordinary deposits	740,414	6,802,151
Savings deposits	8,817	81,003
Deposits at notice	14,986	137,683
Time deposits	1,467,540	13,482,223
Installment savings	58,933	541,418
Other deposits	51,018	468,700
Total	¥2,478,708	\$22,771,781

11. Other Liabilities

As of March 31	Thousands of U.S. dollars	
	Millions of yen	2020
Domestic exchange settlement account credit	¥ 824	\$ 7,571
Accrued expenses	2,354	21,629
Reserve for replenishing benefits	41	381
Accrued income taxes	41	385
Unearned income	803	7,377
Unsettle equity refunds	97	896
Equity to be redeemed	24	224
Financial derivatives	492	4,527
Asset retirement obligations	695	6,393
Other	1,031	9,473
Total	¥6,406	\$58,859

12. Other Income

As of March 31	Thousands of U.S. dollars	
	Millions of yen	2020
Gains on reversal of allowance for doubtful accounts	¥ 632	\$ 5,814
Gains on recovery of written-off claims	518	4,759
Gains on sale of stocks and other securities	26	245
Gain on Money Held in trust	123	1,139
Gains on disposal of fixed assets	—	—
Other	150	1,383
Total	¥1,452	\$13,341

13. Other Expenses

As of March 31	Thousands of U.S. dollars	
	Millions of yen	2020
Write-off of loans	¥ 283	\$ 2,606
Losses on sales of stocks and other securities	48	445
Losses on investment in money held in trust	—	—
Losses on disposal of fixed assets	434	3,987
Impairment losses	45	417
Other	252	2,316
Total	¥1,063	\$9,773

Auditor's Report

The Osaka City Shinkin Bank

HIBIKI AUDIT CORPORATION audited the Osaka City Shinkin Bank's balance sheets, statements of income and plans for surplus appropriations for the years 2019 and 2020. Auditing was carried out under the provisions of Article 38-2-3 of the Shinkin Bank Act.

Risk-Monitored Loans

	Millions of yen		Millions of U.S. dollars
	Mar 31, 2020	Mar 31, 2019	Mar 31, 2020
Loans to bankrupt entities	¥ 1,249	¥ 1,685	\$ 11
Loans in arrears	93,446	96,471	858
Loans in arrears 3 months or more	—	—	—
Loans whose conditions have been eased	2,446	4,183	22
Risk-monitored loans total (A)	97,142	102,339	892
Collateral and guarantees (B)	82,588	85,045	758
Reserve (C)	9,485	10,679	87
Protection ratio (B+C)/(A)	94.78%	93.54%	

Notes:

I. "Loans to bankrupt entities"

Loan assets for which interest receivable is not appropriated because the Bank does not expect payment of the interest or repayment of the capital, due to long delays in repayment of principal and interest on the part of the borrower, in which the borrower is any of the following:

- (1) A borrower who is alleged to have started procedures for reorganization under the stipulations of the Corporate Reorganization Act or the Act on Special Treatment of Corporate Reorganization Proceedings and Other Insolvency Proceedings of Financial Institutions
 - (2) A borrower who is alleged to have started procedures for reorganization under the stipulations of the Civil Rehabilitation Act
 - (3) A borrower who is alleged to have started bankruptcy procedures under the stipulations of the Bankruptcy Act
 - (4) A borrower who is alleged to have started special accounting under the stipulations of the Companies Act
 - (5) A borrower whose check clearing privileges have been suspended by a clearing house
2. "Loans in arrears"
Loans in arrears are made up of those loans recognized as bearing unrecovered interest, with the following exceptions:
- Loans classified under "Loans to bankrupt entities" above
 - Loans for which interest is unrecoverable as "suspended interest"
3. "Loans in arrears 3 months or more"
Loans for which repayment of the principal or interest is past the stipulated due date by three months or more (except those in 1 and 2 above).
4. "Loans whose conditions have been eased"
Loans for which special conditions have been negotiated to encourage repayment and to businesses in financial difficulty or in the process of restructuring (except those in 1, 2, and 3 above).
5. This balance is the amount before deducting amounts for collateral and guarantees. It should not be inferred that the entire balance is unrecoverable.
6. "Collateral and guarantees" 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.
7. "Reserve" is a reserve provided against "risk-monitored loans." It is smaller than the figure appearing on the balance sheet.
8. "Protection ratio" is the ratio of collateral, guarantees and reserves to all risk-monitored loans.

Items to Be Disclosed Relating to Structure of Equity Capital

Item	Millions of yen	Millions of U.S. dollars
	March 31, 2020	March 31, 2020
Basic items relating to core capital		
Members' equity relating to common shares or non-cumulative permanent preferred shares	¥ 92,627	\$ 850
Paid-in capital and capital surplus	28,201	259
Retained earnings	64,785	595
Estimated outflow	356	3
Other	(2)	(0)
Total reserves included in basic items relating to core capital	2,166	19
General reserve for possible loan losses included in core capital	2,166	19
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	484	4
Basic items relating to core capital	95,278	875
Adjustment items relating to core capital		
Total amount of intangible fixed assets (excluding those relating to mortgage servicing rights)	581	5
Amount not relating to goodwill and mortgage servicing rights	581	5
Deferred tax assets (excluding those relating to temporary differences)	36	0
Amount of adjustment items relating to core capital	617	5
Equity capital	94,660	869
Risk assets, etc		
Total credit risk assets	1,059,359	9,732
Total included in risk assets due to interim measures	1,262	11
Exposure for other financial institutions, etc.	(1,426)	(13)
Other	2,688	24
Total amount of operational risk equivalent divided by 8%	42,377	389
Total amount of risk assets, etc.	¥1,101,737	\$10,121
Capital adequacy ratio	8.59%	

Board of Directors

Chairman

Masao Kawamura

President

Satoshi Takahashi

Vice President

Hiroshi Fukuoka

Senior Managing Director

Kazuki Hatanaka

Managing Directors

Jinkazu Takegawa

Masumi Shingu

Toshiaki Aono

Minoru Kitano

Directors

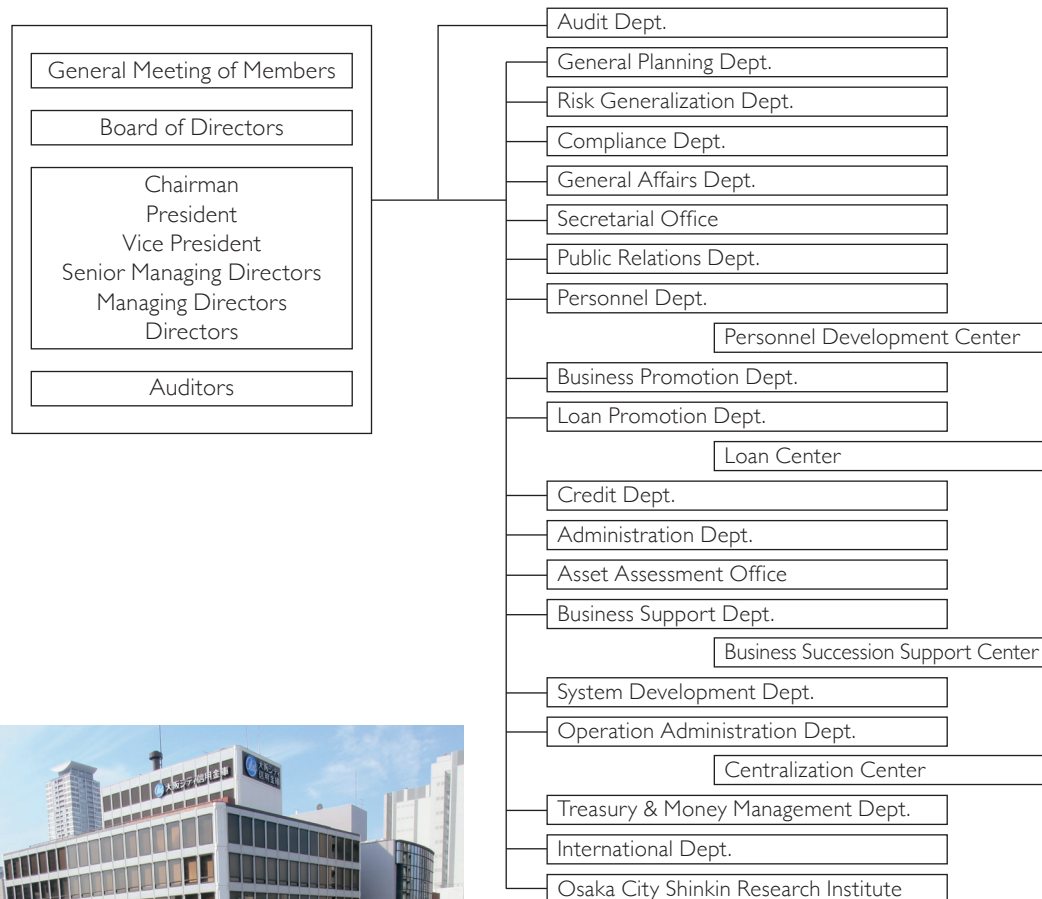
Takashi Kubo

Masanori Fujiwara

Auditors

Yasuo Okuda

Organization



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