

(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.