

FINANCIAL REVIEW

ANNUAL REPORT

2021

Profile

Throughout its 94 years, the Osaka City Shinkin Bank has grown together with Osaka, Japan's second largest city and a community the Bank is proud to serve. The Bank boasts a network of 87 office locations throughout Osaka Prefecture, making it one of the largest membership-based cooperative banks (shinkin banks) in Japan. Through this network, the Bank also provides a comprehensive range of international operations that Osaka requires as a city with an exciting future and ambitions that span the globe.

Message from the Management



Masao Kawamura
Chairman



Satoshi Takahashi
President

During the last fiscal year, the entire world was affected by the COVID-19 pandemic, with the movement of people and things greatly curtailed; the impact on lifestyles and economic activities was massive. Also, in the world of international politics, there was trade conflict between the US and China and a worsening of the global financial situation. The future is more unclear than ever.

Although Japan previously saw a recovery through factors such as a recovery in the effects of inbound tourism, the pandemic caused the biggest downturn since the postwar era. Our hometown of Osaka was also severely impacted. Small and medium-sized enterprises (SMEs) were particularly affected and after the dramatic transformation of the economic environment, the situation remained challenging. Both the public and private sectors did their utmost to support SMEs with financial relief and proactively pushed forward measures to assist with their management.

The pandemic has also led to the rapid uptake of teleworking, remote meetings, and other new ways of working that avoid the Three Cs (Closed spaces, Crowded places, and Close-contact settings) which have taken hold as the world adapts to this new normal. Alongside these changes, the digital transformation (DX) has picked up pace, and businesses are now required to have business models that are able to adapt to increasing digitalization.

The situation described above formed the backdrop to Smart Shinkin 2022, the medium-term management plan we launched in fiscal 2020. Our employees came together to work with a sense of urgency toward the plan's goal of becoming our customers' number one financial partner for problem resolution and for close ties to the region.

As well as promoting greater use of IT tools and digitalization, we have prioritized partners' business succession and supported them through financing during the pandemic. We have also been able to respond to consultations on a wide range of topics by establishing urgent consultation counters. Meanwhile, we have offered remote management consultations and online management seminars, among other things, to actively promote problem resolution for such topics as how to expand sales or about business continuation. Communication with customers needs to be two-way, and to that end we have both introduced concierges to branch lobbies and established facilities such as direct-sales locations for local produce and bicycle-sharing stations. By working with different industries in this way, we have worked to build a cyclical economy that will lead to regional revitalization.

In addition, to protect our customers, we are working to prevent financial crimes such as money laundering and sophisticated fraud schemes, and also strengthening our cyber-security countermeasures—more important than ever as more people conduct financial transactions online due to the pandemic. In these and other ways, we are further reinforcing our internal control system.

As a result of the various actions detailed above, our performance in fiscal 2020 was stable, just as it was in the preceding fiscal year, and we put ourselves on an even sounder footing.

Our goal for fiscal 2021 remains the same—to be our customers' number one financial partner for problem resolution. In line with our management philosophy of tripartite prosperity and our slogan—"serving the community by building trust"—our intent is to be a regional financial institution that is able to fully respond to customers' needs; that is our mission and that is what we will strive to deliver.

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 2021

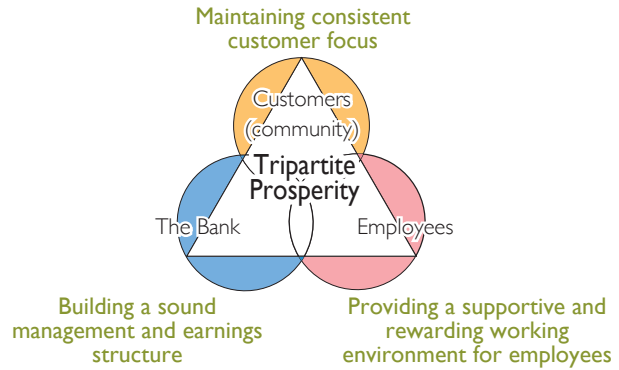
M. Kawamura
Masao Kawamura
Chairman

S. Takahashi
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 2021

Fiscal 2021 marks the midway point for our medium-term management plan, Smart Shinkin 2022. The year will be a vital one as we work to develop and evolve the information cycle aimed at problem resolution that we established in the plan's first year.

Last year, we undertook a range of initiatives in order to establish that cycle. These included thoroughly applying the TSPE (Task, Solution, Planning, Execute) cycle, establishing the IT Strategy Office to promote DX, bringing in lobby concierges to provide better two-way communication with customers, introducing an online business negotiation system, and launching online management consultations, among other things. We have been seeing results from our approach of establishing an information cycle aimed at resolving a variety of problems.

As a new part of our branch strategy, we started new collaborative businesses with companies in other business fields with the goal of creating a cyclical economy that can revitalize the region. Examples thus far include direct sales of local produce and bicycle-sharing stations.

We are heading toward the final year of our plan, an important year for making sure these initiatives take root and lead to business development. We sum up our basic policy with a slogan: “Closer and deeper relationships, faster responses.” We will carry out thorough measures, such as promoting problem-solving financing to ensure we are the main financial institution people turn to; enhancing our marketing through the use of IT; gathering and analyzing various kinds of data; strengthening customer contact points by integrating sales and finance tasks; and improving the efficiency of branch operations. More specifically, we are able to gather information via our liaison clerks or lobby concierges and analyzing that data can lead to new strategies. In this way we can promote targeted sales in fields such as problem-resolution financing or deposits. To improve our consulting capabilities, we have continued to train staff by sending them for training outside the Bank and we are further reinforcing head office backup capabilities (management support, business succession support, M&A, etc.) and our ability to make proposals.

In terms of risk management, we continue to bolster our efforts to improve the efficacy of our business continuation system, our cyber-security responses, and our measures to protect our customers from financial crime. Furthermore, by grasping the potential risks involved in our work processes and by reviewing how we screen such risks at head office, we will establish a resilient risk management system that garners the trust of the community. By linking together these various initiatives, we will improve the results these synergies provide to fulfill our goal of becoming our customers' number one financial partner for problem resolution and for close ties to the region.

Based on the above, we have formulated the following basic management policies for fiscal 2021.

Basic Management Policies

Overcoming difficulties together
Closer and deeper relationships, faster responses

1. Strengthen our problem resolution proposal capabilities and develop customer services, both through improved data analysis
2. Promote DX to allow better interaction with customers
3. Expand customer services founded on the UN's Sustainable Development Goals (SDGs) and environmental, social, and governance (ESG) perspectives
4. Develop the capabilities of team personnel with whom the philosophy has been shared
5. Improve overall risk control, reliability, and soundness of the Bank

Key Measures

1. Strengthen our problem resolution proposal capabilities and develop customer services, both through improved data analysis
 - (1) Enhance profitability by offering high-added-value problem resolution support through implementation of the TSPE cycle and data accumulation
 - (2) Push preparations toward achieving profitability for our lineup of problem resolution support services
 - (3) Collect, share, and analyze data related to problem resolution and use it to make proposals, which will strengthen our head office backup functions
2. Promote DX to allow better interaction with customers
 - (1) Achieve greater efficiencies for work tasks and advance the level of efficient, targeted marketing by utilizing AI
 - (2) Bolster the support we offer customers through life plans
 - (3) Augment customer contact points by integrating sales and loan tasks and increasing the efficiency of liaison clerk activities
3. Expand customer services founded on the UN's Sustainable Development Goals (SDGs) and environmental, social, and governance (ESG) perspectives
 - (1) Boost customer satisfaction levels by improving efficiency, such as by allowing counter tasks to be performed on tablets
 - (2) Resolve regional and partners' problems by developing new services and products that take the SDGs into consideration
 - (3) Create branches that can gather information and act as communication hubs through measures such as rebuilding and undertaking renovations
4. Develop the capabilities of team personnel with whom the philosophy has been shared
 - (1) Bolster training toward problem resolution support and to produce digitally literate staff and encourage employees' participation in various projects
 - (2) Upgrade measures designed to support employees, who are aware of the Bank's philosophy, as they expand their capabilities, discover new talents, and have the motivation to develop themselves
 - (3) Foster working environments where a variety of people want to work and can demonstrate their capabilities as part of a team
5. Improve overall risk control, reliability, and soundness of the Bank
 - (1) Make our business continuity system better to respond to the risk of infectious diseases, natural disasters, or other problems
 - (2) Introduce rational risk control that is highly sensitive to credit risk, operational risk, and other types of risk
 - (3) Cultivate an awareness of compliance based on a high sense of work ethics

Review of the Year

Financial and Economic Environment

Over the course of the previous fiscal year, the whole globe was affected by COVID-19 in a major way and people and goods no longer moved as they once did, severely impacting the economy. At the end of the fiscal year, there was a third wave of cases, particularly in Europe and the Americas, which led to more lockdowns. In addition, there were trade frictions between the US and China, as they continued to struggle for hegemony, and the global economy suffered. Even compared to the past, it is increasingly hard to predict what the future may hold.

Closer to home, there was something of a recovery thanks to an increase in the number of visitors to Japan, among other things, but the country then recorded its worst downturn since the period after World War II. Osaka, our home region, has also been badly affected. While we must remain wary of new strains of the virus, we are gradually moving toward the end of the pandemic as vaccinations and the development of therapies make progress. As such, it looks like positive trends that hint at economic recovery in the future are gaining traction.

For SMEs, the negative effects of COVID-19 meant that the economic environment continued to be extremely difficult. That required both public and private agencies to actively work to support SMEs through financial relief and put their energies into measures aimed at supporting their management.

Working from home and holding meetings remotely has become common as a new way of working as people avoid congregating in places to which any of the Three Cs (Closed spaces, Crowded places, and Close-contact settings) apply. This is just one of several conventional frameworks or systems that have changed as the new normal becomes established. The rate of DX is also progressing increasingly fast and we are being called on to construct a new business model that allows us to respond to digitalization.

Operating Policies

Fiscal 2020 marked the first year of our medium-term business plan, Smart Shinkin 2022. Everyone who works for the Bank has striven as one with due haste toward the main objectives of the plan: becoming our customers' number one financial partner for problem resolution and for close ties to the region.

Regarding our banking operations, we were led by our belief that ensuring our customers can continue to do business is our highest priority and to that end we supported them with financing and actively promoted ways to resolve their problems during the pandemic. These included services such as our remote management consultations and online management seminars that cater to a wide range of customer queries about such issues as expanding sales and organizing business successions.

To better provide two-way communication with customers, we introduced concierges to the lobbies of our branches and, as a new initiative, set up spaces for the direct sales of local produce or bicycle-sharing stations. These are parts of our initiative to create a system that promotes a cyclical economy aimed at regional revitalization.

Our new department, the IT Strategy Office, was established to promote the DX of our operations and we bolstered our efforts to use IT to meet a variety of customer needs and increase convenience.

To improve our employees' capabilities even further, and to train them in more advanced consulting skills, we have continued to dispatch employees to outside companies, offered proposals from problem solving financial project teams, and promoted their self-development through online tools.

In addition to the above, we are enhancing our business management system by strengthening our business continuity system, working to prevent financial crimes such as money laundering or sophisticated fraud schemes, bolstering our cyber-security countermeasures, and upgrading our crisis management systems.

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 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 12 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 6 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 ¥2,623.8 billion.

During the pandemic, we have actively been supporting our customers with financing and our outstanding loan balance totaled ¥1,434.9 billion.

Net income for core operations totaled ¥3.738 billion; ordinary income was ¥3.753 billion; and net income for the period amounted to ¥3.221 billion. In addition, our capital adequacy ratio was 9.59%.

Issues and Outlook for the Bank in Fiscal 2021

The Japanese economy in fiscal 2021 will continue to be affected by the COVID-19 pandemic and so the situation is forecast to remain very unclear.

The effects of the pandemic will gradually lessen, though, as vaccination programs make progress and drug treatments are developed. Between this and a recovery in foreign demand and economic measures introduced by the government, the chances of gentle economic recovery in the latter half of the fiscal year are growing.

On the financing side, to minimize the impact of the pandemic on SMEs there will need to be a strong recovery in the regional economy, which we can help bring about by offering management support to our business partners.

In this current environment, the business plan for fiscal 2021 revolves around the following five basic policies.

(1) Strengthen our problem resolution proposal capabilities and develop customer services, both through improved data analysis.

(2) Promote DX to allow better interaction with customers.

(3) Expand customer services founded on the UN's Sustainable Development Goals (SDGs) and environmental, social, and governance (ESG) perspectives.

(4) Develop the capabilities of team personnel with whom the philosophy has been shared.

(5) Improve overall risk control, reliability, and soundness of the Bank.

Fiscal 2021 is the middle year of the medium-term management plan, Smart Shinkin 2022. We will expand upon and evolve the information cycle we established during the first year to aid in problem resolution and implement the measures outlined in the plan, in order to overcome difficulties together with the region and customer during pandemic conditions with closer and deeper relationships and faster responses.

In particular, to increase the opportunities we have to communicate with customers, we will strengthen initiatives using IT, and by fusing face-to-face and non-face-to-face transactions we plan to offer high added-value problem-resolution such as through management support, business succession, and sales channel expansion.

In order to further expand our two-way communication with customers and the region, and help resolve issues, we will more effectively manage our information cycle, which takes a multifaceted approach to collecting data to propose and implement problem-resolving measures.

Also, to improve our consulting capabilities, we are continuing to dispatch employees for training outside the Bank alongside other forms of training. We will accurately discover and grasp customer needs and issues, and further improve our ability to make proposals.

As COVID-19 continues to impact on the economy, we are working flat out to construct a business model that will allow us to respond to the environment, whether it be a new normal, a future in which we learn to live with COVID-19, or even a post-COVID-19 world. We are putting all our efforts into supporting our partners and the region and through closer ties we will contribute to the revitalization of the regional economy, its development, and its growth.

To achieve the goal of our medium-term management plan—to be our customers' number one financial partner for problem resolution—all of our employees are coming together to work with all diligence as members of a financial institution that aims to serve society and our intention is to strive to further strengthen our management foundations.

We thank you all for your continued patronage and support.

Establishment of a Framework for Compliance

The Osaka City Shinkin Bank works hard to establish a compliance framework of the highest thoroughness and efficacy, based on the Osaka City Shinkin Bank Action Guidelines.

What Is Compliance?

“Compliance” refers to compliance with applicable laws, regulations and guidelines. In the case of the Bank, it refers to strict observance of all laws applicable to its operations, the Bank’s own internal regulations and principles, and rules of conduct generally accepted in society.

The 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

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 and other regulations, support the achievement of the Bank’s public mission and social responsibilities, and work diligently for the benefit of customers, as stipulated below:

1) We will always remain aware of the social mission and impact on society we have as a bank, and endeavor to achieve sound, responsible business operations.

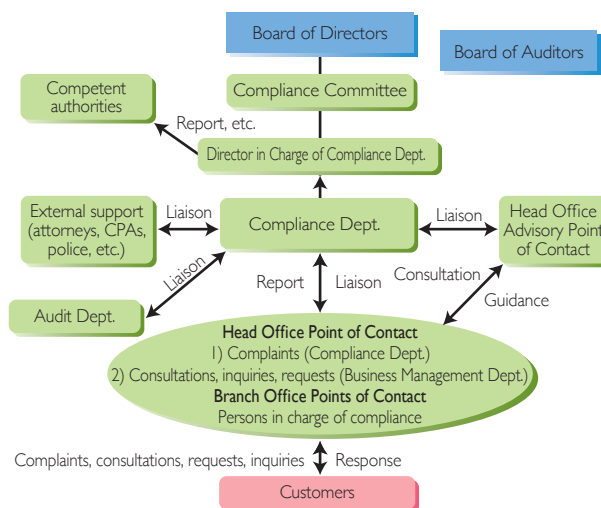
- 2) As well as the functions we have through being part of the infrastructure that supports economic activities, we use our original ideas and ingenuity and through our customer-centric business operations we will respond to our customers’ needs. Equally, we will contribute to the development of the regional economy and community by providing high-quality financial and non-financial services that consider appropriate safeguards for customers’ revenue earning ability. This might include improving customers’ security levels or securing business continuity to prepare for terrorism, cyber-attacks, or natural disasters—all of which threaten citizens’ lifestyles or corporate activities.
- 3) We will construct a robust system of internal controls, striving to prevent violations of laws and regulations.
- 4) We will actively disclose management information and other data effectively and fairly to develop fuller communication with the regional community. Through constructive dialogue with our many different stakeholders, we will gain the understanding and trust of society and improve our corporate value.
- 5) We will respect the human rights of all.
- 6) We will provide working styles that respect the diverse backgrounds, personalities, and individuality of all those who work for us. We will ensure the working environments we offer take health and safety into full consideration.
- 7) As well as working to utilize finite resources effectively and reduce the amount we waste, we will work to tackle environmental issues, such as by providing financial services that contribute to conservation activities.
- 8) We will remain cognizant of the fact that our existence and development is reliant on being part of the community. By evolving with society as a good corporate citizen, we will be an active member of society and aid that development.
- 9) We will decisively exclude and ban all relations with anti-social forces which threaten social order and safety. With international society also facing terrorism and other threats, we are working hard to enhance our measures against money laundering or the funding of terrorism.

Compliance Framework

To establish a robust framework for compliance, the Osaka City Shinkin Bank has constructed the management framework shown in the chart below, headed by a board of directors.

Compliance Framework

As of June 2021



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

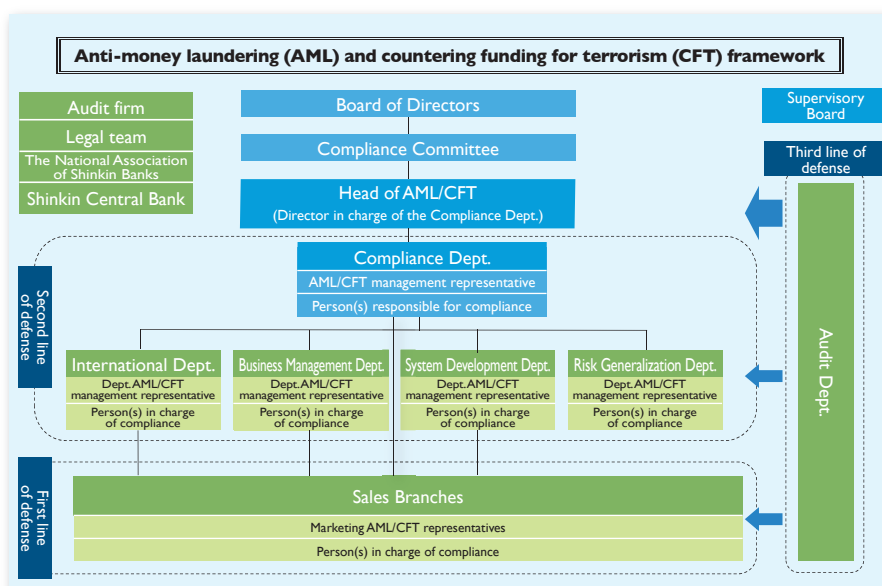
Establishment of fundamental regulations on measures against money laundering and terrorism financing

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.
- (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.

6. Secure management of personal information

The Bank will enact measures necessary for the appropriate management of customers' personal information to prevent its leaking, loss, or damage.

7. Outsourcing

The Bank may outsource the handling of personal information in cases such as those detailed below. Where we do, we will supervise the outside contractor as appropriate to ensure the secure management of customer or other personal information.

- Tasks related to the issuance or shipping of cash cards
- Tasks related to the operation or maintenance of information systems
- Tasks related to direct marketing
- Tasks related to direct debit data transfers

International Business Support

With its specialist expertise and ability to provide international financial payments and mediation, the Osaka City Shinkin Bank is able to offer comprehensive support, which is vital for SMEs looking overseas. The Bank helps businesses looking to become involved in import/export, or trying to establish or run a local subsidiary as a base for overseas manufacture or sales and can advise on new financing for such or on other related topics.

In 2011, the Bank established the Asia Business Support Desk within the International Department to provide specialist support for customers wishing to expand abroad. Both sales branch staff and staff from the aforementioned help desk are able to offer timely support on a face-to-face basis.

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 according to VaR, price fluctuation risk, and exchange rate risk. The Bank also measures the interest risk of profit margin moneys (loans, deposits, and the like) on a monthly basis and keeps the amount of risk it takes on within the range of its risk capital.

For credit risk, the Bank uses a system for quantifying credit risk to calculate VaR in credit risk.

Notes:

^{*1} Value at Risk (VaR)

VaR is the maximum possible future loss at a specified range of probability. It is used to manage risk through statistical measurement. The Bank deals and measures market risk and credit risk using a 99% confidence level, a data observation period of one year and a holding period of one year (250 operating days).

^{*2} Operational risk

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

Credit Risk Management

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

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

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

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

Furthermore, the Management Improvement Support Team 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 infectious diseases. 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)
	2021	2020	2021
Assets			
Cash	¥ 27,247	¥ 28,517	\$ 246,133
Due from banks	969,606	816,703	8,758,866
Monetary claims purchased (Note 5)	7,769	13,200	70,183
Securities (Note 4, 5 & 6)	434,001	414,243	3,920,522
Loans and bills discounted (Note 7)	1,434,920	1,282,963	12,962,240
Foreign exchange (Note 8)	880	634	7,953
Other assets (Note 9)	14,336	13,896	129,504
Tangible fixed assets	27,599	27,512	249,315
Intangible fixed assets	943	806	8,521
Deferred tax assets	6,890	7,505	62,244
Customers' liabilities for acceptances and guarantees	11,744	10,341	106,097
Reserve for possible loan losses	(10,457)	(11,807)	(94,465)
Total Assets	¥2,925,482	¥2,604,518	\$26,427,119
Liabilities and Net Assets			
Liabilities			
Deposits (Note 10)	¥2,623,879	¥2,478,708	\$23,702,615
Borrowed money	181,600	9,600	1,640,469
Foreign exchange	2	1	26
Other liabilities (Note 11)	5,283	6,406	47,729
Reserve for bonuses	1,068	1,066	9,651
Reserve for directors' bonuses	45	45	406
Reserve for retirement allowances	1,265	1,221	11,431
Reserve for directors' retirement bonuses	478	432	4,320
Reserve for point losses	68	70	623
Reserve for repayment of dormant accounts	202	225	1,825
Reserve for contingency losses	237	284	2,149
Deferred tax liabilities related to land revaluation	1,489	1,490	13,455
Acceptances and guarantees	11,744	10,341	106,097
Total Liabilities	¥2,827,366	¥2,509,895	\$25,540,802
Net Assets			
Paid-in capital	¥ 26,695	¥ 26,883	\$ 241,149
Common shares	13,945	14,133	125,973
Preferred shares	4,362	4,362	39,408
Other shares	8,387	8,387	75,767
Capital surplus	1,317	1,317	11,903
Capital surplus reserve	1,317	1,317	11,903
Retained earnings	67,654	64,785	611,148
Legal reserve	11,504	11,104	103,921
Other retained earnings	56,150	53,681	507,227
Special reserve	52,701	50,201	476,072
[Reserve for management stabilization]	[5,050]	[5,050]	[47,529]
[Reserve for accelerated depreciation of land]	[737]	[737]	[6,937]
Unappropriated retained earnings	3,448	3,480	31,155
Unsettled equity	(1)	(2)	(15)
Total Members' Equity	¥ 95,665	¥ 92,984	\$ 864,185
Valuation differences of available-for-sale securities	¥ 1,255	¥ 439	\$ 11,342
Deferred hedge income (loss)	—	1	—
Excess of land revaluation	1,194	1,197	10,788
Total Differences in Evaluation and Conversion	2,449	1,639	22,131
Total Net Assets	98,115	94,623	886,317
Total Liabilities and Net Assets	¥2,925,482	¥2,604,518	\$26,427,119

Non-Consolidated Statements of Income and Retained Earnings

Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Income			
Interest and dividend income	¥ 23,280	¥ 22,877	\$ 210,305
Interest on loans and discounts	18,545	17,834	167,529
Interest on deposits	1,017	887	9,194
Interest on call loans	—	0	—
Dividends on securities	3,411	3,808	30,820
Other	305	347	2,761
Fees and commissions	3,358	3,431	30,339
Other operating income	916	1,113	8,280
Other income (Note 12)	1,355	1,452	12,243
Total Income	¥ 28,911	¥ 28,874	\$ 261,169
Expenses			
Interest expenses	¥ 1,825	¥ 2,316	\$ 16,489
Interest on deposits	1,783	2,263	16,114
Transferred supplementary reserve for installment savings	23	29	211
Interest on borrowings	2	3	20
Interest paid on interest swaps	15	18	140
Other	0	0	0
Fees and commissions	1,194	1,211	10,787
Other operating expenses	1,145	732	10,346
General and administrative expenses	19,984	20,167	180,530
Other expenses (Note 13)	1,203	1,063	10,869
Total Expenses	¥ 25,352	¥ 25,490	\$ 229,024
Income before income taxes	3,558	3,383	32,144
Income taxes: current	38	45	346
Income taxes: deferred	298	322	2,693
Net Income	¥ 3,221	¥ 3,016	\$ 29,104
Statements of Retained Earnings			
Balance at beginning of year	¥ 223	¥ 463	\$ 2,017
Additions:			
Net income	3,221	3,016	29,104
Reversal of revaluation reserve	3	—	32
Unappropriated retained earnings	3,448	3,480	31,155
Appropriations:			
Transfer to legal reserve	400	400	3,613
Dividends	278	282	2,519
Dividends paid to preferred shares (issued March 2004)	15	15	142
Dividends paid to preferred shares (issued March 2006)	58	58	526
Special reserve	2,500	2,500	22,583
Amount carried forward (balance at end of year)	¥ 195	¥ 223	\$ 1,770

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 ¥110.70 to US\$1.00, the rate prevailing on March 31, 2021.

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 loans losses for borrowers who are not currently legally bankrupt but are likely to become bankrupt is provided based on the amount considered to be necessary, based on the overall solvency assessment of the amounts after deductions of the expected collectable amount through the disposal of collateral or through the execution of guarantees.

For claims extended to other obligors, reserves for the next one or three years are maintained at rates derived from historical credit loss or bankruptcy experience for one or three years. Adjustments, according to future prospects or for other reasons, are made as necessary.

All loans are assessed by sales-related business departments based on internal rules for the self-assessment of assets. The results of these self-assessments are audited by asset auditing departments that are independent of those business departments.

In the case of loans extended by the Bank to borrowers who are classified as legally/substantially bankrupt, the amount remaining after deductions of the amount of collateral considered to be disposable and the amount recoverable under guarantees is set off from the original outstanding loan balance. The amount of such write-offs totaled ¥26,356 million in the year ended March 31, 2021.

d) The reserve for retirement allowances is calculated based on the projected benefit obligation and the estimated amount of pension assets at the end of the current business year. In calculating the projected benefit obligation, the method of

attributing the estimated value of retirement benefits to the period up to the current business year conforms to standards for a periodic fixed-amount benefit. The methods of recognizing past service cost and actuarial gain or loss are as follows:

Past service cost: Recognized by the straight-line method over 10 years, which is the estimated average remaining years of service of the employees at the time cost is incurred.

Actuarial gain or loss: Amount distributed by the straight-line method over 10 years, which is the estimated average remaining years of service of the employees at the time the gain or loss is incurred in each business year, is recognized from the following business year after each gain or loss is incurred.

e) Estimates used in these statements are amounts included in calculation documents pertaining to the fiscal year under review. The following items are those that may exert a significant influence on calculation documents for the following fiscal year.

Reserve for possible loan losses ¥10,457 million

The reserve for possible loan losses is calculated using the method outlined in c) as a significant accounting policy. The main assumption made is the future performance forecast for borrowers judged to be debtors. This forecast is set on an individual basis, on each debtor's ability to earn revenue. While the impact on the economy that comes with the spread of COVID-19 is set to continue for a period of time, we are working on the assumption that the pandemic will gradually come to an end during the next fiscal year and beyond.

There may be changes to individual borrowers' performance or other situations, including if pandemic conditions evolve, and in such cases the assumptions used for the original estimate will need to be changed. In such cases, the reserve for possible loan losses in calculation documents for the following fiscal year may be significantly affected.

Deferred tax assets ¥6,890 million

Recognized deferred tax assets are estimates based on the amount and period of taxable income in line with future business plans. These estimates may be affected by future changes to uncertain economic criteria and so may differ from actual amounts and periods of taxable income. In such cases, the amount of deferred tax assets in calculation documents for the following fiscal year may be significantly affected.

f) Based on the Act on Revaluation of Land (Act No. 34 of March 31, 1998), the Bank revalued its land used for business operations. The difference in taxes based on the resulting difference in valuation was appropriated under liabilities as a "deferred tax liability related to land revaluation." The revalued amount with the aforementioned difference in taxes subtracted was appropriated under net assets as "excess of land revaluation."

Date of revaluation: March 31, 1999.

Method of revaluation, as stipulated in Article 3, Section 3 of the Act on Revaluation of Land: a reasonable value is determined using the official method stipulated by the Director-General of the National Tax Administration Agency for the calculation of the value of land that forms the basis of calculation of land taxes under Article 16 of the Land Prices Act.

Difference between the total current value at end of the fiscal year under review of land used for operations and the total book value of said land used for operations, after revaluation as stipulated in Article 10 of the Land Prices Act: ¥4,718 million.

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

Deferred tax assets	
Reserve for possible loan losses:	¥8,733 million
Reserve for retirement allowances:	¥353 million
Tax loss carried forward	¥152 million
Other:	¥2,177 million
Deferred tax assets – Subtotal:	¥11,416 million
Valuation reserve:	(¥3,633 million)
Deferred tax assets – Total:	¥7,782 million
Deferred tax liabilities	
Land appraisal profit:	¥121 million
Valuation differences of available-for-sale securities:	¥486 million
Reserve for accelerated depreciation of land:	¥284 million
Deferred tax liabilities – Total:	¥892 million
Deferred tax assets – Net:	¥6,890 million
h) Net income per share is ¥11.21.	

3. Trading Securities

No applicable transactions

4. Held-to-Maturity Bonds with Market Value

	Millions of yen	Thousands of U.S. dollars
As of March 31	2021	2021
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

	Millions of yen	Thousands of U.S. dollars
As of March 31	2021	2021
Securities whose balance-sheet value exceeds acquisition cost		
Stocks		
Balance-sheet value	¥ 881	\$ 7,958
Acquisition cost	527	4,760
Difference	354	3,197
Bonds		
Balance-sheet value	¥210,450	\$1,901,084
Acquisition cost	207,574	1,875,103
Difference	2,875	25,971
National government bonds		
Balance-sheet value	¥ 24,835	\$ 224,345
Acquisition cost	23,690	214,001
Difference	1,144	10,334
Municipal government bonds		
Balance-sheet value	¥ 15,988	\$ 144,426
Acquisition cost	15,770	142,457
Difference	218	1,969
Corporate bonds		
Balance-sheet value	¥169,626	\$1,532,303
Acquisition cost	168,114	1,518,644
Difference	1,512	13,658
Other		
Balance-sheet value	¥ 36,920	\$ 333,514
Acquisition cost	36,308	327,985
Difference	611	5,519
Subtotal		
Balance-sheet value	¥248,253	\$2,242,574
Acquisition cost	244,411	2,207,868
Difference	3,842	34,706
Securities whose balance-sheet value does not exceed acquisition cost		
Stocks		
Balance-sheet value	¥ 215	\$ 1,942
Acquisition cost	250	2,258
Difference	(34)	(307)
Bonds		
Balance-sheet value	¥148,953	\$1,345,555
Acquisition cost	150,192	1,356,747
Difference	(1,238)	(11,183)
National government bonds		
Balance-sheet value	¥ 29,739	\$ 268,644
Acquisition cost	30,052	271,472
Difference	(312)	(2,818)
Municipal government bonds		
Balance-sheet value	¥ 26,254	\$ 237,163
Acquisition cost	26,330	237,850
Difference	(75)	(677)
Corporate bonds		
Balance-sheet value	¥ 92,958	\$839,728
Acquisition cost	93,808	847,407
Difference	(850)	(7,678)
Other		
Balance-sheet value	¥ 43,384	\$ 391,906
Acquisition cost	44,212	399,385
Difference	(827)	(7,470)
Subtotal		
Balance-sheet value	¥192,554	\$1,739,421
Acquisition cost	194,654	1,758,392
Difference	(2,100)	(18,970)
Total		
Balance-sheet value	¥440,807	\$3,981,996
Acquisition cost	439,065	3,966,260
Difference	1,741	15,727

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	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Stocks of subsidiaries (Note 1)			
Balance-sheet value	¥ 58		\$ 523
Unlisted stocks (Note 1)			
Balance-sheet value	400		3,613
Investments in partnerships (Note 2)			
Balance-sheet value	504		4,552
Total	¥ 963		\$ 8,699

Note: 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	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Bills discounted	¥ 23,899	¥ 39,008	\$ 215,895
Loans on notes	11,625	21,957	105,020
Loans on deeds	1,382,234	1,199,824	12,486,305
Overdrafts	17,160	22,172	155,018
Total	¥1,434,920	¥1,282,963	\$12,962,240

8. Foreign Exchange (Assets)

As of March 31	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Due from foreign banks	¥ 813	¥ 506	\$7,346
Foreign bills of exchange bought	7	2	64
Foreign bills of exchange receivable	60	124	542
Total	¥ 880	¥ 634	\$7,953

9. Other Assets

As of March 31	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Domestic exchange settlement account, debit	¥ 508	¥ 661	\$ 4,594
Investment in Shinkin Central Bank	10,269	10,269	92,768
Prepaid expenses	52	38	475
Accrued income	2,022	1,461	18,272
Other	1,482	1,466	13,392
Total	¥14,336	¥13,896	\$129,504

10. Deposits

As of March 31	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Current deposits	¥ 176,561	¥ 136,998	\$ 1,594,950
Ordinary deposits	932,906	740,414	8,427,342
Savings deposits	9,314	8,817	84,142
Deposits at notice	2,411	14,986	21,782
Time deposits	1,426,875	1,467,540	12,889,567
Installment savings	57,205	58,933	516,758
Other deposits	18,605	51,018	168,070
Total	¥2,623,879	¥2,478,708	\$23,702,615

11. Other Liabilities

As of March 31	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Domestic exchange settlement account credit	¥ 810	¥ 824	\$ 7,324
Accrued expenses	2,292	2,354	20,704
Reserve for replenishing benefits	36	41	325
Accrued income taxes	41	41	379
Unearned income	646	803	5,835
Unsettle equity refunds	94	97	852
Equity to be redeemed	49	24	445
Financial derivatives	0	492	8
Asset retirement obligations	711	695	6,429
Other	600	1,031	5,423
Total	¥5,283	¥6,406	\$47,729

12. Other Income

As of March 31	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Gains on reversal of allowance for doubtful accounts	¥ -	¥ 632	\$ -
Gains on recovery of written-off claims	1,031	518	9,321
Gains on sale of stocks and other securities	17	26	155
Gain on Money Held in trust	94	123	854
Gains on disposal of fixed assets	115	-	1,042
Other	96	150	869
Total	¥1,355	¥1,452	\$12,243

13. Other Expenses

As of March 31	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Transfer to reserve for possible loan losses	¥ 136	¥ -	\$ 1,233
Write-off of loans	647	283	5,849
Losses on sales of stocks and other securities	22	48	206
Amortization of other assets	1	-	17
Losses on disposal of fixed assets	122	434	1,107
Impairment losses	164	45	1,488
Other	107	252	966
Total	¥1,203	¥1,063	\$10,869

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 2020 and 2021. 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, 2021	Mar 31, 2020	Mar 31, 2021
Loans to bankrupt entities	¥ 1,077	¥ 1,249	\$ 9
Loans in arrears	94,096	93,446	850
Loans in arrears 3 months or more	—	—	—
Loans whose conditions have been eased	1,934	2,446	17
Risk-monitored loans total (A)	97,107	97,142	877
Collateral and guarantees (B)	85,268	82,588	770
Reserve (C)	7,229	9,485	65
Protection ratio (B+C)/(A)	95.25%	94.78%	

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, 2021	March 31, 2021
Basic items relating to core capital		
Members' equity relating to common shares or non-cumulative permanent preferred shares	¥ 95,312	\$ 860
Paid-in capital and capital surplus	28,012	253
Retained earnings	67,654	611
Estimated outflow	352	3
Other	(1)	(0)
Total reserves included in basic items relating to core capital	1,975	17
General reserve for possible loan losses included in core capital	1,975	17
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	362	3
Basic items relating to core capital	97,650	882
Adjustment items relating to core capital		
Total amount of intangible fixed assets (excluding those relating to mortgage servicing rights)	680	6
Amount not relating to goodwill and mortgage servicing rights	680	6
Deferred tax assets (excluding those relating to temporary differences)	79	0
Amount of adjustment items relating to core capital	759	6
Equity capital	96,891	875
Risk assets, etc.		
Total credit risk assets	967,134	8,736
Total included in risk assets due to interim measures	1,255	11
Exposure for other financial institutions, etc.	(1,427)	(12)
Other	2,683	24
Total amount of operational risk equivalent divided by 8%	42,713	385
Total amount of risk assets, etc.	¥1,009,847	\$9,122
Capital adequacy ratio	9.59%	

Board of Directors

Chairman
Masao Kawamura

President
Satoshi Takahashi

Vice President
Hiroshi Fukuoka

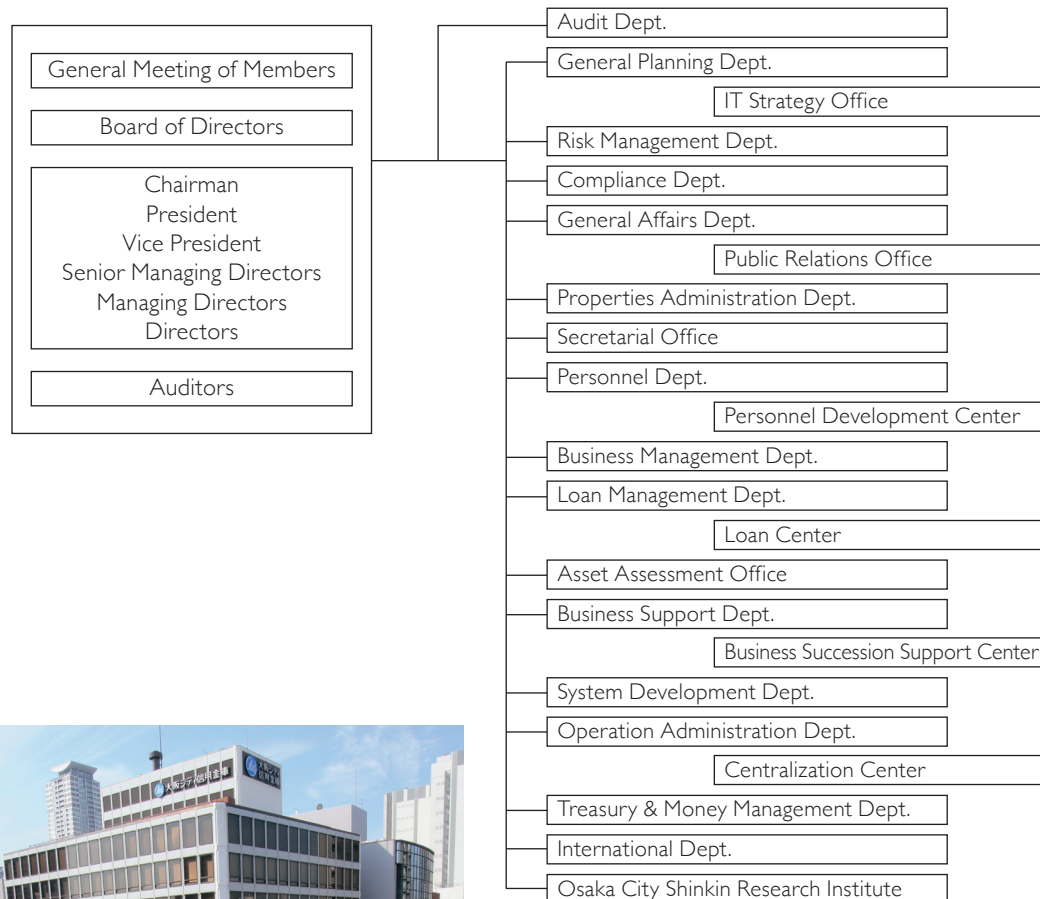
Senior Managing Director
Kazuki Hatanaka

Managing Director
Minoru Kitano

Directors
Takashi Kubo
Masanori Fujiwara
Akira Ono
Masayuki Kuroda
Hitoshi Omoto

Auditor
Hideki Morimoto

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