

(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.