

- (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.

### 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 ¥2,542.1 billion.

We have actively been supporting our customers with problem-resolving financing and our outstanding loan balance totaled ¥1,412.7 billion.

Net income for core operations totaled ¥4.855 billion; ordinary income was ¥5.013 billion; and net income for the period amounted to ¥4.274 billion. In addition, our capital adequacy ratio was 10.22%.

### Issues and Outlook for the Bank in Fiscal 2024

Regarding the Japanese economy in fiscal 2024, while stock prices are the highest that they have ever been, the impact of geopolitical risks continues to be felt, and there are concerns that the downturn in the Chinese economy and changes to interest rates and the market environment could affect the economy in Japan.

That said, the recovery in inbound tourism demand and support for personal consumption coming from tax cuts, expanded investment particularly in semiconductors, and improvements to recruitment and pay conditions mean that we expect to see a gentle recovery.

In this current environment, the business plan for fiscal 2024 features five basic policies: (1) building up human capital through growth support for personnel and reforms to personnel systems; (2) encouraging deeper support for problem-resolution and speedier responses; (3) promoting initiatives to help toward a more sustainable regional community; (4) enacting measures that contribute to productivity and stable improvements to profitability; and (5) implementing risk management and compliance to flexibly respond to changes in the business environment.

This fiscal year is the middle year for Smart Shinkin Stock 2025, our three-year medium-term management plan, and we are steadily implementing measures outlined in the plan, summed up by our desire to continue to take on challenges and act with our community, to promote the plan's main policy of building up resources in three key types of capital ("stock"): human capital, regional capital, and equity capital.

As such, we will work to enhance our consulting capabilities and IT literacy, improve training systems to make personnel training the heart of our efforts, and build up human capital.

Another aim is to gather information and accumulate expertise, which are key to resolving our business partners' problems, and to study and utilize this data with AI to uncover their issues and enhance our proposal capabilities. As well as speedily responding to a vast array

of management queries—covering topics such as business creation, how to enter new fields, decarbonization, sales channel expansion, business succession, and DX support—we will endeavor to discover new business and cutting-edge technologies that can contribute to the development of Osaka's core industries, and by doing so build up regional capital.

Meanwhile, we will boost productivity by switching to digital and paperless operations and by comprehensively implementing these measures, we will build up and improve the quality of our equity capital.

In addition, we will ensure regional contribution activities that consider the SDGs and decarbonization are effective, and make a contribution to the sustainable development of the regional economy.

Alongside this, on the risk management front, as there are signs the market environment may undergo dramatic change, we are improving our ability to respond to risk more than ever, and are bolstering our governance approach through stronger internal and external audits.

Furthermore, we will implement initiatives to protect customers, employees, and the region through training in areas such as money laundering countermeasures, compliance, and cyber-attacks.

Based on our management philosophy of tripartite prosperity and our slogan—"serving the community by building trust"—executives and other employees are coming together and working diligently on their tasks so we can be our customers' number one financial partner for problem resolution and for close ties to the region. At the moment, we are working to further strengthen our management foundations.

We thank you all for your continued patronage and support.