

FINANCIAL REVIEW Annual Report 2025

Profile

Throughout its 98 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 85 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 Chairman & President



Satoshi Takahashi
Representative Director and Chairman



Hiroshi Fukuoka
President

Looking back on the last fiscal year, there continued to be no end in sight for inflation in Europe and North America, Russia's invasion of Ukraine, or the situation in the Middle East, and instability continued with rising geopolitical and economic risks.

In Japan, meanwhile, soaring material and energy costs caused by the weakness of the yen, as well as the raising of interest rates and other factors, have had a significant impact. On the other hand, growing demand among visitors to Japan and the new construction of semiconductor factories are signs of a move toward economic recovery.

In Osaka, our home, there are rising expectations for sustainable growth in the future, thanks to aspects such as the economic and R&D boosts from Expo 2025, including the announcement of new products and the opening of Grand Green Osaka, as well as the building of the new Naniwasuji Line for the Osaka Metro.

Amid all this, fiscal 2024 was the middle year of Smart Shinkin Stock 2025, our medium-term management plan, during which all of our employees, including executives, worked together as one on various measures to achieve the plan's targets.

In particular, we focused our energies on developing personnel who can work to address the wide range of issues our customers face—such as through support for sales channel expansion, digital transformations (DX), or personnel affairs, as well as help with topics such as business succession, mergers and acquisitions (M&As), asset management, and inheritance consultations. At the same time, we increased the number of support sites staffed by specialists, and worked to speed up the process by which we can make problem-solving proposals.

Expo 2025 Osaka, Kansai opened in April, and we ran an exhibition at its Osaka Healthcare Pavilion venue, entitled "Future Lifestyle: Smart Room," with the aim of creating new core industries that will carry Osaka forward into the future.

Elsewhere, to better protect our customer's treasured wealth, we endeavored to further strengthen our internal management framework, to enhance the effectiveness of our measures in collaboration with Osaka Prefectural Police to prevent financial crimes like sophisticated fraud schemes, and our money laundering and cyber-security countermeasures.

The outcome of this was that, despite the harsh business conditions, we were able to continue on from the previous fiscal year in securing stable financial results in fiscal 2024, and we were able to strengthen our core management structure by further improving our capital adequacy ratio.

Furthermore, on July 1, we took up new positions as representative director and chairman, and president. In fiscal 2025, too, our aim is to be our customers' number one financial partner for problem resolution and for close ties to the region, as espoused by our desire to open up the future for the world from here in Osaka. Moreover, based on our management philosophy of tripartite prosperity and our slogan—"serving the community by building trust"—we will do our best to fulfill our mission as a regional financial institution that can accurately respond to customer needs.

This report has been created to give a fuller understanding of the management policies and the current status of operations of the Osaka City Shinkin Bank. We hope that we can continue to enjoy your even greater patronage and support.

July 2025



Satoshi Takahashi
Representative Director and Chairman

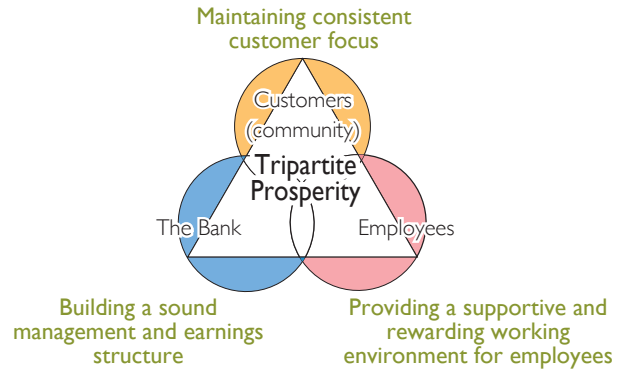


Hiroshi Fukuoka
President

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 2025

Fiscal 2025 is the final year of the medium-term management plan Smart Shinkin Stock 2025, and the year in which we bring to completion our efforts to be our customers’ number one financial partner for problem resolution and for close ties to the region, and our building up of resources in three key types of capital. We will make use of these three—human capital, regional capital, and equity capital—that we have accumulated over the last two years, to create value to provide to customers and advance our highly sophisticated, comprehensive solutions.

Last fiscal year, we strategically ran personnel training cycles, developed dedicated staff and certified certain employees as masters of their profession. These and other activities helped to boost our ability to resolve issues. The establishment, and then expansion, of a support office inside the Business Support Department successfully accelerated support for these efforts. With a multitude of other initiatives—including launching community brunches, starting trials of generative AI and digital signage ads, and paying back priority investments in their entirety—the middle year of the medium-term management plan was effective in implementing the approach that had been prepared in the first.

This year is positioned as a vital one to create the results from these initiatives. Specifically, this means turning initiatives listed as the most important in the medium-term management plan—further enhancing personnel development, and improving consulting capabilities and IT literacy—into problem-solving results. We will work as a team with the goal of speeding up and promoting support for problem resolution, and advance diverse management consultations. Additionally, in line with our hope for Expo 2025 to open up the future for the world from here in Osaka, we plan to use these initiatives to build up even more regional capital.

More than anything else, this fiscal year is one on which to work together as a bank to optimize our core systems. This will involve promote measures to improve operational efficiency and productivity, such as by updating groupware and moving to paperless operations. As a result, we will raise top-line revenue, and strategically implement initiatives aimed at cutting costs, while simultaneously building up equity capital so we can withstand a certain degree of risk-taking. By doing so, we will further improve our financial soundness.

The year 2027 is a major milestone for us, marking as it does the 100th anniversary of our bank. As we work comprehensively toward this landmark, we will further enhance our efforts in the field of problem-solving finance, to act as an engine for growth going into the future.

In terms of risk management, we will work to raise our ability to counter risks associated with major market environment fluctuations, and further enhance our governance approach. To protect customers, employees, and the region, we will go further to enhance our ability to adapt to a multitude of risks, such as financial crime, money laundering,

and cyber-attacks.

These will help us to be our customers’ number one financial partner for problem resolution and for close ties to the region, and our building up of resources in three key types of capital—two aspects of our current medium-term management plan—and will lead into our next plan.

Based on the above, we have formulated the following basic management policies for fiscal 2025.

Basic Management Policies & Key Measures

Opening up the future for the world from here in Osaka

This fiscal year, as the third and final year of the current medium-term management plan, we will make it a year of creating results from the construction and implementation phases of the first and second years, and will focus our energies on the five points below.

Amidst a harsh economic environment, we will look to our 100th anniversary and ensure all employees, including executives, respect one another and demonstrate their combined strengths to be our customers’ number one financial partner for problem resolution and for close ties to the region.

1. Promote initiatives to maximize and optimally utilize human capital
 - (1) Advance efforts to make personnel growth cycles more effective
 - (2) Develop personnel and teams that are flexible and full of a spirit of taking on challenges
 - (3) Reform personnel systems to adapt to environmental changes to enhance desire to, and ease of, work
2. Create business models and stable revenue bases by improving productivity and problem-solving capabilities
 - (1) Expand top-line revenue to strengthen communication and problem-solving capabilities
 - (2) Provide new services and improved productivity through constructing new network systems, AI use, and operational multitasking.
 - (3) Make advancements in fund management capabilities by implementing flexible market operations
3. Drive support for problem solving to help improve corporate value
 - (1) Bolster our information utilization and problem-solving support approach by developing support offices and AI and other DX efforts
 - (2) Secure appropriate revenue levels by pushing commercialization of problem-solving support options
 - (3) Propose solutions that balance speed and quality and enhance continuous, accompanied support
4. Encourage regional revitalization activities based around Expo 2025
 - (1) Put forward continuous efforts to open up the future with the region, such as by spreading awareness of SMEs’ technologies through Expo 2025
 - (2) Offer business partners continuous SDGs support in areas such as climate change and decarbonization, and propel regional contribution activities
 - (3) Strengthen face-to-face relationships by using our branches as regional information hubs
5. Enact compliance efforts to build trust and enhance risk management
 - (1) Conduct integrated risk management to respond to environmental changes and ensure effectiveness of business continuity planning
 - (2) Build trust by advancing measures to combat money laundering, prevent financial crime, and boost cyber-security
 - (3) Toughen our internal controls and compliance posture by embodying our management philosophy

Review of the Year

Financial and Economic Environment

Last fiscal year was an eventful one for the Japanese economy; the national policy of negative interest rates was replaced with positive ones for the first time in 17 years, inflation continued, and the Nikkei Stock Average reached a new high for the first time in 34 years. On the other hand, the outlook in overseas markets grew increasingly opaque, with factors such as continuing high prices and inflation, changes in the global economy resulting from a Chinese slowdown and Trump's changing policies on tariffs in the US, and geopolitical risks such as the war in Ukraine or the situation in the Middle East.

Back in Japan, meanwhile, the employment and salary environment is gradually improving, and there is grounds for positivity about a recovery with renewed demand among visitors to Japan and the opening of new facilities such as data centers and semiconductor factories.

That said, the problems of a shrinking population, low birthrates, and the aging of society is making rapid progress. Depopulation in rural areas, worker shortages, and the lack of business successors are making responding to these changes to the structure of society a pressing issue.

In our home of Osaka, expectations have been raised for the economic benefits that come with holding Expo 2025, as well as for announcements there about SMEs technologies and products. The area is also seeing infrastructure being gradually developed to prepare for the full opening of Grand Green Osaka and the opening of the new Naniwasuji Line.

On the financial front, the Bank of Japan has changed its financial policy to take us back into a world of positive interest rates. In addition to cash deposits, there are an increasingly diverse array of ways for individuals to manage their assets, such as new NISA accounts or investing in stocks. Additionally, we have been picking up the pace of our efforts to enhance operational efficiency through improved generative AI and digitalizing various tasks; in this way, we are pushing ahead with significant reforms.

For SMEs, as in the previous year, rocketing material and logistics prices are continuing, and they are feeling increasing pressure from cost rises, including personnel cost increases due to labor shortages. They have not been able to fully pass on these rises yet through price increases, and so the business environment is harsher than ever.

Financial institutions, therefore, are called on not just to support fundraising in order to address issues, they have to further strengthen their consulting functions for areas such as sales channel expansion, DX, management improvements, business succession, personnel placement, subsidy applications, mortgages, inheritance, and asset formation.

Operating Policies

Fiscal 2024 was the middle year of our medium-term management plan, Smart Shinkin Stock 2025. To achieve the plan's goal of becoming our customers' number one financial partner for problem resolution and for close ties to the region, we worked with a sense of urgency to solidify this position.

As well as efforts to enhance our problem-solving capabilities through the strategic implementation of

personnel training cycles and development of dedicated staff. We have also established and expanded a support office in the Business Support Department, and accelerated our support for resolving business partners' problems. In addition to running a community branch (a new kind of facility), we have started trials into generative AI, and paid back priority investments in their entirety. Through such efforts, we worked steadily on items from the medium-term management plan.

Moreover, to protect our customers, we also worked to further strengthen our internal management framework, by enhancing the effectiveness of our money laundering and cyber-security countermeasures, preventing financial crimes like sophisticated fraud schemes, and reinforcing our crisis management approach.

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 their 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.

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 ¥2,572 billion.

We have actively been supporting our customers with problem-resolving financing and our outstanding loan balance totaled ¥1,412.4 billion.

Net income for core operations totaled ¥5.03 billion; ordinary income was ¥5.249 billion; and net income for the period amounted to ¥4.464 billion. In addition, our capital adequacy ratio was 11.14%.

Issues and Outlook for the Bank in Fiscal 2025

Regarding the Japanese economy in fiscal 2025, there are a number of factors that cause concern over their potential impact. These include unprecedentedly high geopolitical risks, global economy fluctuations caused by the US' flip-flopping policies, economic slowdown in China, and changes to market conditions such as share prices and interest rates.

Despite all this, demand among visitors to Japan, increased investment in areas such as semiconductors, and improvements to the employment and salary environment are just some of the factors suggesting a gentle recovery is underway.

In this current environment, the business plan for fiscal 2025 features five basic policies: (1) promoting initiatives to maximize and optimally utilize human capital; (2) creating business models and stable revenue bases by improving productivity and problem-solving capabilities; (3) driving support for problem solving to help improve corporate value; (4) encouraging regional revitalization activities based around Expo 2025; and (5) enacting compliance efforts to build trust and enhance risk management.

This fiscal year is the final year for Smart Shinkin Stock 2025, our medium-term management plan. To promote the building up of resources in three key types of capital (human, regional, and equity) detailed in the plan, we will steadily implement its measures.

By improving consulting capabilities and IT literacy, and enhancing training systems, we will ensure personnel development is at the core of our operations and strive to build up our human capital.

All employees, including executives, will work as a team with the goal of speeding up and promoting support for problem resolution, and advance diverse management consultations. Additionally, in line with our hope for Expo 2025 to open up the future for the world from here in Osaka, we plan to use these initiatives to build up even more regional capital.

Additionally, we will work to optimize our core systems,

promote measures to improve operational efficiency and productivity, and raise top-line revenue. At the same time, we will strategically implement initiatives aimed at cutting costs, and make qualitative improvements to our equity capital as we build it up.

In 2027, we will reach a major milestone: the 100th anniversary of our founding. As we work comprehensively toward this landmark, we will further enhance our efforts in the field of problem-solving finance, to act as an engine for growth going into the future. In terms of risk management, we will work to raise our ability to counter risks associated with major market environment fluctuations, and further enhance our governance approach. To protect customers, employees, and the region, we will go further to enhance our ability to adapt to a multitude of risks, such as financial crime, money laundering, 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.

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.

The Bank's Compliance Framework

In order to foster a corporate climate stressing compliance and to establish a compliance framework, we formulated our Compliance Code of Conduct for matters that must be observed by directors and employees, including a 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.

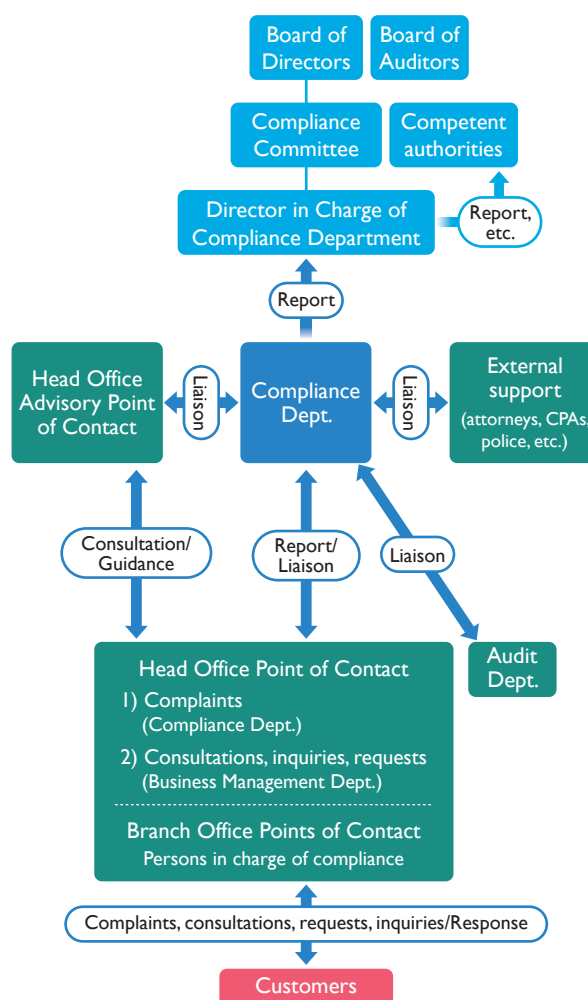
- 8) We will remain cognizant of the fact that our existence and development is reliant on being part of the community. By evolving with society as a good corporate citizen, we will be an active member of society and aid that development.
- 9) We will decisively exclude and ban all relations with anti-social 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 2025



Basic Policy on Criminal Organizations

As the Bank completely refutes any relationships with criminal organizations that threaten social order and safety or interfere with the sound development of the economy and society, it has set out, and complies fully with, its Basic Policy on Criminal Organizations.

Measures Against Money Laundering, Terrorism Financing, and Proliferation Financing

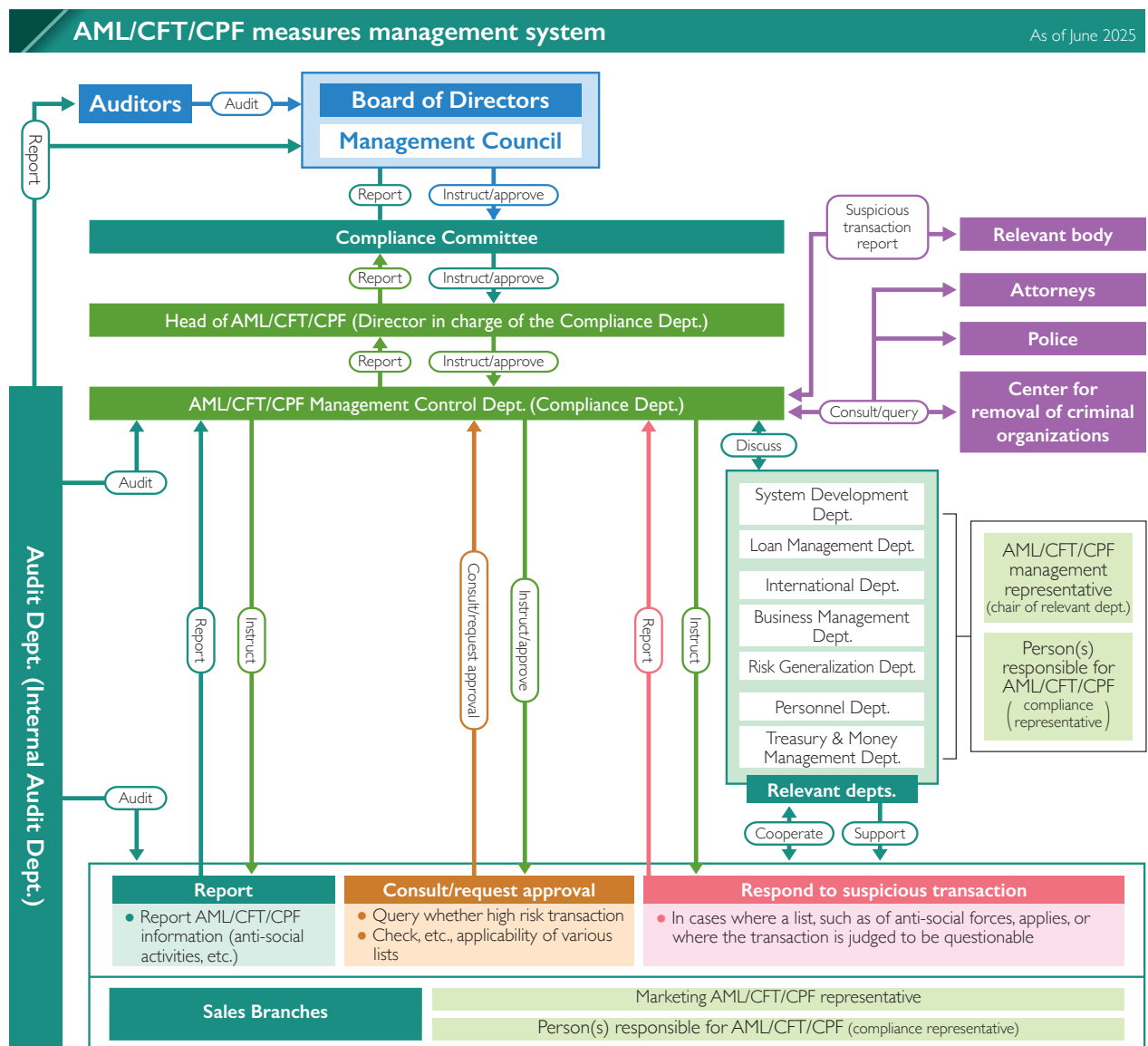
In response to the full enforcement of the revised Act on Prevention of Transfer of Criminal Proceeds in October 2016, management system and compliance items such as identity verification at the time of transactions and notification of suspicious transactions have been revised, and the industry has been practicing strict compliance regarding prevention of the acceptance of illegal funds and involvement in illegal transactions.

At the Bank too, we are working hard on increasingly complex and sophisticated anti-money laundering, countering the financing of terrorism, and countering proliferation financing (AML/CFT/CPF) measures in collaboration with relevant institutions, in order to protect the safe and secure lives and transactions of customers.

As part of that, we send requests to confirm the purpose of transactions and other matters to customers we have relationships with, and, while taking care to protect personal information, we periodically have customers present identification, and check the occupation, purpose of transaction, and other information relating to the customer.

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.

Also, our specific management systems for AML/CFT/CPF measures are as follows.



AML, CFT, and CPF Policies

As it works to prevent money laundering, terrorism financing, and proliferation financing, including abiding by national and international economic sanctions, the Osaka City Shinkin Bank has set out basic policies and put in place management systems.

Basic Policy on Internal Control Systems (Overview)

The Bank works on strengthening the internal controls that ensure it has the internal environment required for appropriate business operations. It has formulated its Basic Policy on Internal Control Systems to form the basis of its efforts to secure effective systems.

Privacy Policy Declaration

The Bank believes that the trust of its customers is of the utmost importance. As such, to ensure that personal information (such as personal details or customer numbers) is protected and used appropriately, the Bank complies with laws related to the protection of personal information, laws governing the use of numbers to identify specific individuals as part of administrative procedures, guidelines related to personal information protection in the finance field, and other related laws and regulations concerning the protection of personal information. It also works continuously to make improvements and to safeguard the accuracy and confidentiality of such information.

International Business Support

With its specialist expertise and ability to provide financial payments, 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 international trade, or trying to establish a local subsidiary as a base for manufacture or sales.

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 branch staff and staff from the aforementioned support desk are able to offer speedy support on a face-to-face basis through visits and remote interaction.

For customers looking to engage in international transactions, expand their foreign sales channels, or improve their results by establishing and operating 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 and related matters 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,*¹ 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)*² in market risk and credit risk. To manage operational risk, 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 Operational risk

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

*² 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).

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, which cuts across the Management Improvement Support Center and related departments of the Loan Management Department, 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 cyber-crime, 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. Moreover, based on our Cyber-security Countermeasure Manual, the Bank is putting in place a system that aims to prevent damage from cyber-attacks by stopping

them before they occur, or minimizing damage to customers or Bank operations if they do. The Bank is also making efforts to improve security by blocking unauthorized access from external connections such as the Internet, and preventing information leaks via computer viruses. Regarding increasingly high-level, sophisticated cyber-attacks, it works with external institutions to monitor and analyze threats to its information systems, 24 hours a day, 365 days a year.

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 and e-learning 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. In order to recover rapidly from such an event, it has also created the Basic Business Continuity Plan and formulated other rules and manuals. Furthermore, to ensure that first responses to an emergency are calm rather than panicked, the Bank carries out periodic experiential and assembly drills, and is working to improve effectiveness by identifying issues, making improvements, and fostering a greater awareness among employees.

Non-Consolidated Balance Sheets

Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Assets			
Cash	¥ 29,415	¥ 29,292	\$ 196,760
Due from banks	710,038	739,901	4,749,422
Monetary claims purchased (Note 5)	3,451	2,010	23,088
Securities (Notes 4, 5 & 6)	461,707	411,228	3,088,343
Loans and bills discounted (Note 7)	1,412,490	1,412,758	9,448,099
Foreign exchange (Note 8)	705	698	4,720
Other assets (Note 9)	17,075	17,801	114,215
Tangible fixed assets	32,798	31,386	219,385
Intangible fixed assets	646	635	4,321
Deferred tax assets	14,135	10,081	94,552
Customers' liabilities for acceptances and guarantees	12,798	15,143	85,607
Reserve for possible loan losses	(9,536)	(10,442)	(63,790)
Total Assets	¥ 2,685,726	¥ 2,660,496	\$ 17,964,727
Liabilities and Net Assets			
Liabilities			
Deposits (Note 10)	¥ 2,572,021	¥ 2,542,169	\$ 17,204,157
Borrowed money	200	1,050	1,337
Foreign exchange	76	22	513
Other liabilities (Note 11)	13,173	6,450	88,116
Reserve for bonuses	1,059	1,045	7,088
Reserve for directors' bonuses	30	30	200
Reserve for retirement allowances	669	972	4,479
Reserve for directors' retirement bonuses	410	363	2,748
Reserve for point losses	62	63	421
Reserve for repayment of dormant accounts	160	164	1,074
Reserve for contingency losses	316	226	2,116
Deferred tax liabilities related to land revaluation	1,434	1,400	9,598
Acceptances and guarantees	12,798	15,143	85,607
Total Liabilities	¥ 2,602,415	¥ 2,569,101	\$ 17,407,460
Net Assets			
Paid-in capital	¥ 26,344	¥ 26,490	\$ 176,217
Common shares	13,594	13,740	90,933
Preferred shares	—	1,225	—
Other shares	12,750	11,525	85,284
Capital surplus	1,317	1,317	8,814
Capital surplus reserve	1,317	1,317	8,814
Retained earnings	73,607	71,906	492,357
Legal reserve	13,204	12,704	88,321
Other retained earnings	60,403	59,202	404,035
Special reserve	55,431	54,899	370,776
Unappropriated retained earnings	4,972	4,302	33,258
Unsettled equity	(2)	(0)	(16)
Total Members' Equity	¥ 101,267	¥ 99,714	\$ 677,372
Valuation differences of available-for-sale securities	¥ (18,988)	¥ (9,386)	\$ (127,012)
Excess of land revaluation	1,032	1,067	6,906
Total Differences in Evaluation and Conversion	(17,955)	(8,319)	(120,105)
Total Net Assets	83,311	91,394	557,267
Total Liabilities and Net Assets	¥ 2,685,726	¥ 2,660,496	\$ 17,964,727

Non-Consolidated Statements of Income and Retained Earnings

Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Income			
Interest and dividend income	¥ 24,736	¥ 23,219	\$ 165,464
Interest on loans and discounts	18,939	18,423	126,688
Interest on deposits	2,909	2,313	19,462
Dividends on securities	2,599	2,205	17,387
Other	287	276	1,925
Fees and commissions	3,250	3,125	21,745
Other operating income	364	860	2,435
Other income (Note 12)	1,098	630	7,348
Total Income	¥ 29,450	¥ 27,835	\$ 196,993
Expenses			
Interest expenses	¥ 3,030	¥ 1,492	\$ 20,274
Interest on deposits	3,011	1,467	20,146
Transferred supplementary reserve for installment savings	16	17	107
Interest on borrowings	0	0	2
Interest paid on interest swaps	2	6	17
Fees and commissions	1,017	997	6,802
Other operating expenses	274	821	1,834
General and administrative expenses	18,978	19,141	126,949
Other expenses (Note 13)	1,082	826	7,242
Total Expenses	¥ 24,383	¥ 23,279	\$ 163,103
Income before income taxes	5,066	4,556	33,889
Income taxes: current	691	33	4,624
Income taxes: deferred	(89)	248	(600)
Net Income	¥ 4,464	¥ 4,274	\$ 29,865
Statements of Retained Earnings			
Balance at beginning of year	¥ 507	¥ 90	\$ 3,393
Additions:			
Net income	4,464	4,274	29,865
Reversal of revaluation reserve	–	(62)	–
Unappropriated retained earnings	4,972	4,302	33,258
Appropriations:			
Transfer to legal reserve	500	500	3,344
Dividends	270	273	1,810
Dividends paid to preferred shares (issued March 2006)	–	22	–
Special reserve	3,500	3,000	23,411
Amount carried forward (balance at end of year)	¥ 701	¥ 507	\$ 4,692

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 ¥149.50 to US\$1.00, the rate prevailing on March 31, 2025.

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). Stocks of subsidiaries are stated at moving average cost. Available-for-sale securities are stated at market value based on their price at the year end (sale cost is primarily calculated as moving average cost), while those with no market value are stated at moving average cost.

Valuation difference on available-for-sale securities is 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 ¥13,999 million in the year ended March 31, 2025.

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 ¥9,536 million

The reserve for possible loan losses is calculated using the method outlined in c) as a significant accounting policy. The assumption made is the future performance forecast for borrowers judged to be debtors. This forecast is set on an individual basis, based on each debtor's ability to earn revenue. Future performance forecasts assume that the current management environment, with increased costs resulting from soaring raw material and energy prices, will remain challenging for the time being. Therefore, for debtors whose performance is projected to worsen based on forecasts of the business environment going forward, the reserve for possible loan losses contains a reserve amount calculated assuming downgraded debtor status. Furthermore, if the assumptions used for the initial estimate have changed, due to factors such as changes in performance of the individual borrower, this may exert a significant influence on the reserve for possible loan losses in calculation documents for the following fiscal year.

Deferred tax assets ¥14,135 million

The Bank calculates these estimates within the scope deemed to be recoverable based on factors such as company classification determination and scheduling of deductible temporary differences in accordance with ASBJ Guidance No. 26 Implementation Guidance on Recoverability of Deferred Tax Assets. 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 financial statements 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: ¥3,983 million.

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

Deferred tax assets	
Reserve for possible loan losses:	¥5,080 million
Reserve for retirement allowances:	¥191 million
Valuation differences of available-for-sale securities:	¥7,605 million
Other:	¥2,160 million
Deferred tax assets – Subtotal:	¥15,037 million
Valuation reserve:	(¥497 million)
Deferred tax assets – Total:	¥14,540 million
Deferred tax liabilities	
Land appraisal profit:	¥100 million
Reserve for accelerated depreciation of land:	¥292 million
Other:	¥11 million
Deferred tax liabilities – Total:	¥404 million
Deferred tax assets – Net:	¥14,135 million

(Additional information)

As a result of the enactment of the Act for Partial Amendment of the Income Tax Act (Act No.13 of 2025) as on March 31, 2025, to amend deferred tax assets and the amount of related liabilities due to changes in corporation and other tax rates, for fiscal years beginning on or after April 1, 2026, businesses will face a special surtax to fund defense spending. In line with this, the statutory effective tax rate used to calculate deferred tax assets and the amount of related liabilities (previously 27.91%) will temporarily become 28.6% for fiscal years beginning on or after April 1, 2026, although the temporary differences due to the tax change are predicted to be resolved. Under this new tax rate, our results for the fiscal under review would change in the following ways: deferred tax assets increases by ¥127 million; valuation differences of available-for-sale securities decreases by ¥183 million; and deferred income taxes decreases by ¥134 million. Deferred tax liabilities related to land revaluation increases by ¥34 million, while the excess of land revaluation decreases by the same amount.

h) Net income per share is ¥16.37.

3. Trading Securities

No applicable transactions

4. Held-to-Maturity Bonds with Market Value

As of March 31	Millions of yen		Thousands of U.S. dollars	
	2025	2025	2025	2025
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	¥	200	\$	1,337
Current value		193		1,290
Difference		(6)		(40)
Corporate bonds				
Balance-sheet value	¥	39,899	\$	266,882
Current value		38,855		259,899
Difference		(1,044)		(6,983)
Other				
Balance-sheet value	¥	3,000	\$	20,066
Current value		2,830		18,929
Difference		(169)		(1,130)
Subtotal				
Balance-sheet value	¥	43,099	\$	288,287
Current value		41,880		280,133
Difference		(1,219)		(8,153)
Total				
Balance-sheet value	¥	43,099	\$	288,287
Current value		41,880		280,133
Difference		(1,219)		(8,153)

Notes: 1. Current value is based on year-end market value, etc.
2. "Other" in this table includes foreign bonds.

5. Other Securities with Market Value

As of March 31	Millions of yen	Thousands of U.S. dollars
	2025	2025
Securities whose balance-sheet value exceeds acquisition cost		
Stocks		
Balance-sheet value	¥ 1,110	\$ 7,424
Acquisition cost	441	2,949
Difference	668	4,468
Bonds		
Balance-sheet value	¥ 6,898	\$ 46,140
Acquisition cost	6,843	45,772
Difference	55	367
National government bonds		
Balance-sheet value	¥ 3,204	\$ 21,431
Acquisition cost	3,168	21,190
Difference	36	240
Municipal government bonds		
Balance-sheet value	¥ 13	\$ 86
Acquisition cost	12	80
Difference	0	0
Corporate bonds		
Balance-sheet value	¥ 3,681	\$ 24,622
Acquisition cost	3,662	24,494
Difference	18	120
Other		
Balance-sheet value	¥ 1,175	\$ 7,859
Acquisition cost	1,030	6,889
Difference	145	969
Subtotal		
Balance-sheet value	¥ 9,184	\$ 61,431
Acquisition cost	8,315	55,618
Difference	868	5,806
Securities whose balance-sheet value does not exceed acquisition cost		
Stocks		
Balance-sheet value	¥ 147	\$ 983
Acquisition cost	168	1,123
Difference	(21)	(140)
Bonds		
Balance-sheet value	¥ 370,541	\$ 2,478,535
Acquisition cost	396,226	2,650,341
Difference	(25,685)	(171,806)
National government bonds		
Balance-sheet value	¥ 85,507	\$ 571,953
Acquisition cost	92,524	618,889
Difference	(7,017)	(46,936)
Municipal government bonds		
Balance-sheet value	¥ 77,932	\$ 521,284
Acquisition cost	84,737	566,802
Difference	(6,804)	(45,511)
Corporate bonds		
Balance-sheet value	¥ 207,101	\$ 1,385,290
Acquisition cost	218,964	1,464,642
Difference	(11,863)	(79,351)
Other		
Balance-sheet value	¥ 40,953	\$ 273,933
Acquisition cost	42,710	285,685
Difference	(1,757)	(11,752)
Subtotal		
Balance-sheet value	¥ 411,643	\$ 2,753,464
Acquisition cost	439,106	2,937,163
Difference	(27,463)	(183,698)
Total		
Balance-sheet value	¥ 420,827	\$ 2,814,896
Acquisition cost	447,421	2,992,782
Difference	(26,594)	(177,886)

- 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 stocks and others with no market price and investments in partnerships.

6. Stocks and Others with No Market Price and Investments in Partnerships

As of March 31	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Stocks of subsidiaries (Note 1)			
Balance-sheet value	¥ 58		\$ 387
Unlisted stocks (Note 1)			
Balance-sheet value	188		1,257
Investments in partnerships (Note 2)			
Balance-sheet value	984		6,581
Total	¥ 1,231		\$ 8,234

Notes: 1. Stocks of subsidiaries and unlisted stocks are excluded from market value based disclosure in accordance with section 5 of ASBJ Guidance No. 19 Guidance on Disclosures about Fair Value of Financial Instruments (March 31, 2020).

2. Investments in partnerships are excluded from market value based disclosure in accordance with section 24-16 of ASBJ Guidance No. 31 Implementation Guidance on Accounting Standard for Fair Value Measurement (June 17, 2021).

7. Loans and Bills Discounted

As of March 31	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Bills discounted	¥ 17,048	¥ 26,386	\$ 114,033
Loans on notes	11,078	12,996	74,105
Loans on deeds	1,355,611	1,349,792	9,067,638
Overdrafts	28,752	23,583	192,321
Total	¥1,412,490	¥1,412,758	\$ 9,448,099

8. Foreign Exchange (Assets)

As of March 31	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Due from foreign banks	¥653	¥648	\$4,371
Foreign bills of exchange receivable	52	49	349
Total	¥705	¥698	\$4,720

9. Other Assets

As of March 31	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Domestic exchange settlement account, debit	¥ 993	¥ 1,446	\$ 6,645
Investment in Shinkin Central Bank	13,269	13,269	88,759
Prepaid expenses	62	51	418
Accrued income	1,579	1,753	10,563
Financial derivatives	2	-	19
Other	1,167	1,280	7,808
Total	¥17,075	¥17,801	\$114,215

10. Deposits

As of March 31	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Current deposits	¥ 178,351	¥ 171,462	\$ 1,192,985
Ordinary deposits	1,009,911	1,000,696	6,755,258
Savings deposits	8,471	8,710	56,664
Deposits at notice	3,318	1,781	22,196
Time deposits	1,305,184	1,299,608	8,730,331
Installment savings	45,449	47,664	304,011
Other deposits	21,335	12,245	142,709
Total	¥2,572,021	¥2,542,169	\$17,204,157

11. Other Liabilities

As of March 31	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Domestic exchange settlement account credit	¥ 1,313	¥2,242	\$ 8,787
Accrued expenses	3,119	2,236	20,869
Reserve for replenishing benefits	24	25	163
Accrued income taxes	591	38	3,958
Unearned income	856	563	5,727
Unsettle equity refunds	94	104	633
Equity to be redeemed	46	46	309
Financial derivatives	-	7	-
Lease obligations	13	16	87
Asset retirement obligations	778	761	5,208
Other	6,334	406	42,373
Total	¥13,173	¥6,450	\$88,116

12. Other Income

As of March 31	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Gains on reversal of allowance for doubtful accounts	¥ 382	¥ -	\$ 2,556
Gains on recovery of written-off claims	675	468	4,518
Gains on sale of stocks and other securities	-	13	-
Gain on money held in trust	31	33	209
Other	9	114	64
Total	¥1,098	¥ 630	\$ 7,348

13. Other Expenses

As of March 31	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Transfer to reserve for possible loan losses	¥ -	¥ 52	\$ -
Write-off of loans	447	209	2,994
Losses on sales of stocks and other securities	-	6	-
Losses on disposal of fixed assets	148	318	995
Impairment losses	33	138	227
Other	452	102	3,025
Total	¥ 1,082	¥ 826	\$ 7,242

Auditor's Report

HIBIKI AUDIT CORPORATION audited the Osaka City Shinkin Bank's financial statements for fiscal 2023 and 2024. Auditing was carried out under the provisions of Article 38-2-3 of the Shinkin Bank Act.

Coverage and reserve conditions of disclosed loans based on the Shinkin Bank Act (risk management loans) and disclosed claims based on the Financial Reconstruction Act

	Millions of yen		Millions of U.S. dollars
	Mar 31, 2025	Mar 31, 2024	Mar 31, 2025
Bankrupt or de-facto bankrupt	¥ 40,604	¥ 36,018	\$ 271
Doubtful (In danger or bankruptcy)	46,142	55,759	308
Special attention	2,404	1,209	16
Loans in arrears 3 months or more	—	—	—
Loans whose conditions have been eased	2,404	1,209	16
Subtotal (a)	89,150	92,987	596
Normal loans and claims	1,336,647	1,335,503	8,940
Total	1,425,798	1,428,490	9,537
Coverage amount (b)	86,883	90,587	581
Portion of loans and claims secured by collateral or guarantees, etc. (c)	80,182	83,998	536
Reserve (d)	6,701	6,589	44
Protection ratio (%) (b) / (a)	97.46	97.42	
Reserve rate (%) (d) / ((a) - (c))	74.72	73.31	

1. "Bankrupt or de-facto bankrupt"

Loans to borrowers who have fallen into bankruptcy for reasons such as commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, or commencement of reorganization proceedings.

2. "Doubtful (in danger of bankruptcy)"

Loans for which final collection of principal and interest in line with original agreements is highly improbable due to deterioration of financial position and business performance, but not insolvency of the borrower (except those in 1).

3. "Special attention"

Total amount of loans classified as "Loans in arrears for 3 months or more" and loans classified as "Loans whose conditions have been eased" in the Shinkin Bank Act.

4. "Loans in arrears for 3 months or more"

Loans for which repayment of the capital or interest is past the stipulated due date by three months or more (except those in 1 and 2 above).

5. "Loans whose conditions have been eased"

Loans for which special conditions have been negotiated that are favorable to the borrower, such as reduction of interest rate, delay of interest payment, delay of capital repayment, or debt forgiveness, to encourage management reorganization of the borrower (except those in 1, 2, and 4 above).

6. "Normal loans and claims"

Loans for which there are no particular problems in terms of the financial situation or operating results of the borrower; i.e., loans other than those in 1, 2, and 3 above.

7. "Portion of loans and claims secured by collateral or guarantees, etc." (c) 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.

8. "Reserve" (d) is calculated by excluding general reserves for possible loan losses for normal loans and claims.

9. Loans in the categories "Bankrupt or de-facto bankrupt," "Doubtful (in danger of bankruptcy)," and "Normal loans and claims" appear in the balance sheet as: corporate bonds under securities (only those for which redemption of principal and all or part of interest payments are guaranteed, and for which issue of the said bond is "private placement of securities" (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act)), loans and bills discounted, foreign exchange, accrued interest and suspense payments under other assets, and customers' liabilities for acceptances and guarantees, and securities in the case when there is lending of securities indicated in the note (only loans for use based on an agreement and lending based on an agreement).

Items to Be Disclosed Relating to Structure of Equity Capital

Item	Millions of yen	Millions of U.S. dollars
	March 31, 2025	March 31, 2025
Basic items relating to core capital		
Members' equity relating to common shares or non-cumulative permanent preferred shares	¥ 100,996	\$ 675
Paid-in capital and capital surplus	27,662	185
Retained earnings	73,607	492
Estimated outflow (-)	270	1
Other	(2)	(0)
Total reserves included in basic items relating to core capital	1,673	11
General reserve for possible loan losses included in core capital	1,673	11
Basic items relating to core capital	102,670	686
Adjustment items relating to core capital		
Total amount of intangible fixed assets (excluding those relating to mortgage servicing rights)	461	3
Amount not relating to goodwill and mortgage servicing rights	461	3
Deferred tax assets (excluding those relating to temporary differences)	—	—
Amount of adjustment items relating to core capital	461	3
Equity capital	102,208	683
Risk assets, etc.		
Total credit risk assets	879,385	5,882
Total amount of operational risk equivalent divided by 8%	38,105	254
Total amount of risk assets, etc.	¥ 917,491	\$ 6,137
Capital adequacy ratio	11.14%	

Organizational Data

As of July 1, 2025

Board of Directors

Representative Director and Chairman

Satoshi Takahashi

President

Hiroshi Fukuoka

Vice Presidents

Kazuki Hatanaka

Minoru Kitano

Managing Directors

Takashi Kubo

Masanori Fujiwara

Masayuki Kuroda

Keiji Matsubara

Directors

Akira Ono

Hitoshi Omoto

Kazuo Hanada

Seiichiro Sakai

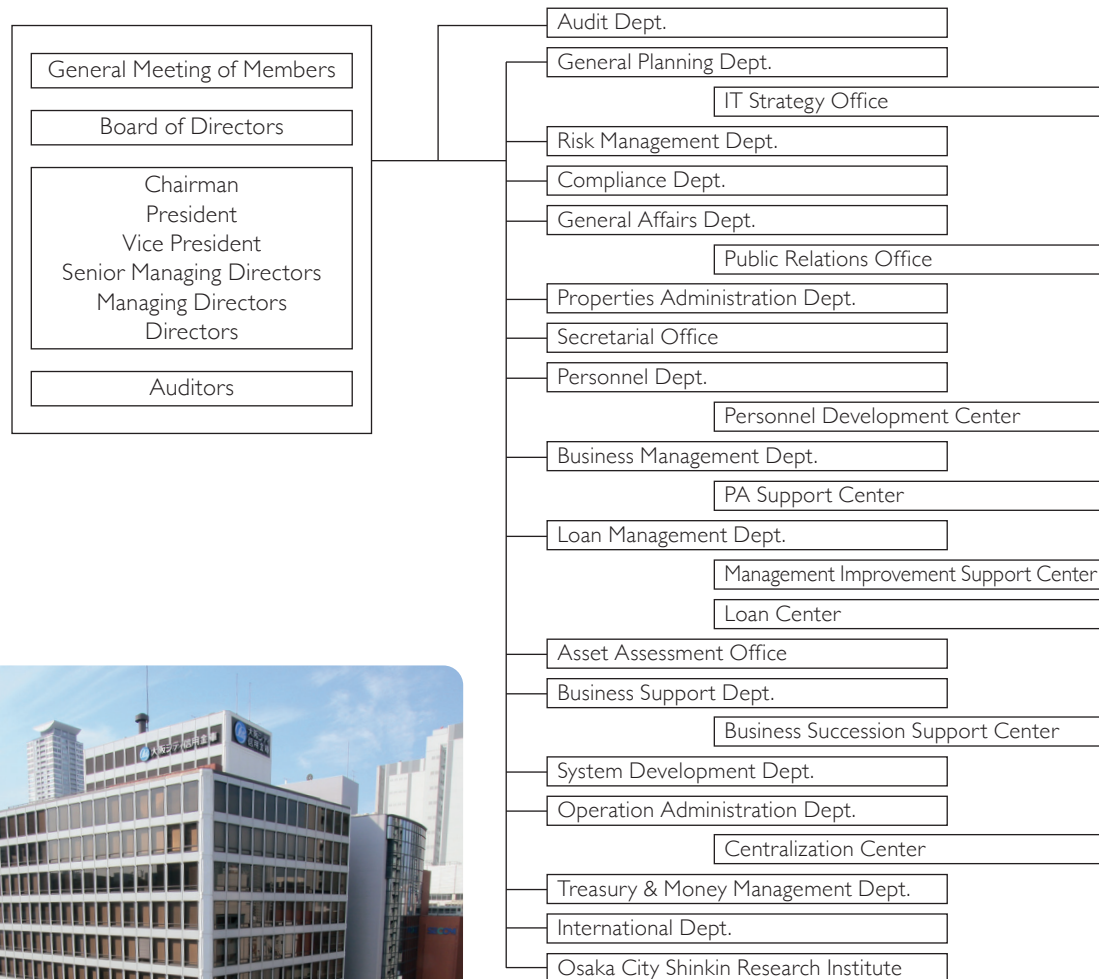
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