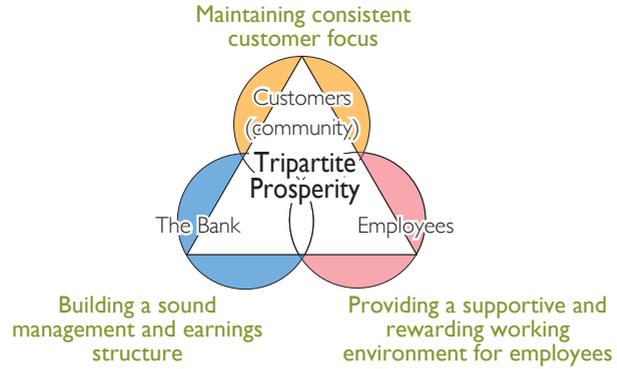


# Management Principles

## 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 2018

The Bank celebrated its 90th founding anniversary in fiscal 2017. Fiscal 2018 will be important as we continue toward our centennial by leveraging the firm management foundation we have built.

This year will also be the midpoint of our Best Partner 2019 Medium-Term Management Plan, during which we will be challenged to achieve important results in pursuit of plan goals.

Amid rapid, short-term changes in the financial and economic environment, we will undertake to enhance our headquarters support structure and conduct our operations with a thorough focus on the customer, toward fulfillment of the Medium-Term Management Plan goal of becoming our customers' number one financial partner for problem resolution. Furthermore, we will enhance our corporate value by developing financial products for every life cycle stage; offering highly convenient services; and building a structure to provide rapid solutions for the problems facing small and medium enterprises, from establishing the business to ensuring smooth transitions to the next generation of management.

To achieve these objectives, we will cultivate personnel with broad, diversified capabilities and a capacity for independent action by offering practical training to enhance employees' capacity to address our customers' challenges, and by creating rewarding workplace environments. We will also promote thoroughgoing operational efficiency and enhance productivity through a variety of measures, including operational centralization and the application of advanced IT solutions. In addition, the Bank will work to enhance its crisis management capabilities by bolstering its defenses against cyber-attacks, and by reinforcing its internal controls.

To build a management foundation that will support the Bank's sustainable growth, our directors and employees will work as a team to share information regarding management challenges. We will position fiscal 2018 as a year of breaking new ground in flexible response to changes and rapid and innovative deployment of solutions. We will also undertake to become our customers' number one financial partner for problem resolution—one of the goals of our Medium-Term Management Plan—by promoting customer-centered operations, enhancing productivity through greater operational efficiency, boosting the effectiveness of our risk management, and nurturing diverse human resources.

In light of the above, we have established the following Basic Management Policies for fiscal 2018.

### Basic Management Policies

Steady implementation of the goal of the Medium-Term Management Plan, in order to become our customers' number one financial partner for problem resolution

1. Strengthen our management foundation, expand and bolster our customer base, and boost our earnings capability by strengthening our capabilities for rapid response to the challenges facing customers
2. Enhance productivity through promotion of greater operational efficiency
3. Further reinforce the effectiveness of our risk management
4. Cultivate personnel capable of independent action, and promote the creation of rewarding workplace environments

### Key Measures

1. Strengthen our management foundation, expand and bolster our customer base and boost our earnings capability by strengthening our capabilities for rapid response to the challenges facing customers
  - (1) Undertake to further enhance business viability assessment and management upgrade support; expand and bolster financing by strengthening non-price competitiveness
  - (2) Reinforce the support structure for business launch, M&A, and management transition as well as for inheritance and asset formation
  - (3) Expand new transaction channels leveraging fintech
2. Enhance productivity through promotion of greater operational efficiency
  - (1) Bolster operational efficiency through business process review, introduction of Robotic Process Automation\* (RPA), headquarter centralization of administrative functions, and other measures, thereby enhancing overall service convenience
  - (2) Promote efficiency through branch network review and optimized personnel deployment
  - (3) Implement more efficient marketing through the construction of a customer database
 

\*Robotic Process Automation: Use of software robots utilizing machine learning, AI, and other capabilities to automate PC operation for greater operational efficiency
3. Further enhance the effectiveness of our risk management
  - (1) Strengthen systemic and operational risk control structures and ensure the effectiveness of our crisis management structure for rapid response to emergencies
  - (2) Bolster client protection management structures and prevent impropriety; thoroughly implement compliance and strengthen FATF response
  - (3) Strengthen market risk management structures relating to diversifying market operations and interest rate risk
4. Cultivate personnel capable of independent action, and promote the creation of rewarding workplace environments
  - (1) Reinforce training programs to enhance problem-solving and business viability assessment capacity
  - (2) Implement measures to expand participation by female employees; enhance support structures for diversified employee workstyles to facilitate raising children and family care
  - (3) Facilitate work-life balance through enhanced productivity; promote the creation of rewarding workplace environments