

FINANCIAL REVIEW

ANNUAL REPORT | 2019

Profile

Throughout its 92 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 88 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

While the Japanese economy was adversely affected by natural disasters in the last fiscal year, higher inbound tourist spending and strong exports led to improvements in the employment situation and a gentle economic recovery overall.

Our home turf of Osaka will host not only Rugby World Cup 2019 matches this autumn but also Expo 2025 Osaka–Kansai in a few years' time. Events such as these have people talking excitedly about the region, and these are expected to stimulate activity and lead to an expansion of the local economy in the future.

On the other hand, smaller businesses are facing structural issues that include soaring raw material costs and high purchase prices, as well as labor shortages and other issues related to business succession due to a shrinking population. Resolving these problems will require business support to improve productivity, together with wide-ranging assistance from the public and private sectors working together, covering every phase from company setup to business succession.

The Bank of Japan's extension of its monetary easing policies has resulted in more fierce competition over interest rates for loans. At the same time, the market is calling for financing services able to cater to ever more diverse customer needs. We are also rapidly approaching a time of dramatic change for the world of finance as greater automation is achieved through technologies such as AI and the Internet of Things. This shift is being augmented by acceleration toward a cashless society and the entry of companies from other industries into the financial services sector.

In such an environment, Osaka City Shinkin Bank has been focusing on steady, sound management as we strive to be our customers' number one financial partner for problem resolution. Toward this end, we have been working to expand our consulting services, which include setting up a Business Succession Support Center. Other efforts include providing a smartphone app that allows customers to check their bank balances and a partnership with Origami Inc. to promote cashless systems. In these ways, we have been enhancing our ability to provide more convenient financial services that meet the varying needs of customers. Also, we are bolstering our internal control systems by strengthening cybersecurity and money laundering countermeasures as well as measures to protect customers from bank transfer fraud. All of these efforts have led to good financial results in fiscal 2018, as stable and vigorous as the previous year.

Fiscal 2019 is the final year of our Medium-Term Management Plan. As part of this plan, aimed at becoming our customers' number one financial partner for problem resolution, we set out four main policies for the year: enhancing productivity through greater operational efficiency; developing more convenient financial services; taking measures to enhance the consulting abilities of all employees; and constructing a robust internal control system to maintain customers' trust. We will work with all of our employees at the Osaka City Shinkin Bank to achieve our goals and fulfill the mission we have taken upon ourselves as a regional financial institution.

This report outlines the management policies and current condition of the Osaka City Shinkin Bank in an easy-to-understand format. We hope this will enhance your understanding of our activities at the Bank, and that we will be able to rely on your continued support and patronage.

July 2019

A handwritten signature in black ink that reads "M. Kawamura".

Masao Kawamura
Chairman

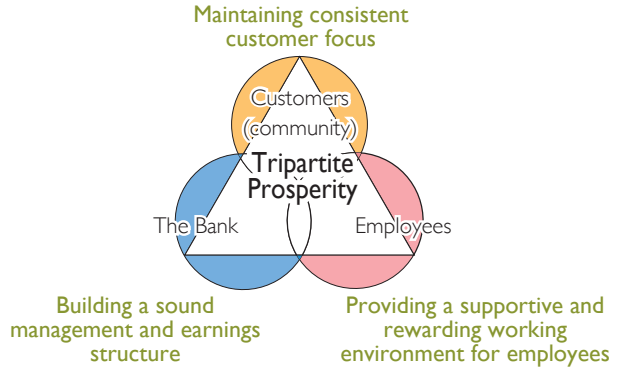
A handwritten signature in black ink that reads "S. Takahashi".

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 2019

The business climate is tougher than ever, making us even more determined to accomplish the goals in our management plan. We plan to improve corporate value by basing our efforts on a management philosophy of "tripartite prosperity" and our slogan of "serving the community by building trust." We will work to become our customers' number one financial partner for problem resolution by meeting them eye to eye. In this final year of our Best Partner 2019 Medium-Term Management Plan, we will do the final work to achieve the goals set forth in the plan.

This fiscal year we will steadily promote operational efficiency and develop more convenient services. At the same time, the Bank will train all our personnel to act independently and to provide better consultation services, a capability that forms the foundation of how we are able to resolve our customers' issues.

Specifically, we will carry out work restructuring to improve productivity by centralizing tasks at our headquarters and simplifying operations, and by increasing the use of IT. We will implement a new branch strategy and conduct practical training in problem solving to improve consulting abilities. These efforts will be combined with reforms to the organizational structure of the headquarters to bolster support for sales branches and a human resources focus that matches the right person with the right position.

Our efforts this year will also be directed at making workplace environments better with more consideration for employees' health. On the risk management front, we will continue strengthening measures to oppose antisocial forces and protect against cyberattacks including efforts against money laundering and terrorism funding, while further strengthening our internal control systems and crisis management readiness.

The Osaka City Shinkin Bank will also inform employees at all levels about management issues as we work to achieve our goal of building a robust foundation that will support sustainable development.

In light of the above, we have established the following Basic Management Policies for fiscal 2019.

Basic Management Policies

Becoming our customers' number one financial partner for problem resolution

1. Enhance productivity through greater operational efficiency
2. Develop more convenient financial services
3. Take measures to enhance the consulting abilities of all employees
4. Construct a robust internal control system to maintain customers' trust

Key Measures

1. Enhance productivity through greater operational efficiency
 - (1) Promote operational efficiency by centralizing tasks at our headquarters
 - (2) Foster operational efficiency through the use of IT
 - (3) Improve productivity by simplifying work processes
 - (4) Create branch strategies that meet the needs of our customers
2. Develop more convenient financial services
 - (1) Utilize IT to improve customer services and increase customer satisfaction among visitors to our branches
 - (2) Increase customer interaction by strengthening and adding new interaction channels beyond face to face
 - (3) Bolster the system to support consulting, which links to enhancement of our problem-solving style of financial services
 - (4) Develop financial services that cater to a wider range of customer needs by compiling a customer database
3. Take measures to enhance the consulting abilities of all employees
 - (1) Make good use of personnel by matching the right person with the right position
 - (2) Provide more comprehensive practical training
 - (3) Dispatch employees to external organizations for training
 - (4) Raise the effectiveness of on-the-job training through regular in-branch study seminars
4. Construct a robust internal control system to maintain customers' trust
 - (1) Work to raise compliance awareness to protect customers and prevent scandals
 - (2) Upgrade our risk management approach by reviewing our risk management practices
 - (3) Reinforce our countermeasures against money laundering and the funding of terrorism
 - (4) Heighten the effectiveness of our cybersecurity and business continuity plans

Review of the Year

Financial and Economic Environment

In fiscal 2018, the Japanese economy was adversely affected by natural disasters, but higher inbound tourist spending and strong exports led to improvements in the employment situation and a gentle economic recovery overall.

The Osaka economy is in a similar position, with demand from inbound tourism continuing to have a favorable impact. The city has also been selected to host Expo 2025 Osaka-Kansai, and hosted the 2019 G20 Osaka summit in June and Rugby World Cup 2019 matches in September and October. The JR-West Osaka Higashi Line also opened fully in 2019. These and other positive developments are sure to stimulate activity and expansion of the Osaka economy in the future.

On the other hand, smaller businesses are facing structural issues that include soaring raw material costs and downward pressure on prices, as well as labor shortages and other issues related to business succession due to a shrinking population. To improve productivity and enable the Osaka economy to expand, a concerted and broad-based business support system will have to be set up with the public and private sectors working together. That support would necessarily include support for setting up businesses, including for social businesses, and cover every phase from company establishment to business succession.

In the area of finance, the use of AI and the Internet of Things is accelerating work automation while pushing a shift toward a cashless economy. Meanwhile, the Bank of Japan's extension of its monetary easing policies has resulted in more fierce competition over interest rates for loans. At the same time, companies from other industries are entering into the financial services sector.

We are approaching a time of major changes to the framework of financial services that until now have been based on payment/settlement operations and financial intermediation. With such impending change in the financial and economic climate, it will be necessary to build a business model that contributes to the sustainable advancement of the local economy.

Operating Policies

In fiscal 2018, the middle year of our Medium-Term Management Plan, Osaka City Shinkin Bank focused with determination and speed on efforts that would enable us to become our customers' number one financial partner for problem resolution.

We added more convenient financial services to meet the varying needs of customers. We did this in a number of ways: providing a smartphone app by which customers can check their bank balance; giving customers access to personal loan instruments online; and by forming a partnership with Origami Inc. to promote cashless systems.

We also worked actively on a number of initiatives to contribute to the local community, including the commissioning of Shinkin CSR Private Placement Bonds; the endowment of courses at local universities; the sponsorship of a contest for health-related business plans (continued from last year); and, for the first time, the sponsorship of a social business plan competition.

Additionally, we continue to work to protect customers from bank transfer fraud and other financial crimes, and are bolstering our internal control systems by eliminating transactions with antisocial forces and strengthening cybersecurity and money laundering countermeasures.

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 12 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, offered a special time deposit product with a higher than usual interest rate, and worked to expand the balance of liquid deposits. As a result, total deposits rose during the term to ¥2,491.2 billion.

At the same time, the total of loans outstanding expanded to ¥1,298 billion, reflecting in part our active promotion of problem-solving financing.

Net income for core operations totaled ¥2.862 billion; ordinary income was ¥5.514 billion; and net income for the period amounted to ¥4.467 billion. In addition, our capital adequacy ratio was 8.79%.

Issues and Outlook for the Bank in Fiscal Year 2019

The Japanese economy in fiscal 2019 was faced with increasing economic uncertainty outside of Japan, but improvements in the domestic employment and income situation continue, signaling that sustainable economic growth can be achieved as long as efforts are made to boost productivity, expand demand from inbound tourism, and create new businesses through the use of information technologies.

In the area of finance, as unprecedented monetary easing policies are extended, we must strengthen our management foundation and further improve our financial functions and the financial services we offer to customers and local businesses for the development of the local region.

In this climate, our business plan for fiscal 2019 is based on four main policies that will be pursued diligently: (1) enhancing productivity through greater operational efficiency; (2) developing more convenient financial services; (3) taking measures to enhance the consulting abilities of all employees; and (4) constructing a robust internal control system to maintain customers' trust.

Also, fiscal 2019 is the final year of our Medium-Term Management Plan, during which we are aiming to become our customers' number one financial partner for problem resolution. Our directors and employees will work together to further strengthen our management foundation as a financial institution.

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

To achieve our social mission and establish a robust compliance framework, in March 1999 the Bank established the Compliance Committee and the Compliance Office (currently the Compliance Dept.). At the same time, 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.

The Bank has also taken a series of steps to tackle money laundering and the funding of terrorism. Pursuant to the revised Act on the Prevention of Transfer of Criminal Proceeds enacted in October 2016, we updated our procedural document entitled the *Administrative Procedures for Confirming User Identities*, and clarified the management framework governing these tasks. In June 2018, we formulated regulations governing our countermeasures against money laundering and the funding of terrorism. We also established rules for confirming identities and reporting suspicious transactions at the time transactions are performed to prevent the acceptance of unlawful funds.

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, cabinet orders 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:

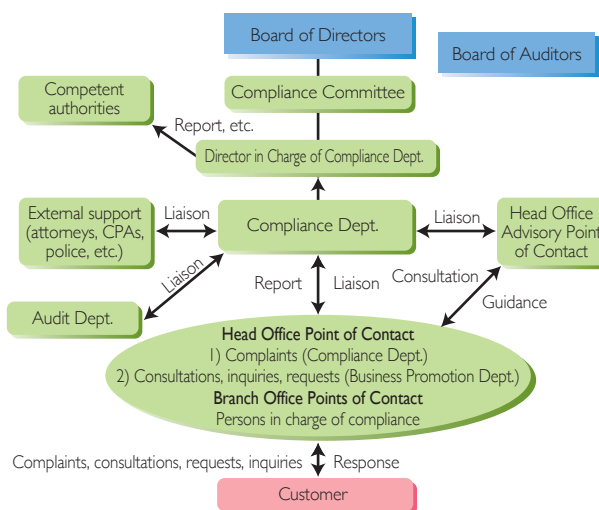
- 1) We strictly comply with the law, the rules of the financial industry and the regulations governing cooperative banks as we strive to fulfill our public mission and social responsibilities.
- 2) Aiming to put the Bank's management principles, basic concept and code of conduct into practice, we place importance on listening sincerely to the expectations of our customers and the desires of the regional community, and taking proactive action to meet and exceed them.
- 3) We construct a robust system of internal controls, striving to prevent violations of laws and regulations.
- 4) We recognize that thoroughgoing compliance is the most important policy for the Bank's management, and are working Bank-wide to be number one in customer trust and preference.
- 5) In strict compliance with all applicable regulations, the Bank rigorously controls customer information to prevent leaks and other incidents that can compromise customer privacy.
- 6) We aim to be a soundly managed Bank that actively discloses management information and takes sincere and effective measures against potential risks.
- 7) We take care never to conduct business dealings that are unreasonable or contrary to the social good, in order to build relationships of trust with our customers based on fair business dealings.
- 8) We decisively exclude and ban all relations with anti-social forces which threaten social order and safety.

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, 2019



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.

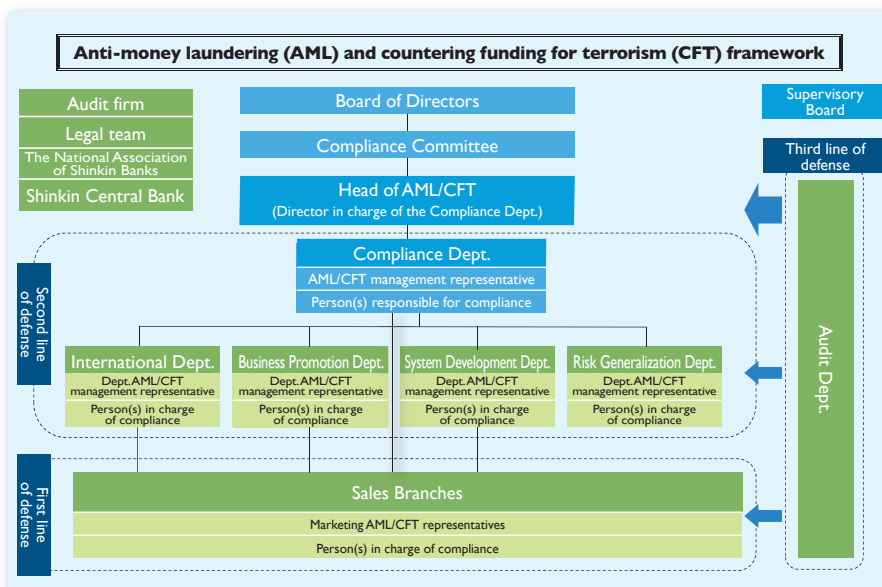
1. The Bank shall block relationships, including transactions, with criminal organizations, and resolutely refuse illegal demands.
2. In response to illegal demands by criminal organizations, the Bank shall work to quickly resolve the problem by responding as an organization, while ensuring the safety 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

The Bank has established fundamental regulations on measures against money laundering and terrorism financing (June 2018) as well as a Risk Evaluation Report (November 2018) and various kinds of check sheets.

Additionally, in March 2019, as fundamental guidelines the Bank released to the public its policies against money laundering and terrorism financing. The Bank will continue to steadily establish and further strengthen necessary management frameworks including employee training and human resources deployment. The chart on the right shows the Bank's management framework for measures 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.

The following operations are contracted to outside contractors: duties related to administering issuance and shipping of cash cards, duties related to sending direct mail, duties related to the operation and maintenance of information systems, and duties related to receipt of account transfer data.
- (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.

International Business Support

With its high level of expertise and global capabilities in the fields of financial payments and mediation, Osaka City Shinkin Bank is able to offer comprehensive international business support, which is vital for small and medium enterprises looking overseas. The Bank helps businesses looking to become involved in import/export, or trying to establish or increase the operational efficiency of a local subsidiary as a base for overseas manufacture or sales and can advise on the necessity of new financing for such. In 2011, the Bank established the Asia Business Support Desk within the International Department to provide specialist support for customers wishing to expand abroad. With face-to-face support from both sales branch staff and staff from the aforementioned help desk, the Bank is able to suggest appropriate, timely proposals. 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 within the range of the market risk framework, valuation risk, and exchange rate risk. The Bank also measures the interest risk of profit margin moneys (loans, deposits, and the like) based on the VaR 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 that varies by type of asset from 21 operating days (one month) to 250 operating days (one year).

^{*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.

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.

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 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 strains of influenza virus. 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)
	2019	2018	2019
Assets			
Cash	¥ 27,787	¥ 28,175	\$ 250,341
Due from banks	841,495	808,939	7,581,036
Monetary claims purchased (Note 5)	10,336	8,660	93,117
Securities (Note 4, 5 & 6)	398,645	398,346	3,591,402
Loans and bills discounted (Note 7)	1,298,045	1,318,594	11,694,105
Foreign exchange (Note 8)	1,043	1,300	9,398
Other assets (Note 9)	14,521	14,220	130,820
Tangible fixed assets	25,874	26,014	233,099
Intangible fixed assets	433	446	3,906
Deferred tax assets	6,451	7,375	58,119
Customers' liabilities for acceptances and guarantees	7,930	5,973	71,448
Reserve for possible loan losses	(13,093)	(16,744)	(117,962)
Total Assets	¥ 2,619,470	¥ 2,601,303	\$ 23,598,832
Liabilities and Net Assets			
Liabilities			
Deposits (Note 10)	¥ 2,491,245	¥ 2,479,861	\$ 22,443,652
Borrowed money	12,750	12,650	114,864
Foreign exchange	20	2	182
Other liabilities (Note 11)	6,958	7,625	62,692
Reserve for bonuses	1,076	1,081	9,697
Reserve for directors' bonuses	45	45	405
Reserve for retirement allowances	1,285	1,206	11,576
Reserve for directors' retirement bonuses	430	437	3,882
Reserve for point losses	66	63	603
Reserve for repayment of dormant accounts	264	267	2,384
Reserve for contingency losses	185	278	1,667
Deferred tax liabilities related to land revaluation	1,490	1,492	13,432
Acceptances and guarantees	7,930	5,973	71,448
Total Liabilities	¥ 2,523,750	¥ 2,510,983	\$ 22,736,491
Net Assets			
Paid-in capital	¥ 27,068	¥ 27,231	\$ 243,859
Common shares	14,318	14,481	128,994
Preferred shares	4,362	4,362	39,301
Other shares	8,387	8,387	75,563
Capital surplus	1,317	1,317	11,871
Capital surplus reserve	1,317	1,317	11,871
Retained earnings	62,135	58,559	559,782
Legal reserve	10,604	10,004	95,532
Other retained earnings	51,531	48,555	464,250
Special reserve	47,201	43,201	425,235
[Reserve for management stabilization]	[5,050]	[5,050]	[45,495]
[Reserve for accelerated depreciation of land]	[737]	[737]	[6,640]
Unappropriated retained earnings	4,330	5,354	39,014
Unsettled equity	(1)	(1)	(17)
Total Members' Equity	¥ 90,520	¥ 87,107	\$ 815,496
Valuation differences of available-for-sale securities	¥ 4,008	¥ 2,388	\$ 36,112
Deferred hedge income (loss)	(6)	—	(59)
Excess of land revaluation	1,197	823	10,792
Total Differences in Evaluation and Conversion	5,199	3,212	46,845
Total Net Assets	95,719	90,319	862,341
Total Liabilities and Net Assets	¥ 2,619,470	¥ 2,601,303	\$ 23,598,832

Non-Consolidated Statements of Income and Retained Earnings

Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Income			
Interest and dividend income	¥ 23,001	¥ 24,423	\$ 207,221
Interest on loans and discounts	18,455	19,183	166,263
Interest on deposits	1,211	1,082	10,911
Interest on call loans	2	6	26
Dividends on securities	2,992	3,826	26,959
Other	339	324	3,059
Fees and commissions	3,354	3,265	30,217
Other operating income	2,250	3,532	20,276
Other income (Note 12)	3,365	2,050	30,323
Total Income	¥ 31,972	¥ 33,271	\$ 288,038
Expenses			
Interest expenses	¥ 2,872	¥ 3,151	\$ 25,876
Interest on deposits	2,803	3,065	25,258
Transferred supplementary reserve for installment savings	40	50	364
Interest on borrowings	5	6	46
Interest on payables under securities lending transactions	0	1	6
Interest paid on interest swaps	22	27	201
Other	0	0	0
Fees and commissions	1,238	1,248	11,157
Other operating expenses	910	1,284	8,205
General and administrative expenses	20,956	21,608	188,799
Other expenses (Note 13)	1,188	718	10,711
Total Expenses	¥ 27,167	¥ 28,012	\$ 244,750
Income before income taxes	4,804	5,259	43,288
Income taxes: current	39	41	355
Income taxes: deferred	298	201	2,686
Net Income	¥ 4,467	¥ 5,016	\$ 40,246
Statements of Retained Earnings			
Balance at beginning of year	¥ 239	¥ 338	\$ 2,156
Additions:			
Net income	4,467	5,016	40,246
Reversal of revaluation reserve	(376)	–	(3,388)
Unappropriated retained earnings	4,330	5,354	39,014
Appropriations:			
Transfer to legal reserve	500	600	4,504
Dividends	286	434	2,579
Dividends paid to preferred shares (issued March 2004)	22	22	202
Dividends paid to preferred shares (issued March 2006)	58	58	525
Special reserve	3,000	4,000	27,027
Amount carried forward (balance at end of year)	¥ 463	¥ 239	\$ 4,175

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 ¥111.00 to US\$1.00, the rate prevailing on March 29, 2019.

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 loan 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.

The reserve for possible loan losses on loans to other than the above is provided based on the actual loan loss rates observed in a certain period in the past.

All loans are assessed by branches and business departments based on internal rules for the self-assessment of assets. The Audit Department, independent of the branches and business departments, audits the results of the self-assessment of assets.

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 ¥33,442 million in the year ended March 31, 2019.

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) 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: ¥5,195 million.

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

Deferred tax assets	
Reserve for possible loan losses:	¥10,159 million
Reserve for retirement allowances:	¥358 million
Tax loss carried forward	¥288 million
Other:	¥2,537 million
Deferred tax assets – Subtotal:	¥13,344 million
Valuation reserve:	(¥4,937 million)
Deferred tax assets – Total:	¥8,407 million
Deferred tax liabilities	
Land appraisal profit:	¥121 million
Valuation differences of available-for-sale securities:	¥1,549 million
Reserve for accelerated depreciation of land:	¥ 284 million
Deferred tax liabilities – Total:	¥1,955 million
Deferred tax assets – Net:	¥6,451 million

g) Net income per share is ¥15.23.

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	
	2019	2019	2019	2019
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

As of March 31	Millions of yen		Thousands of U.S. dollars	
	2019	2019	2019	2019
Securities whose balance-sheet value exceeds acquisition cost				
Stocks				
Balance-sheet value	¥	920	\$	8,288
Acquisition cost		595		5,360
Difference		324		2,918
Bonds				
Balance-sheet value	¥	292,871	\$	2,638,477
Acquisition cost		286,718		2,583,045
Difference		6,152		55,423
National government bonds				
Balance-sheet value	¥	32,845	\$	295,900
Acquisition cost		30,786		277,351
Difference		2,058		18,540
Municipal government bonds				
Balance-sheet value	¥	17,122	\$	154,252
Acquisition cost		16,643		149,936
Difference		479		4,315
Corporate bonds				
Balance-sheet value	¥	242,903	\$	2,188,315
Acquisition cost		239,288		2,155,747
Difference		3,614		32,558
Other				
Balance-sheet value	¥	55,742	\$	502,180
Acquisition cost		54,990		495,405
Difference		751		6,765
Subtotal				
Balance-sheet value	¥	349,533	\$	3,148,945
Acquisition cost		342,304		3,083,819
Difference		7,229		65,126
Securities whose balance-sheet value does not exceed acquisition cost				
Stocks				
Balance-sheet value	¥	624	\$	5,621
Acquisition cost		703		6,333
Difference		(79)		(711)
Bonds				
Balance-sheet value	¥	8,498	\$	76,558
Acquisition cost		8,580		77,297
Difference		(82)		(738)
National government bonds				
Balance-sheet value		—		—
Acquisition cost		—		—
Difference		—		—
Municipal government bonds				
Balance-sheet value	¥	1,957	\$	17,630
Acquisition cost		1,981		17,846
Difference		(24)		(216)
Corporate bonds				
Balance-sheet value	¥	6,540	\$	58,918
Acquisition cost		6,598		59,441
Difference		(57)		(513)
Other				
Balance-sheet value	¥	49,818	\$	448,810
Acquisition cost		51,328		462,414
Difference		(1,509)		(13,594)
Subtotal				
Balance-sheet value	¥	58,941	\$	531,000
Acquisition cost		60,612		546,054
Difference		(1,671)		(15,054)
Total				
Balance-sheet value	¥	408,474	\$	3,679,945
Acquisition cost		402,916		3,629,873
Difference		5,558		50,072

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
	2019	2018	2019
Stocks of subsidiaries (Note 1)			
Balance-sheet value	¥ 50		\$ 450
Unlisted stocks (Note 1)			
Balance-sheet value	400		3,603
Investments in partnerships (Note 2)			
Balance-sheet value	56		504
Total	¥ 507		\$ 4,567

Notes: 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
	2019	2018	2019
Bills discounted	¥ 52,121	¥ 54,899	\$ 469,564
Loans on notes	22,060	23,958	198,740
Loans on deeds	1,199,764	1,216,721	10,808,690
Overdrafts	24,099	23,014	217,109
Total	¥1,298,045	¥1,318,594	\$11,694,105

8. Foreign Exchange (Assets)

As of March 31	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Due from foreign banks	¥ 856	¥1,114	\$7,719
Foreign bills of exchange bought	24	3	225
Foreign bills of exchange receivable	161	181	1,454
Total	¥1,043	¥1,300	\$9,398

9. Other Assets

As of March 31	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Domestic exchange settlement account, debit	¥ 723	¥ 470	\$ 6,517
Investment in Shinkin Central Bank	10,269	10,269	92,518
Prepaid expenses	40	31	361
Accrued income	1,562	1,692	14,078
Financial derivatives	112	13	1,013
Other	1,812	1,743	16,331
Total	¥14,521	¥14,220	\$130,820

10. Deposits

As of March 31	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Current deposits	¥ 138,448	¥ 136,744	\$ 1,247,283
Ordinary deposits	686,846	638,863	6,187,805
Savings deposits	8,587	8,509	77,366
Deposits at notice	13,880	11,344	125,047
Time deposits	1,533,629	1,612,330	13,816,486
Installment savings	66,391	64,420	598,125
Other deposits	43,460	7,649	391,537
Total	¥2,491,245	¥2,479,861	\$22,443,652

11. Other Liabilities

As of March 31	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Domestic exchange settlement account, credit	¥1,188	¥ 746	\$10,750
Accrued expenses	2,780	3,057	25,047
Reserve for replenishing benefits	80	77	723
Accrued income taxes	42	43	383
Unearned income	521	537	4,702
Unsettled equity refunds	81	79	731
Equity to be redeemed	9	7	82
Asset retirement obligations	680	665	6,130
Other	1,574	2,410	14,184
Total	¥6,958	¥7,625	\$62,692

12. Other Income

As of March 31	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Gains on reversal of allowance for doubtful accounts	¥1,952	¥ -	\$17,587
Gains on recovery of written-off claims	1,045	895	9,420
Gains on sale of stocks and other securities	75	4	682
Gains on money held in trust	52	218	473
Gains on disposal of fixed assets	27	-	249
Other extraordinary income (Note)	-	585	0
Other	211	346	1,909
Total	¥3,365	¥2,050	\$3,0323

Note: In January 2018, the Bank converted a portion of its defined benefit pension system to a defined contribution pension system. As a result of this conversion, the Bank recognized an extraordinary gain for the fiscal year of ¥585 million.

13. Other Expenses

As of March 31	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Transfer to reserve for possible loan losses	¥ -	¥ 187	\$ 0
Write-off of loans	252	64	2,275
Losses on sales of stocks and other securities	68	2	613
Losses on devaluation of stocks and other securities	-	0	0
Losses on investment in money held in trust	30	-	271
Losses on disposal of fixed assets	377	144	3,404
Impairment losses	358	81	3,233
Other	101	237	912
Total	¥1,188	¥ 718	\$10,711

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 2018 and 2019. 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, 2019	Mar 31, 2018	Mar 31, 2019
Loans to bankrupt entities	¥ 1,685	¥ 1,363	\$ 15
Loans in arrears	96,471	105,585	869
Loans in arrears 3 months or more	—	—	—
Loans whose conditions have been eased	4,183	3,289	37
Risk-monitored loans total (A)	102,339	110,238	921
Collateral and guarantees (B)	85,045	90,450	766
Reserve (C)	10,679	13,944	96
Protection ratio (B+C) / (A)	93.54%	94.70%	

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, 2019	March 31, 2019
Basic items relating to core capital		
Members' equity relating to common shares or non-cumulative permanent preferred shares	¥ 90,152	\$ 812
Paid-in capital and capital surplus	28,386	255
Retained earnings	62,135	559
Estimated outflow	367	3
Other	(1)	(0)
Total reserves included in basic items relating to core capital	2,697	24
General reserve for possible loan losses included in core capital	2,697	24
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	605	5
Basic items relating to core capital	93,455	841
Adjustment items relating to core capital		
Total amount of intangible fixed assets (excluding those relating to mortgage servicing rights)	312	2
Amount not relating to goodwill and mortgage servicing rights	312	2
Deferred tax assets (excluding those relating to temporary differences)	141	1
Amount of adjustment items relating to core capital	453	4
Equity capital	93,001	837
Risk assets, etc.		
Total credit risk assets	1,013,325	9,129
Total included in risk assets due to interim measures	1,259	11
Exposure for other financial institutions, etc.	(1,429)	(12)
Other	2,688	24
Total amount of operational risk equivalent divided by 8%	43,573	392
Total amount of risk assets, etc.	¥1,056,898	\$9,521
Capital adequacy ratio	8.79%	

Board of Directors

Chairman

Masao Kawamura

President

Satoshi Takahashi

Vice President

Hiroshi Fukuoka

Senior Managing Director

Kazuki Hatanaka

Managing Directors

Jinkazu Takegawa

Masumi Shingu

Toshiaki Aono

Minoru Kitano

Directors

Takashi Kubo

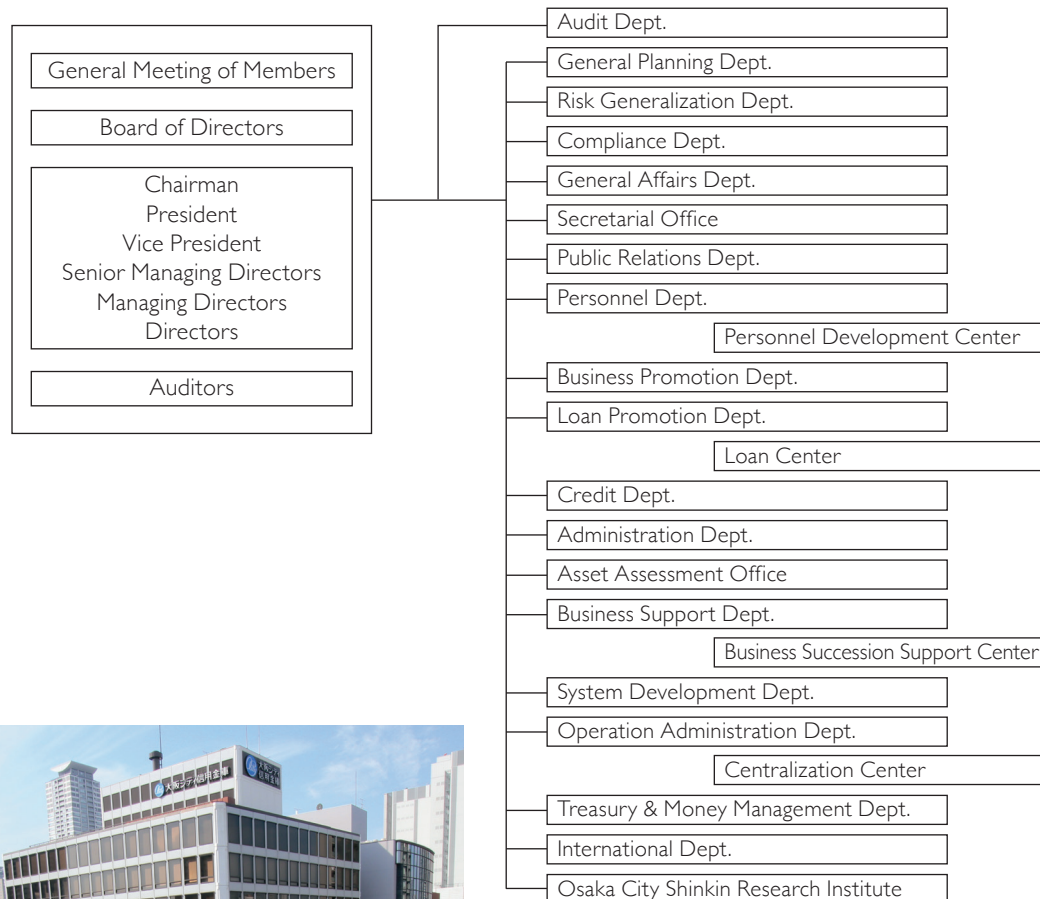
Masanori Fujiwara

Auditors

Shigeru Katsuraoka

Yasuo Okuda

Organization



▲ Head Office

Head Office
 2-5-4 Kitahama, Chuo-ku, Osaka 541-0041, Japan
 Tel: +81-6-6201-2881

International Department
 2-5-4 Kitahama, Chuo-ku, Osaka 541-0041, Japan
 Tel: +81-6-6201-5398 Fax: +81-6-6226-4059
 SWIFT Address: OSACJPJS

Website: <http://www.osaka-city-shinkin.co.jp/>