

# 2.

Challenge to strengthening top line

# Targeted support that generates trust and reassurance



# 2. Challenge to strengthening top line

## M&A



Corporate merger and acquisition (M&A) has gained attention as a corporate business strategy, and is generally thought to have the following merits.

Buyer	Seller
Expansion of business area	Resolves issues of succession
Strengthening of main businesses	Realizes earnings for the founder
Diversification of revenue sources	Enables sustainable growth
Access to human resources	Concentrates resources in main businesses



Item	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
No. of customers receiving M&A support	28	35

## Received the Bank of the Year award

At the 6th M&A Bank of the Year hosted by Nihon M&A Center Inc., Shiga Bank received the Bank of the Year award, the top award, and the Community Contribution Grand Prize. The award was made in recognition of major accomplishments in categories such as number of M&A deals.



### \* Community Contribution Grand Prize

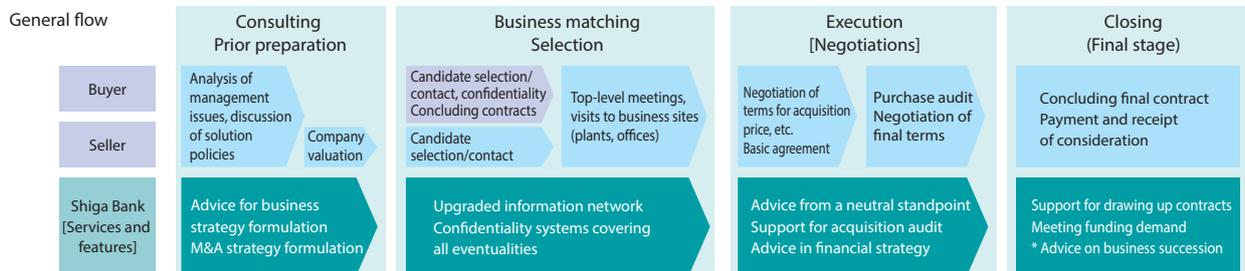
Awarded to the financial institution in each of seven regions of Japan that has contributed most to its region, based on various indicators (including the number of deals taken on, the number of contracts formed, the number of employees in the party taken over in deals, deal size), arranged in collaboration with Nihon M&A Center

### \* Bank of the Year

Awarded to the best-performing financial institution among the banks awarded Community Contribution Grand Prizes

## M&A Advisory Service

Going beyond introduction of candidates and consultation on funding, the Bank makes full use of its deep expertise to help companies use optimized tools to find solutions to issues they face.



\* Workflow and procedures differ depending on the case. We suggest the optimal resolution method in accordance with the nature of the consultation.

## Voice

### I want the Bank to be close to the management

After being introduced to Shiga Bank, we were able to incorporate two companies in our sector (delivery transportation) into our corporate Group, contributing greatly to its development.

This was not always a smooth road due to unexpected problems arising from the different history and culture of these new companies that joined us. However, we always got prompt responses from the branch manager and Bank M&A specialist, and thanks to their advice based on experience, we were able to progress in negotiations with confidence. We felt that we had made the right decision in entrusting the Bank with this. It is said that business managers stand alone and it is particularly difficult for them to talk about problems like business succession and their successors. But for this very reason, I want Bank officials to be committed to standing side by side with managers.

Nowadays, financing is not the only job that banks do. I expect Shiga Bank to help resolve issues as a partner and advisor to SMEs and work in harmony with them for the prosperity of the region.

**Takuya Hasuo**, Representative Director of GOKENDO Co., Ltd.



## Corporate business strategy for strengthening top line

In our corporate business strategy, the business model we are aiming for is “strengthening interest income from loans and bills discounted while establishing a profitability model that is not governed by the financial environment aiming for sound management structure that is capable of contributing to regional revitalization and regional economic development” through measures such as “building close relations with business partners through comprehensive understanding of business partners” and “understanding the strengths of regional financial institutions to contribute to the growth of business partners.”

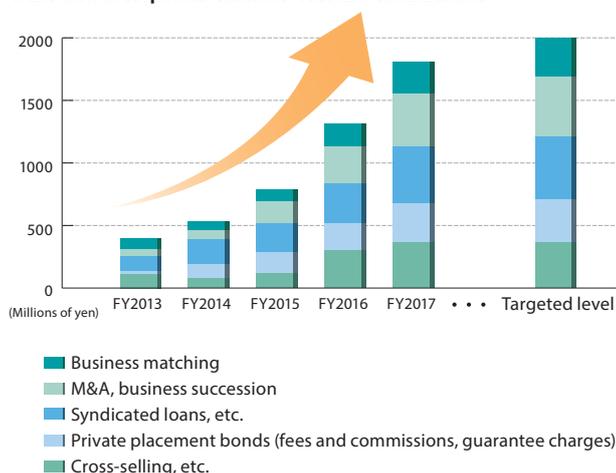
### Resolution of management issues through main business support: A key role of a regional financial institution

We have teamed up with business partners, the Branches and Corporate Promotion Group in the Business Promotion Department to strengthen consulting functions regarding business and asset succession measures, M&A, “domestic-market solutions” in the field of insurance for corporations, crowdfunding, new energy, medical care, “support for growth areas” in the sixth-sector industrialization initiative, CSR private placement bonds, electronically recorded monetary claims, syndicated loans and use of PFI, and other “diversified funding methods” and business-matching measures. By working hand-in-hand with the client, we aim to raise corporate value at customers and commit ourselves to contribute to the sustainable growth of regional economies and regional revitalization.

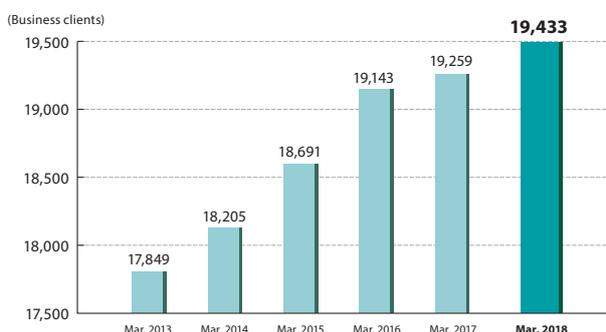
### Challenge for creation of new business models

Aiming to create an earnings structure that is not unduly governed by the financial environment, we are strengthening corporate-customer fees and commissions, to generate new earnings opportunities. By developing highly specialized personnel such as Small and Medium Enterprise Management Consultants and financial planning experts through main business support for customers, the Bank aims to strengthen its earning power and transform corporate-customer fees and commissions into a core source of income to create new business models.

#### Transition of corporate-customer fees and commissions



### Trends in the number of customers with business loans



### Business and asset succession measures



The Banks offers optimized proposals for business and asset succession through skilled staff with the Small and Medium Enterprise Management Consultants and the Grade 1 financial planning qualifications.

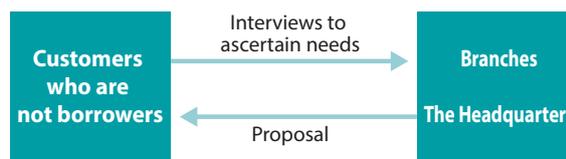
Item	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
No. of customers receiving business succession support	343	330

### Healthcare support

We provide solutions tailored to the stage of development of an organization such as clinics, hospitals, or care providers. Consultation on the opening of clinics can also be requested from the Bank's website. We provide comprehensive business support spanning market research, provision of real estate information and formulation of business plans, proposals for establishment of medical corporations and medical business succession (business succession and M&A) measures, as well as partnerships with external specialist organizations.

### Life insurance for business owners

As part of moves to strengthen relationships with customers who are not borrowers, we are providing business owners with life insurance, to prepare them for management issues of the future such as retirement benefits and funding for business succession.



#### Preparing funds for the future using life insurance

- 1) Retirement benefits
- 2) Fund for business succession measures
- 3) Fund for business security measures
- 4) Fund for inheritance measures

### ● The Bank's measures to support acquisition of GAP certification

Our aims include improving food, environmental and workplace safety, strengthening the international competitiveness of Japanese agriculture, supporting the spread of international certification (GAP) that contributes to revitalization of regional economies and protection of regional environment, raising young farmers and encouraging companies to enter the agriculture sector.

\*GAP: Continuous improvement activities through accurate implementation, record-keeping, inspection, and evaluation of each process in agricultural production, in accordance with each inspection item pursuant to applicable laws and regulations required for agricultural production activities.

### ● Regional Bank Food Selection

A total of 55 regional banks jointly held "Regional Bank Food Selection 2017" at Tokyo Big Sight from November 9 to 10, 2017.

A total of 831 food-related companies exhibited from all over Japan, and 16 clients of the Bank exhibited at the fair.



### ● Agribusiness loans

In May 2014, the Bank started "Agribusiness Loans," guaranteed loans provided by Shiga Agriculture Credit Guarantee Fund Association. We offer a wide range of options to service the funding needs of agricultural business owners.

### ● Shiga Sixth-Sector Industrialization Fund

In September 2014, the Bank established the Limited Liability Partnership for Investment in Growth and Industrialization of Shiga Agriculture, Forestry and Fisheries Businesses (total of ¥0.5 billion) in cooperation with Shigachuo Shinkin Bank, Nagahama Shinkin Bank, Koto Shinkin Bank, Shigaken Shinyoukumiai, and Agriculture, forestry and fisheries Fund corporation for Innovation, Value-chain and Expansion Japan.

Through investments in Sixth-Sector Industrialization businesses, the Bank is supporting initiatives that help raise productivity, etc. of agriculture, forestry, and fisheries, leading to establishment of new processing and logistics businesses.



## Supporting development of sales channels

### ■ Business Matching



We use our branch network to set up effective business-matching meetings, with a view to improving sales and expanding marketing channels for all of our corporate and individual customers. We also support productivity-boosting initiatives at corporate and individually-operated businesses, by introducing them to IT businesses, etc.

Item	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
No. of customers receiving support for developing marketing channels	59	57

### ■ Eco Business Matching Fair



To help business clients grow their marketing channels, we organize the Eco Business Matching Fair. The 11th Fair during fiscal 2018 was held on July 11 at the Biwako Hotel.

Based on the Shigagin SDGs Declaration (announced in November 2017), the Bank supports businesses seeking solutions for issues facing society.

At the same time, we organize seminars aiming to support clients' overseas expansion. In the financial support corner, we introduced measures to support acquisition of GLOBAL G.A.P. certification, an international standard for agricultural produce and productivity improvement measures using cloud accounting.



### ■ Business-matching Support for Professional Personnel

Aiming to revitalize the region and give further impetus to the regional economy, and by using alliances with personnel strategy headquarters, Japan Human Resources Co., Ltd. and specialist businesses, the Bank supports creation of stable employment and attraction of personnel into the region for business clients with personnel needs.

# Our Services for Individual Customers

## Strategies for Individual Customers

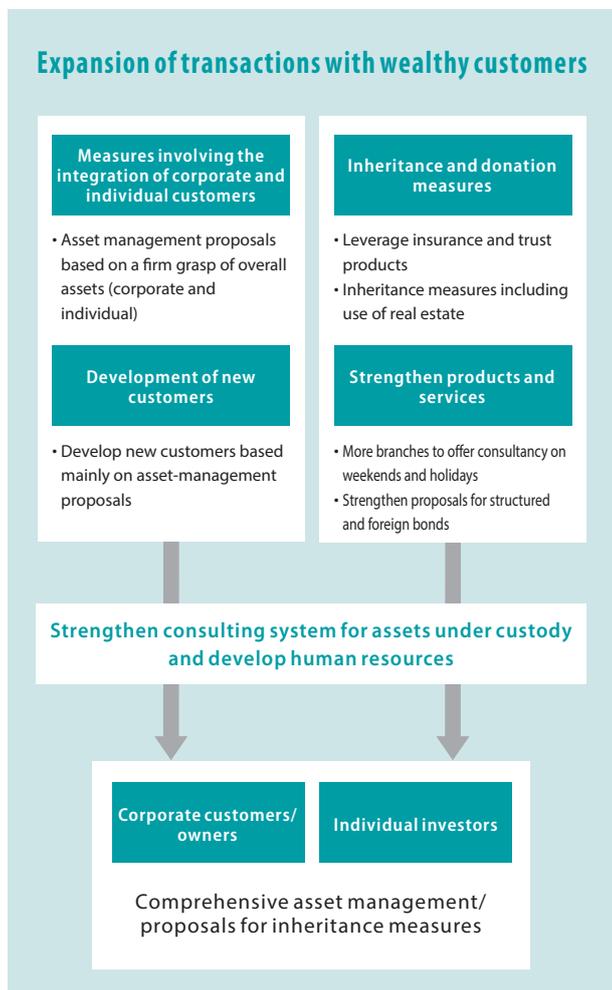
In our strategy for individual customers, we uphold the fiduciary duty policy (business approach that puts the customer first) as part of measures to best act in the interests of the customer and aim to “establish a consultation framework that provides satisfaction to the customer.” We aim to provide appropriate products and services by understanding customers’ needs at different stages of their life.

\* Please see the Bank’s website for more details about the policy for customer-first business operation.

### Strategies for Individual Customers (1) Expansion of transactions with wealthy customers

To expand transactions with wealthy clients, we are strengthening consulting for general asset management and inheritance measures, etc. on an integrated basis after developing a full picture of corporate and individual assets.

In addition to creating a wide-ranging lineup of asset-management products including both investment trusts and insurance products as well as structured bonds and foreign bonds, in line with customer needs, we are creating a system enabling comprehensive proposals for inheritance and other matters effectively leveraging real estate and insurance and trust products.



### Position “Shigagin” to offer inheritance consultancy services

Demand for inheritance and donation has been on an increase and the Bank offers consultation using its guidebook on inheritance issues.

Our Head Office or branches are now able to offer testamentary trust, etc. and other inheritance-related services. We encourage customers to enquire at their local branch about this.



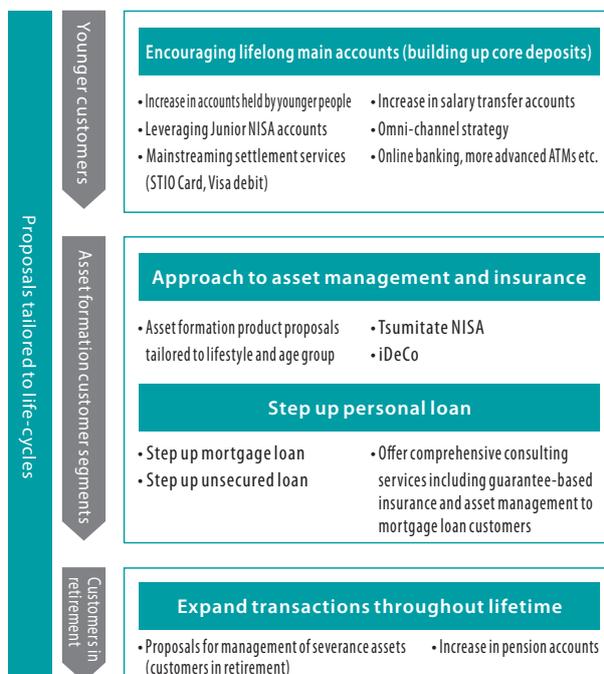
### Strategies for Individual Customers (2) Expand transactions with customers over their lifetimes

We are making proposals tailored to different life stages with a focus on meeting the needs of particular age groups.

We will approach younger customers to open lifelong main accounts with us as a means of securing a core deposit base.

By offering asset management and insurance products to customer segments involved in asset formation, we aim to increase the balance of assets under custody and grow revenues from stockholdings, as well as expand individual loans to individuals.

For customers in retirement, we will work to expand transactions in throughout their lifetimes.



As a result of acquiring the trust of regional customers through these activities, we have achieved a numerical target of the 6th Medium-term Business Plan, “total assets under management (term-end balance) < total deposits + investment trusts + public securities + financial product intermediary > ¥5 trillion,” one year earlier.

## Measures for Tsumitate NISA and iDeCo programs offering major asset-formation benefits

### What is Tsumitate NISA?

Tsumitate NISA is a tax-exempt program launched in January 2018 to support long-term investment, asset accumulation, and diversified investment, particularly from small amounts.

The Bank selects products suited to customers targeting long-term asset formation.



### What is the individual-type defined contribution (iDeCo) plan?

The iDeCo is a pension plan that enables setting aside funds for old age while offering tax incentives.

The Bank has taken measures to publicize and promote the system by enhancing the product features in order to foster the usage by as many people as possible. In addition to call centers open on weekends and holidays, the Bank also handles queries and applications for iDeCo at all of its branches (except Agents).



## Launch of "Pay B for Shiga Bank"!

On March 26, 2018, the Bank launched the "Pay B for Shiga Bank" smartphone payment app.

With this app, customers can make immediate payments from Shiga Bank savings accounts by using a smartphone camera to scan the barcode on payment slips for taxes, utilities, etc.

Customers can use a smartphone to easily pay fees, whenever, wherever, without the bother of going to a bank or convenience store, etc. to make payments.

#### How to use



Use the app to scan the barcode on the payment slip

Confirm the payment information

Enter your payment password

Payment completed

## "Shigagin" Visa Debit Card

On January 22, 2018, the Bank launched the "Shigagin" Visa Debit Card.

This product is a card that, when used for payment during shopping, immediately charges the amount to the customer's savings account. In addition to Japan, it can also be used in Visa member stores\* (including online stores) in over 200 countries and regions around the world. Customers can also withdraw cash in local currencies at overseas ATMs with a "Visa" logo or "PLUS" mark.

In addition, this product is a new payment method suitable for wide range of ages, including young people in their teens, as anyone aged 15 or older (excluding junior high school students) can apply for it.

\*Note that this card may not be used at certain merchant stores, and there may be cases when certain amounts are not immediately charged to the customer's account.



#### Key security measures to prevent unauthorized transfers with "Shigagin" Direct

<b>Secure Starter (Dedicated smartphone app)</b>	An app for security that allows the use of online banking after performing automatic security checks on the user's device and confirming safety
<b>One-time password (Soft token)</b>	A security measure for confirming the user's identity with a "one-time password" that uses "Secure Starter" instead of a personal identification number when performing transfers and other transactions
<b>Watchword authentication</b>	A security measure for preventing "impersonation" by conducting additional identity authentication with watchwords when logging in and performing transfers and other transactions

# Spread Asia expertise overseas

Challenge of expanding global strategies

## Challenge of developing international financing methods

In the international financial strategy of the 6th Medium-Term Business Plan, the watchword is “spread Asia expertise overseas.” We plan to leverage the Asia business know-how we have built up through cooperation with our overseas bases — the Hong Kong Branch, Shanghai Representative Office, and Bangkok Representative Office — and support our business customers, with a focus on “strengthening the top line” and “regional revitalization.”

## Stepping up loaning to non-Japanese borrowers

### Challenge of developing the overseas loan market

To transform the Headquarters into a profit center for strengthening the top line, we are improving our screening capabilities for companies overseas and focusing on stepping up loaning to non-Japanese borrowers (aircraft financing, cross-border loans, etc.), principally loans and structured finance for overseas corporate customers.

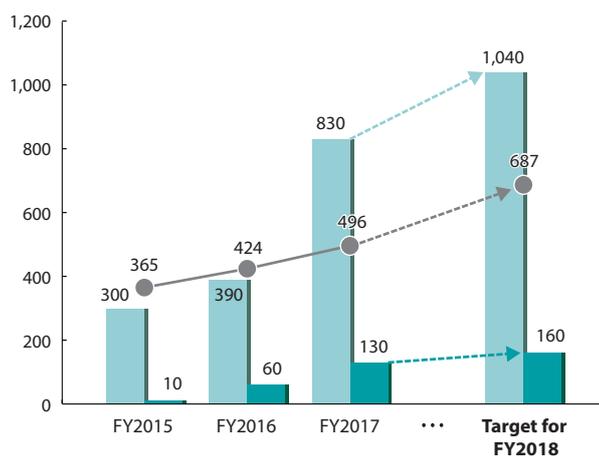
## Demonstrating financial intermediary functions

### Increase deposits and loans denominated in foreign currencies

#### Balance of loans and deposits denominated in foreign currencies

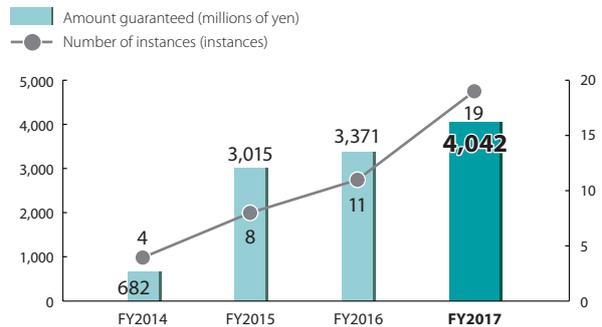
Loans and bills discounted Of which non-Japanese borrowers Deposits

(Millions of U.S. dollars)



In order to meet our business clients’ needs to increase funding and make capital investments at overseas subsidiaries, etc., we are stepping up lending in foreign currencies to domestic clients, utilizing coordinated funding denominated in foreign currencies with the Japan Bank for International Cooperation (JBIC) and the “fund-provisioning measures to support strengthening the foundations for economic growth (special rules for the U.S. dollar lending arrangement)” implemented by the Bank of Japan.

#### Coordinated funding with JBIC made to date (cumulative)



Additionally, as domestic interest rates remain ultra-low with the prolonging of the Bank of Japan’s yield curve control policy, we are making proposals that match customers’ needs for deposits in foreign currencies, such as foreign currency time deposits with special provisions for foreign exchange rates, as part of customers’ asset management.

## Demonstrating information intermediary functions

### Strengthening our consulting functions

The mission of a regional bank is to unleash the potential “earning power” of its region. The way international operations meet the challenge of “regional revitalization” is through unleashing the earning power of regional corporations. For that reason, we aim to deepen our support role for customers’ overseas business development.

Overseas business development at our business customers is diversified, and trading is becoming more brisk year by year. The Bank has so far offered integrated support of our branches, overseas bases and the Financial Markets & International Department to get a clear idea of the needs and ideas of our business customers regarding overseas operations.

In addition to strengthening alliances with local government, public organizations, and private companies, the Bank will contribute to solving issues that customers face in their overseas businesses through “consulting services” which leverage the overseas business know-how the Bank has built up over the years, its track record in supporting overseas expansion, and the dynamism of branches.

#### Consulting services (overseas advisory)



# Market investment strategy

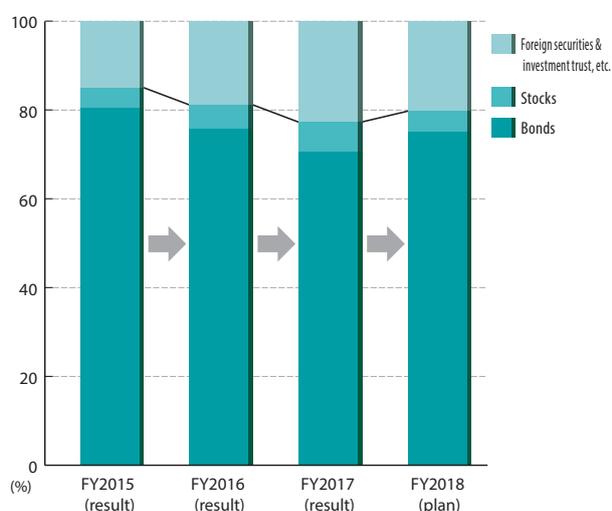
## Maximize earnings by taking on risks boldly using all resources

### Diversification of investment

Diversify securities investments by increasing share of “Other securities” (foreign securities + investment trusts, etc.), and at the same time maximize revenues through diversified investment in “bonds + stocks + other” instruments.

#### Trends in ratio of balance of securities

Build up the balance of foreign securities + investment trusts, etc.



### Strengthening trading capabilities

Given the yield curve control policy environment, the Bank will work to strengthen its trading capabilities in various classes of investment assets, and will make effective use of derivative transactions (futures, options and interest rate swaps, etc.) in addition to carried interest and capital gains (proceeds from sales), aiming for a stable revenues based on an earnings structure of the trinity.

#### Investment by category

<b>Domestic bonds</b>	While guarding against future interest-rate rises and curbing our sensitivity to the interest-rate environment, further diversify the investment with asset-swap, option transactions and investments in inflation-linked government bonds, etc.
<b>Foreign securities</b>	With the risk from foreign currency-based fund procurement controlled, build up the balance of mainly European and US securities while giving due consideration to interest-rate trends overseas.
<b>Investment trusts, etc.</b>	While taking measures to diversify investment targets (assets), accumulate a balance of investments with relatively low correlation to interest rates in Japan and overseas.

## To support maximization of revenues, develop risk management systems and evolve human resources

### Strengthen monitoring posture

Given the prolonged difficulties of asset management with a yield curve control policy, we will deepen investment diversification and step up our monitoring posture in support of a better spread of investments.

### Improve ability to manage preemptively

As an unprecedented environment of low interest rates continues, we aim to improve our capabilities in preemptive management to prepare the Bank for future market changes. We will control market risk in such a way as to be able to cope with dramatic changes in the market.

### Diversification of foreign currency procurement

By taking measures to strengthen investments in foreign-currency denominated bonds and diversifying into foreign currency procurement, we will control foreign-currency liquidity risk and spur diversification of the investment portfolio.

### Responding to regulations and systems, streamlining administration

In January 2017, we reviewed the front/middle systems for securities operations. The aim is to accelerate streamlining of administration through centralized database management with the back system and the response to financial regulations and regimes.

### Develop human resources

Amid a dramatically changing financial market, we will train employees to be able to respond to market change very quickly, and employees who are versed in the financial markets to respond to diversifying customer needs.

### Challenge to maximization of profitability Boldly take on risk using all resources

