

Challenge to regional revitalization

“The Bank cannot grow without our regions and clients growing as well.”

The most important role of a regional bank is to contribute to the sustainable development of clients and regional communities. By unleashing the earning power of our area we create a positive circle for the regional economy.



Issues	Initiatives	Main theme the Bank should aim for
<ul style="list-style-type: none"> ● Declining birthrate, aging population, and depopulating society ● Creation of growth industries ● Development of globalization ● Local branding 	<ul style="list-style-type: none"> ● Profound business assessment ● Regional Economic Innovation Cycle ● ABL (asset based lending) ● Crowdfunding ● Support for business creation and development of new businesses, Saturday School for Entrepreneurship and Nonohana Support Group ● Demonstrating consulting functions (business succession, M&A, etc.) ● Industry-academic-government cooperation 	<ul style="list-style-type: none"> ● Sustainable development of business clients and regional community ● Regional vitalization ● Resolution of social issues

Helping solve the problem of empty homes

On October 5, 2015, the Bank held the “Shigagin Regional Revitalization Seminar 2015” for employees of local authorities. It discussed the issue of empty homes, which has become serious in recent years, and made proposals.

Since March 31, 2016, the Bank has also supported resolution of empty homes through financing activities, including addition of the “refurbishment funding for leasing of empty homes,” to a targeted type of loan from the Bank for a specific purpose.

Initiatives Relating to the Regional Economic Innovation Cycle

● Measures for resolution of regional issues

Through industrial-academic-financial-governmental coordination, initiatives in attempts to create positive economic circulation in regional economies which is called “regional economic innovation cycle” are being promoted by bringing regional resources and financing through regional financial institutions together and utilizing subsidies (Regional Economic Circulation Creation Project Subsidies) from national governments, etc.

The Bank has supported 13 startups using the above-mentioned subsidies to date, and is proactively taking measures to support establishment of “social businesses,” which are currently in the public eye, and other enterprises that work extensively for the public interest and contribute to resolution of regional issues.

● Funding cases

— Conversion of castle town Hikone townhouses into lodging facilities —
HIKONE Culture Design Forum proposed use of Regional Economic Circulation Creation Project Subsidies from the Bank to realize plans to convert the increasing empty homes in the old town area of Hikone into lodgings and the proposal was adopted impressively.

The “Honmachi Juku” lodging is a refurbished building comprising family homes dating from the end of the Edo period through the Meiji period. Opened on March 24, 2016, it gives a real feel of the good old days, and has attracted many overnight stayers from inside and outside the prefecture. Through this project, awareness has also been raised as a precedent that created prosperity utilizing empty homes which is an issue for the region.

Launch of Asset Based Lending with Omi beef, etc. as collateral

On November 19, 2015, the Bank started “ABL” (*1) with Omi beef, etc. as collateral (*2) through corporation with Shiga LiveStock Association. By asset-backed loans in partnership with local livestock associations, the first in Japan, the Bank will

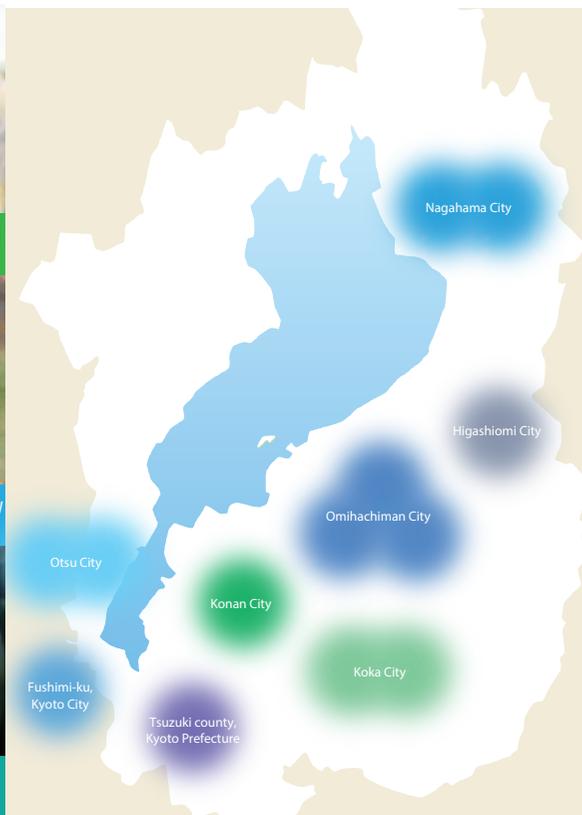
help uphold and improve regional brand products such as Omi beef, utilizing flexible funding without real estate or guarantees as well as supporting sound management of livestock businesses.

*1 In addition to Japanese Black beef, cattle for beef, dairy cattle, pork and chicken are included.
*2 An abbreviation for Asset-Based Lending.

Developing regional brand through crowdfunding

The Bank is supporting entrepreneurs working to use crowdfunding methods to offer new products and services that increase the regional brand attractiveness or use regional resources.

In May 2011, the Bank became the first to work with Music Securities, Inc. So far, it has created 18 small funds (13 recipients) (as of March 31, 2016), supporting entrepreneurs’ efforts to increase fans through crowdfunding methods.



MARUKAME KOUSHI STOCK FARM of Omi beef
Omiachiman City



Authentic Handmade Leather Shoes “Hachim Shoes”
Omiachiman City



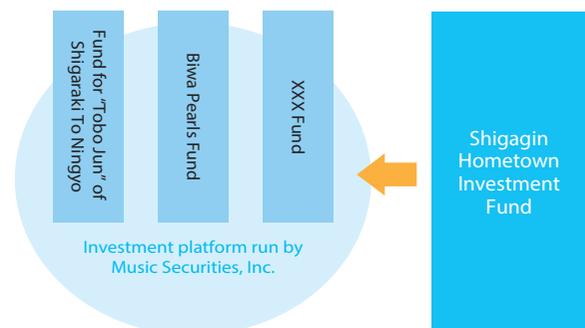
Biwa Pearls
Omiachiman City



Shigaraki To Ningyo “Tobo Jun”
Koka City

● Shigagin Hometown Investment Fund

In February 2015, the Bank established the “Shigagin Hometown Investment Fund,” which invests primarily in specified funds established by crowdfunding. The Bank supports crowdfunding, having made four investments using this platform to date in small funds for which the Hometown Investment Fund can be expected to have a “pump-priming” effect.



● Initiatives for Supporting Management and Small and Medium-Sized Enterprises

Support During the Growth Stage

● Healthcare support

The Bank is involved in preparation of business simulations including funding plans, establishment of medical corporations and medical business succession measures, provision of real estate information regarding candidate sites for business openings and peripheral areas of facilities, support for management through partnerships with external specialist organizations, and arrangement of healthcare business management and other seminars.

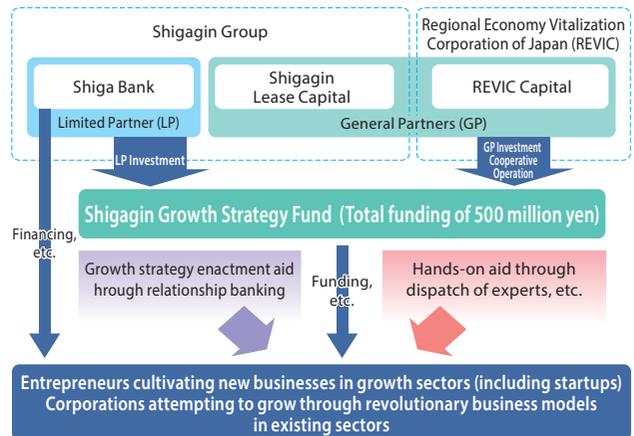
● Measures for renewable energy-based power generation businesses

Since the launch of the feed-in tariff system for renewable energy, the Bank has provided finance in over 700 instances to solar-power generation businesses. It is also involved in renewable energy financing, using the asset-backed loan model (with accounts receivable collateral and personal security).



● Cooperative Funds with Regional Economy Vitalization Corporation of Japan

In April 2014, the Bank and the Regional Economy Vitalization Corporation of Japan founded the “Shigagin Growth Strategy Fund” together which has so far invested in seven companies (as of March 31, 2016). The Bank aims to improve the corporate value of the companies it invests in by making investments in startups as well as small and medium-sized enterprises and providing hands-on support for growth.



● Agriculture: Brand-building for local produce

Business matching meeting with Gurunavi

In measures to establish brands based on local produce, we have become the first regional bank in the Kansai area to form an alliance with Gurunavi, Inc. We support the expansion of marketing channels of our business clients. To date we have arranged four seminars, on expanding marketing channels for agricultural produce and food.

Regional Bank Food Selection

A total of 41 regional banks cooperatively held “Regional Bank Food Selection 2015” at Tokyo Big Sight from November 12 to 13, 2015. 585 food-product related companies exhibited from all over Japan, and eight clients of the Bank exhibited.



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 yen) in cooperation with SHIGA CHUOU SHINKIN Bank, Nagahama Shinkin Bank, Koto Shinkin Bank, Shigaken Shinyoukumiai, and Agriculture, forestry and fisheries Fund corporation for Innovation, Value-chain and Expansion Japan. The first investment was made in February. 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.



Support for Business Creation and Development of New Businesses

● “Sowing Seeds of New Businesses, Cultivating their Buds, and Making Flowers Bloom”

In order to create new businesses that will lead the future, we started the “Saturday School for Entrepreneurship,” which offers business tips, offers industry-academic-government cooperation support through the new business support network “Nonohana Support Group,” and offers financing and other services for a wide variety of funding needs through initiatives such as “Shigagin New Business Support Loan” and “Shigagin Growth Strategy Fund.”

● Business Forum: Saturday School for Entrepreneurship

The “Saturday School for Entrepreneurship” supports a strong spirit of entrepreneurship, through lectures by business executives currently active in fields and by experts in support for compilation of business plans, based on themes such as healthcare, biotech, regional resources, IoT and FinTech.

Fiscal 2016’s “Saturday School for Entrepreneurship,” which began in May, will be its seventeenth year. The school will be held on Saturdays, five times a year.



● Shigagin Nonohana Prize

The Nonohana Prize is given to commend “Saturday School for Entrepreneurship” students who produced results in new businesses through industrial-academic-government cooperation. In fiscal 2015, five corporations were presented with a total of ¥500,000.

Since its creation in 2003, a total of ¥8.80 million has been presented to 88 recipients.

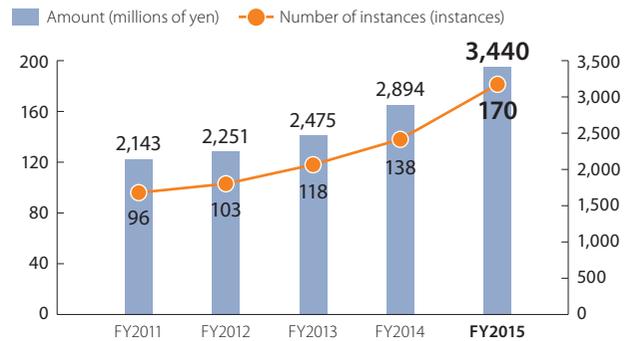


● Shigagin New Business Support Loan

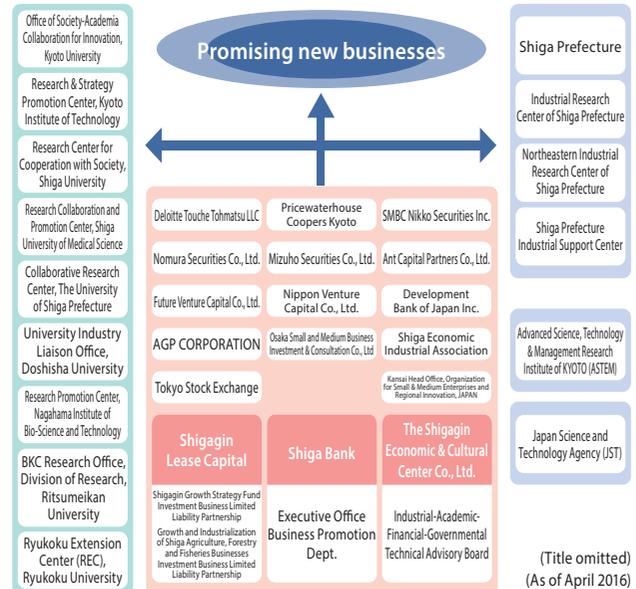
The “New Business Support Loan” series (famously known as Nonohana Loans) provides funding support needed for entry into new business fields and development of new businesses. So far, over ¥3.4 billion has been invested in a cumulative total of 170 companies.

Due to the increasing need for financing for entry into new businesses, the number of loans made in fiscal 2015 was the highest ever.

Shigagin New Business Support Loans made to date (cumulative)



Shigagin new business support network Nonohana Support Group



Industrial-Academic-Financial-Governmental Technical Advisory Board

- Masashi Yasuda (Professor at Collaborative Research Center, The University of Shiga Prefecture)
- Keisuke Makino (Professor Emeritus at Kyoto University)
- Yoshihiko Nakatani (Deputy General Manager of Industry-Academia-Government Collaboration Strategy Board, Ritsumeikan University)
- Masahiro Yoshimoto (Director of Academia-Industry-Government Cooperation Promotion Office, Research & Strategy Promotion Center, Kyoto Institute of Technology)
- Keisuke Noma (Director of Ryukoku Extension Center (REC), Ryukoku University)

Consulting functions

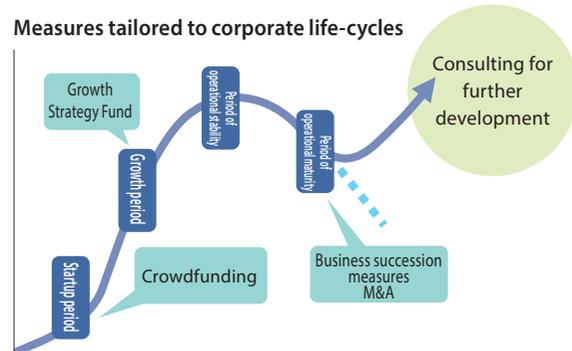
● Business and asset succession measures

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

(Instances)

	FY2014	FY2015
Business succession proposals (instances)	204	233
Asset succession proposals (instances)	165	92
Total	369	325

Measures tailored to corporate life-cycles

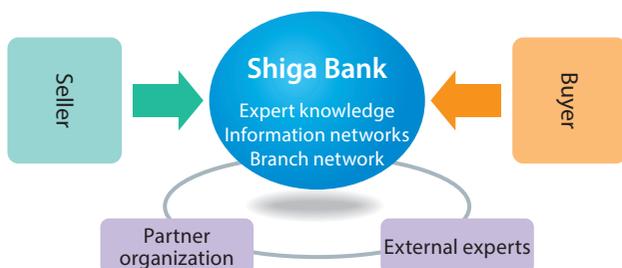


● M&A

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 core businesses	Realizes earnings for the founder
Diversification of revenue sources	Enables sustainable growth
Access to human resources	Concentrates resources on main businesses

The Bank offers M&A advisory services through specialist staff focused on development of the regional economy, and on upholding and raising employment levels. Partnerships are also entered into with outside specialist organizations as necessary.



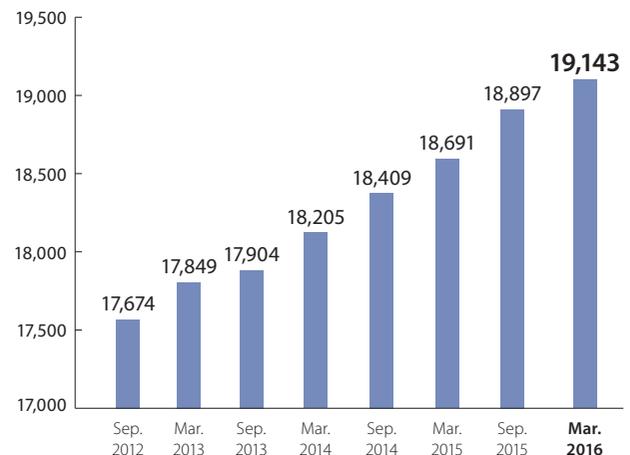
● Measures related to large-scale subsidies and investment promotion tax rules, etc.

As an "accredited support organization for management reforms, etc." the Bank makes proposals regarding subsidies for installation of facilities and investment promotion taxation measures.

- Support subsidies for craftsmanship, commerce and new service development
- Energy-saving and productivity revolution investment promotion among SMEs, etc.
- Support projects for local specialty produce
- Tax rules promoting of investment in facilities that improve productivity, etc.

● Trends in number of customers with business loans

(Business clients)



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.

● Eco Business Matching Fair

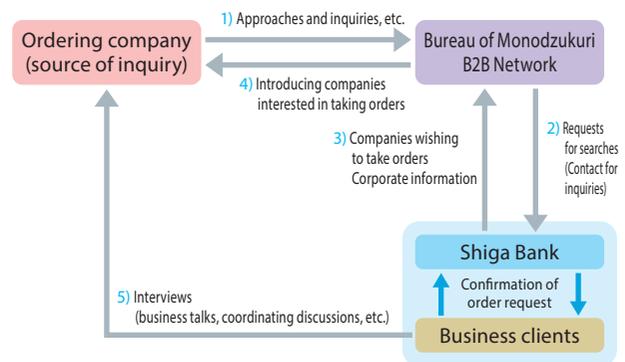
We held the “Eco Business Matching Fair 2016” on July 6, 2016 to provide a forum for business discussions focusing on environmental businesses. This year was the ninth time we have held the fair. A total of 88 companies and organizations presented exhibits in sectors such as new energy, energy saving, recycling, environmental civil architecture, and environmental solutions.

In addition to establishing the “eco products” category this year, we again set up a special booth for “Shiga Prefecture Health Creation.” In the financial support corner, we also introduced examples of crowdfunding initiatives.



● Monodzukuri (innovative manufacturing) B2B Network

The Bank participates in “Monodzukuri B2B Network” run by Commerce, Industry and Labour Division of Osaka Prefecture and Osaka Foundation for Trade & Industry. The Network provides to clients order information relating to monodzukuri at companies in Japan and overseas, and supports expansion of orders at affiliated manufacturing sectors.



● Intellectual Property Business Matching Mart Project

The Bank is involved as a core financial institution in the Intellectual Property Business Matching Mart Project organized by the Kansai Bureau of Economy, Trade and Industry. Leveraging the open patents owned by major companies, this initiative encourages new product development by SMEs.

The Bank provides opportunities for interviews with major corporations, and a full spectrum of support from conclusion of licensing agreements through to commercialization.

● 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 and specialist businesses, the Bank supports creation of stable employment and attraction of personnel into the region for business clients with personnel needs.

● New Power initiatives

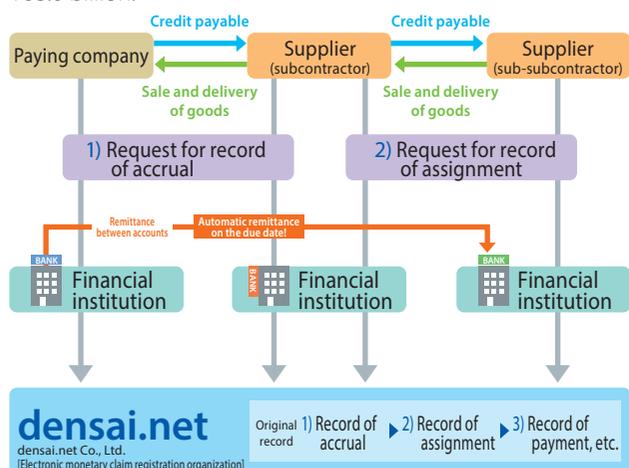
The Bank proposes solutions using the New Power to meet clients’ needs to stabilize business operations and save power.

Providing diversified methods of financing

● Electronically recorded monetary claims

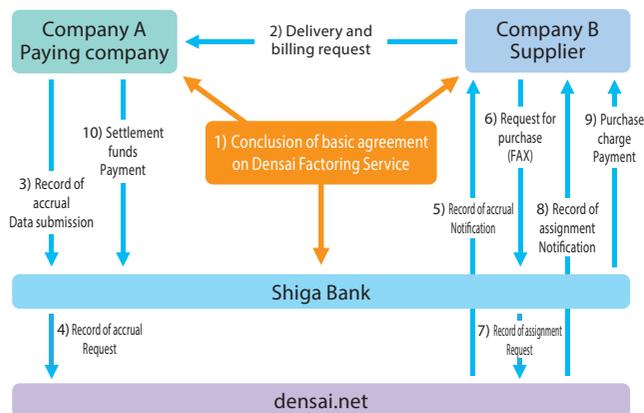
“Shigagin” Densai Service (commenced from February 2013)

With over 5,700 client companies registered as users, the Bank has handled *Densai* drawing (accrual records) in 16,000 instances to date, with a total value of more than ¥68.0 billion.



Densai Factoring Service

This is a new kind of fund procurement method, an independently developed service using *Densai*. *Densai* received by the supplier are purchased by the Bank on a non-recourse basis (= no obligation to buy back).

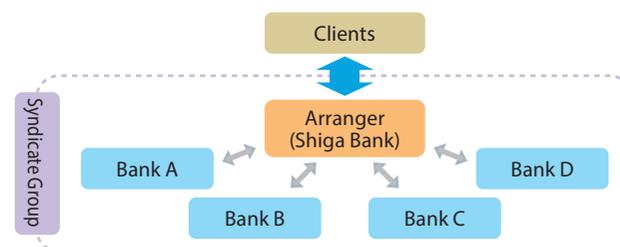


Electronic bill purchase service

Electronically recorded monetary claim (electronic bill) purchase is a service we offer in which non-recourse purchase is undertaken (= with no buyback obligation).

● Syndicated loan

We support client growth by arranging coordinated funding involving large sums and multiple financial institutions.



● Interest subsidy program

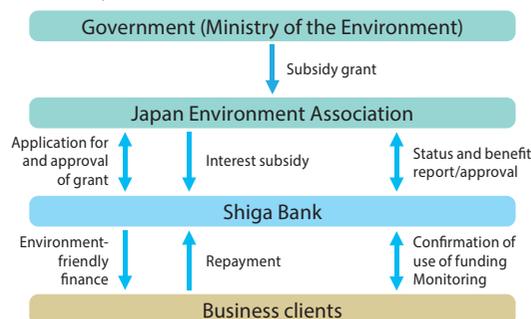
Interest subsidy program “Shiga Health Creation” zone

Within the zone, we offer interest subsidies of up to 0.7% for as long as five years for companies involved in medical and health management device development and commercialization, and in businesses creating health support services.



Initiative providing interest subsidies to promote environment-friendly financing

The Bank has been designated as a financial institution eligible to handle interest subsidies to promote environment-friendly financing, a program being organized by the Ministry of the Environment.



● Being entrusted with private placement bonds

Because issues of private placement bonds are limited to top-level companies that meet certain creditworthiness criteria, evidence that the issuing entity is a blue chip is needed. Additionally, it is possible to procure long-term, stable funding, as it is a direct-financing method.

* Please see page 56 for details of CSR private placement bonds called “Tsunagari” (“Connections”).

We contribute to development of the regional economy by providing financing and solutions based on business assessments.

The Bank sees “business assessments” as an important part of day-to-day communication with the business client. Based on evaluations of future viability after an analysis of sector trends and the client’s business, it sees its role as contributing to the development of the local economy by providing financing and solutions based on business assessments, without depending unduly on collateral or guarantors.

Believing that you have to “defend your own castle yourself,” the Bank was a pioneer among banks in adopting the Foundation Internal Ratings Based-Approach (FIRB) and other measures as a means of increasing the sophistication of its risk management. It has also made available its expertise as a FIRB bank for raising management standards at clients. Through the “Shigagin Ratings Communications Service” and the “Shigagin Ratings Simulations Service” (please see page 28 for both), the Bank is committed to resolving issues and promoting growth by talking and listening to the client over time.

If deeper investigation is required, the Bank provides support through its “Cross-organizational strategic council for business assessment” created in April 2015, in addition to preparing “business assessment forms” which maximally leverage the expertise accumulated by the Group over the years. Where necessary, the Group undertakes more in-depth business assessments making use of external tools such as “Intellectual Property Business Evaluation Reports” (*1), “Intellectual Asset Management Reports” (*2), and “Local Benchmarks” (*3).

These business assessments do not remain in-house, but are shown to the customer. Consensus is then reached between Bank and customers. By providing detailed analyses of value like this, we believe that we are helping to develop regional communities and realize mutual prosperity.

- *1 Intellectual Property Business Evaluation Report: A report by an intellectual property research company that fully evaluates an SMEs business using its intellectual assets. Ministry of Economy, Trade and Industry.
- *2 Intellectual Asset Management Report: A report that highlights the strengths (intellectual assets) of a company that do not appear in the financial statements, such as patents, technologies, know-how and brands. Ministry of Economy, Trade and Industry.
- *3 Local Benchmarks: A tool for understanding of the financial health of companies; a so-called corporate “health diagnosis.” Ministry of Economy, Trade and Industry.

