

Message from the Outside Director



Becoming the go-to place for business advice

Motoko Tsujita
Director

Q What is your role in boosting corporate value at Shiga Bank?

A My area of research is SMEs and regional economies. I have been particularly interested in the question of how specific regional communities can survive in a rapidly changing environment and achieve sustainable prosperity.

When we think about sustainability in regional communities, not only are the abilities of individual members of such communities important, but so is the depth of the networks they form based on trust and reciprocity among members. If you have a tightly bound community sharing values and norms, support can be given to members who get into difficulty. And if the whole community is at risk, it can unite and seek solutions to issues.

In regional communities today, the foundations of regional banks are being shaken by the increasingly rapid decline in population and businesses. The first thing that regional financial service providers such as the Bank should do to keep local communities going is, I believe, to provide excellent, close-to-hand services for the people and SMEs of the area, while cooperating with different local organizations and people. In the medium-to-long term, the development of the Bank will result from precisely these community and customer orientations.

I am lucky to have had many opportunities to discuss local industrial revival and ways of supporting SMEs, in discussions with local government employees and corporate managers. While passing on their opinions, I see my role at the Bank as contributing to establishment of a new regional bank model to meet the needs of local communities.

Q How do you rate the management strategy of the Shiga Bank?

A Shiga Bank sees itself as “the Regional Bank that innovates the future.”

In recent years, a striking number of regional banks have advanced into the large city areas. Shiga Bank also is stepping up its corporate operations in Kyoto and Osaka. The Bank established its main bases outside the prefecture before the Second World War, replicating the national networks created by the old Merchants in the Omi region. Moreover, the core business clients of the Bank

are now companies with deep connections with the area, such as production bases in Shiga Prefecture. The Bank’s wide area of operations is probably a solid strategy in keeping with the mission of the regional bank.

Likewise, the Shiga Bank business assessment service for evaluating the nature and growth potential of clients’ businesses is a pioneering service in the banking sector. However, looking ahead, it will not be enough for banks to simply share knowledge in areas such as management condition, business potential and management issues. Together with clients, it is required to deepen joint exploration of approaches to problem-solving.

Going further, the Bank will need to have employees who are able see how businesses work on the front lines, identify potential for new value, and get close and act as assistant to the creative process. There is an urgent need to establish a personnel strategy that increases the number of employees from outside the sector and specialist talent shaping the more innovative banking of the future, and to find ways of utilizing their capabilities.

Q What role does Shiga Bank perform in local communities?

A Now is the time to begin serious discussion of what kind of products and services should be provided by the Bank to local communities, and what kind of role the Bank should play within those communities.

Nonetheless, many SMEs are facing issues such as business improvement and succession. At a time when centenarians are becoming commonplace, there is increased concern with individual formation of assets. The basic role of the Bank is to become the trusted partner of first resort in management issues and asset management. Supported by a wide range of data clarifying the current state and condition of the regional economy, the Bank, with its large pool of excellent talent, is also expected to serve as a kind of control tower for thrashing out bold strategies to set out a future path for the regional economy and create new value.

With the powerful tool of finance, banks have the strength that they can become banner-bearers for a wide range of networks, and by acting as a hub of such networks, I think they are better positioned to fulfill their basic roles as well as their control tower role.



Overhauling corporate governance by prioritizing substance over form

Hajime Yasui
Director

Q How do you rate measures to strengthen corporate governance at the Shiga Bank?

A The Bank has been proceeding with an overhaul of corporate governance with a focus on substance rather than form. Although the pace of depopulation in our area is relatively slow, the business environment is growing harsher with the narrowing of spreads and the rapid uptake of digital technologies. Under the circumstance, based on established businesses and spirit of cooperation with the region, we are stepping up efforts to absorb more expertise based on the varied experience of outside officers in medium-term strategic planning and other areas. For this reason, preparatory briefings on the day before the Board of Directors meeting can sometimes take five hours, and discussions at Board meetings also take two to three hours.

Through such lively discussion at the Board of Directors, it has been possible to carry out comprehensive management of financial planning and the semiannual asset liability management (ALM) planning in the medium-term business plans. Looking ahead, the Board of Directors will, while remained focused on the Bank's future as a regional bank, discuss matters such as longer-term business strategy and management team succession plans, including use in future operations of one of the five largest sums of unrealized earnings on shares in the regional banking sector.

Q What views do you have on the culture of the Shiga Bank and its strengths and weaknesses?

A The Bank employees are constantly taught to live up to our credo created in 1966 "Be tough on ourselves, kind to others and serve society." In 2007, our CSR Charter pledging mutual prosperity with the regional community, all employees, and the environment was compiled. In November 2017, the Shigagin SDGs Declaration was made public, laying down guidelines for the corporate behavior of the Bank through the SDGs proposed by the United Nations.

I believe that these commitments will be useful in building a sound corporate culture at the Bank, in the "Sampo yoshi" spirit of the Merchants

in the Omi region. In addition to contributing to social development through elongation of bank loans, I see a stronger possibility of increased consumption fueled by higher incomes from sales of investment trusts to the risk-resistant rather than continuing deposit-based business.

This and other credos will be useful in encouraging individual employees to find meaning to their own actions. Even as the duties of staff diversify and grow in complexity amid an increasingly harsh operating environment, I urge them not to forget this credo and to aim to achieve the twin targets of development of the regional economy and sustainable growth of the Bank.

Q What needs to be done for the Bank to flourish over the next 10 years?

A Digital technologies are gradually entering everyday life. This is likely to drive great change in the business approach of customer companies and the lifestyles of individuals. Nonetheless, our cooperative commitment to the regional economy will not change, and it will remain vitally important for the Bank employees to continue to live up to the trust of customers.

On the other hand, as we aim to become a comprehensive financial and information industry player, we have to overhaul the way we do things to meet the demands of the digitization of society. We must not sit back and bask in the glories of the past, but must autonomously change our method of contributing to customer businesses and change our way of doing work. That is the meaning of the Change & Challenge concept in the current medium-term plan.

For this reason, we must act after making timely and accurate distinctions between universal things that must not be changed even in the digital age and things that we have to change flexibly. In this regard, each employee must think even more independently and ponder the future of the Bank and the regional economy. If they bring their ideas to the discussion, we will find ways of making contributions to the local economy part of our business.

I think it is important that a culture is created in which everybody gains the expertise needed for these new businesses and helps each other improve. The specialization that employees acquire during this process will help the Bank thrive in a time of 100-year life-spans.