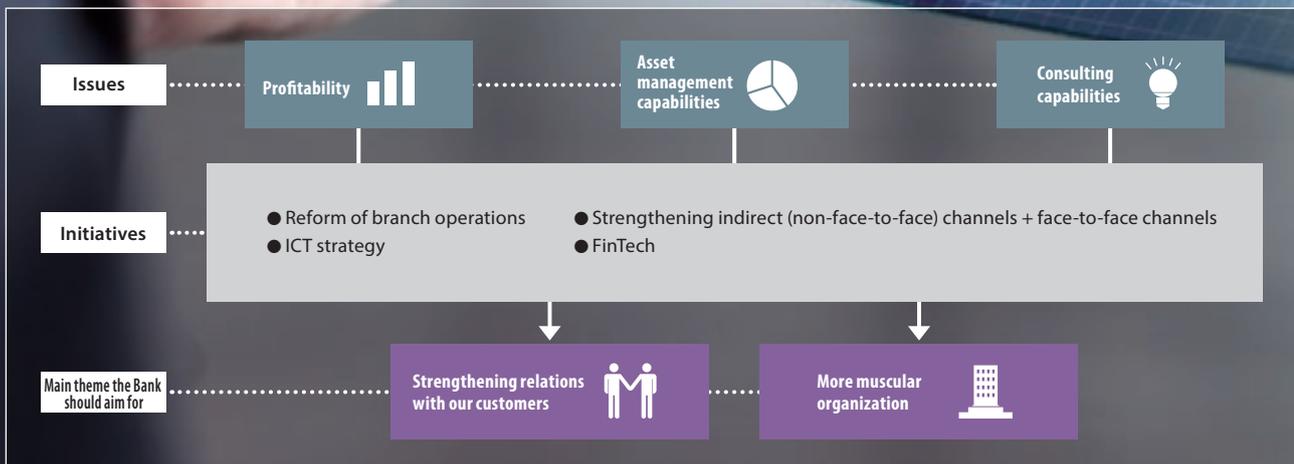


3.



Challenge to increasing productivity

Increasing productivity through effective business operations



3. Challenge to increasing productivity

Measures to reform branches

Against a background of changes in the economic environment and in customer trends (linked with population decrease, aging population, the spread of ATMs in convenience stores and smartphones, etc.), the operating environment of our branches is about to change significantly due in part to the remarkable progress in recent years in ICT.

To respond to the increasingly diversifying needs of customers and to provide them with tailored services, it is necessary to understand accurately the expected functions of our branches and to switch to administration methods and facilities as well as systems better adapted to the times.

Against this backdrop, the Bank launched "Operational Overhaul Project Team" to drastically reform employees' awareness concerning branches, and is taking measures to improve productivity and enhance the satisfaction of both customers and employees.

Measures in the "Operational Overhaul Project"

In the "Operational Overhaul Project," the Bank has formed a cross-departmental project team at Headquarters to drastically review overall administrative operations, centered on deposits, foreign exchange, and other operations handled by branches, in order to significantly cut the amount of administrative work and its cost by increasing productivity.

By increasing productivity, the Bank shall also achieve deeper relations with customers and enhance the level of customer service, including reducing wait times at branches and increasing the time spent making proposals to customers at counters.

As measures to increase productivity, the Bank intends to implement "backless" reforms to concentrate administrative processing at Headquarters, and reforms to front office operations with

new processing methods that consider paperless and cashless approaches, in addition to reforming branch layouts to enhance customer service and strengthen sales capabilities.

Launch of trial at five branches

At present, the Bank is gradually introducing these measures at five branches of differing size and type, and verifying their effectiveness, and we intend to introduce them at all branches while implementing the PDCA cycle.

At trial branches, we are expanding lobbies, a customer-oriented space, by reducing the space for the execution of operations by cutting the amount of administrative work and increasing productivity. By converting branches from "places for administrative operations" to "places for sales," we are making "the counter," our point of contact with customers, a better "place for providing services." We shall create deeper relations with each customer, and thereby enhance our profitability.



Branch layout contributing to providing services to customers (Azuchi Branch)

Voice

Realizing enhancements in productivity and customer service with radical reforms

In a major change to the layout of our branch, our lobby is now larger than before, creating a space where customers can relax and wait in comfort. Discussion booths designed with privacy in mind have been well received, as they allow customers to discuss things without worrying about where other customers are looking.

In addition, with the newly established "General Guide," we accurately identify what customers who have come to the branch want, and show them to counters categorized into different functions. This makes speedy processing possible, helping us reduce wait times.

In regard to our interaction with customers, some of the administrative operations of our branch have been consolidated at the support office at Headquarters, which means we can allot time that was spent on administrative operations to servicing customers. Looking ahead, I hope we can continue to enhance productivity and customer service through all employees working together on radical reforms.



Aiko Fuse, Azuchi Branch

Branch strategy

The number of customers coming to our established branches is falling due to population decline, declining birthrate, aging population, the rapid development of online business and social interaction, increased usage of smartphones and similar devices and other trends. At the same time, with greater use of online banking, customer expectations of bank branches as a marketing channel have also changed greatly.

Under these circumstances, the Bank is making adjustments to branch functions to address new market characteristics and trends. By specifying clearer roles for individual branches, the Bank aims to improve customer convenience and upgrade services as well as strengthen its business posture and optimize its use of corporate resources.

In branch initiatives within Shiga Prefecture, the Bank will take measures to further improve services by creating a business posture that better meets customer needs, while duly noting changing demographics and regional characteristics and growth potential. This means shifting from branches of offering full branch banking services to branches with specific functions including sub-branches and Agents.

In business initiatives outside the prefecture, the Bank opened Kyoto Branch in 1938, Osaka Branch in 1941, and Tokyo Branch in 1946, becoming one of the earliest "wide-area regional banks."

In new branch openings outside the prefecture in recent years, the Bank has established "branches specializing in corporate business." These chiefly target SMEs, as part of the new "exuding strategy" for branches, in which a certain volume of business is achieved through business approaches that make maximum use of local and interpersonal connections and knowledge – rather than growing through rapid openings of a string of new branches with the sole object of boosting volumes.

Going forward, we consider it strategically necessary to focus on the software rather than the hardware given expectations of further change in the social and economic structure against a background of declining population and innovation in the technologies of AI and the IoT. We are committed to equipping branches with smart technologies using FinTech and expanding services that enable completion of procedures without coming to a branch, to position us to better meet diversifying customer needs.

Shin Osaka Branch

On June 11, 2018, the "Shin Osaka Branch" was opened as we promoted the Osaka Kita Corporate Business Department to a branch. We promoted this business department to a branch in view of the fact that the relationships it has built with customers over the ten years since its opening have been steadily reflected in earnings results. As the second "branch specializing in corporate business" after the Mie Branch opened in 2016, this branch shall further endeavor to respond promptly to customers' needs and offer advanced consulting services.

Mobile banking vehicle Shiganosuke GO!

In the areas surrounding four Agents to be integrated in July 2018 (Kutsuki, Kashiwabara, Nishi Azai, Yogo Agents), we are gradually launching sales with the "Mobile Banking Vehicle Shiganosuke GO!" from the perspective of ensuring convenience for customers.

The introduction of the mobile banking vehicle allows us to provide financial services in regions and commercial facilities, etc. with relatively few stores, and we can also utilize it for the ATM services and supplying power in the event of a large-scale disaster. Looking ahead, we intend to utilize the mobile banking vehicle for CSR activities, and excursions to venues for regional events and other promotional activities.

The Bank will utilize new sales channels as we focus on further expanding contact points with customers, and we will endeavor to continue providing a high level of service.



ICT strategy

The rapid spread of the smartphone has made it possible to use many services at “anytime” and “anywhere,” with greater speed and ease of use than ever. Going forward, we also expect accelerating development in ICT with improvements in transmission speed and wider use of AI.

In response to the development of ICT, the financial industry has likewise begun to develop new services through FinTech measures.

Under these circumstances, the Bank attaches even more importance as management issues to providing new services that meet customer needs by leveraging ICT and improving the productivity of conventional operations.

Meanwhile, the Bank’s computer system is one of the important parts of public infrastructure, and is expected to have a robust ICT platform to ensure provision of secure and reliable financial services.

To ensure the Bank keeps one step ahead while ensuring reliability, it has designated ICT is one of the pivots of its business strategy. It has basic policies of ICT strategy: (1) contributing to greater convenience and customer satisfaction through ICT; (2) improving the productivity of business operations; and (3) working to provide worry-free, secure ICT services.

In line with its basic policies of ICT strategy, the Bank is committed to proactively mobilizing ICT to understand our customers even better and provide high value-added services by aiming for (1) “expanding financial services” to provide accurate responses to customer needs; (2) further “streamlining business operations and ensuring risk control”; and (3) “creating a system to realize strategic management policies” in a flexible and scalable way.

