

# Achieve greater convenience through responding to digitization

With the rapid uptake of digital technologies, cashless payment and other new financial services are emerging one after another, which are bringing about greater convenience for customers. The Bank will further strengthen its wide-area partnership with other banks and those with FinTech companies to provide highly convenient, customer-oriented services. In addition, through supporting customers in their adoption of digital technologies and ICT, we will contribute to productivity improvement and streamlining of operations in the region.

## Digitization of society

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.

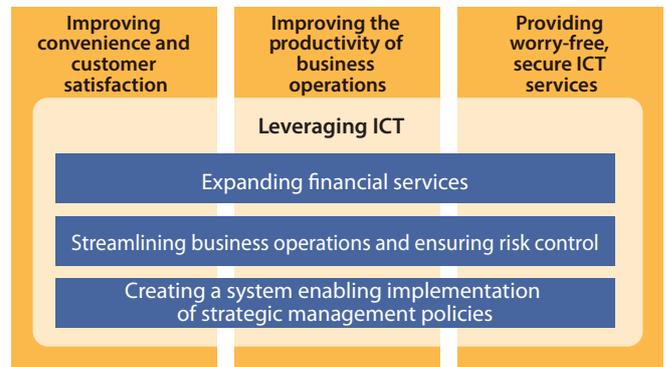
## Our corporate direction

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.

The Bank 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.

## Basic policies of ICT strategy



## Diagram of solid ICT infrastructure

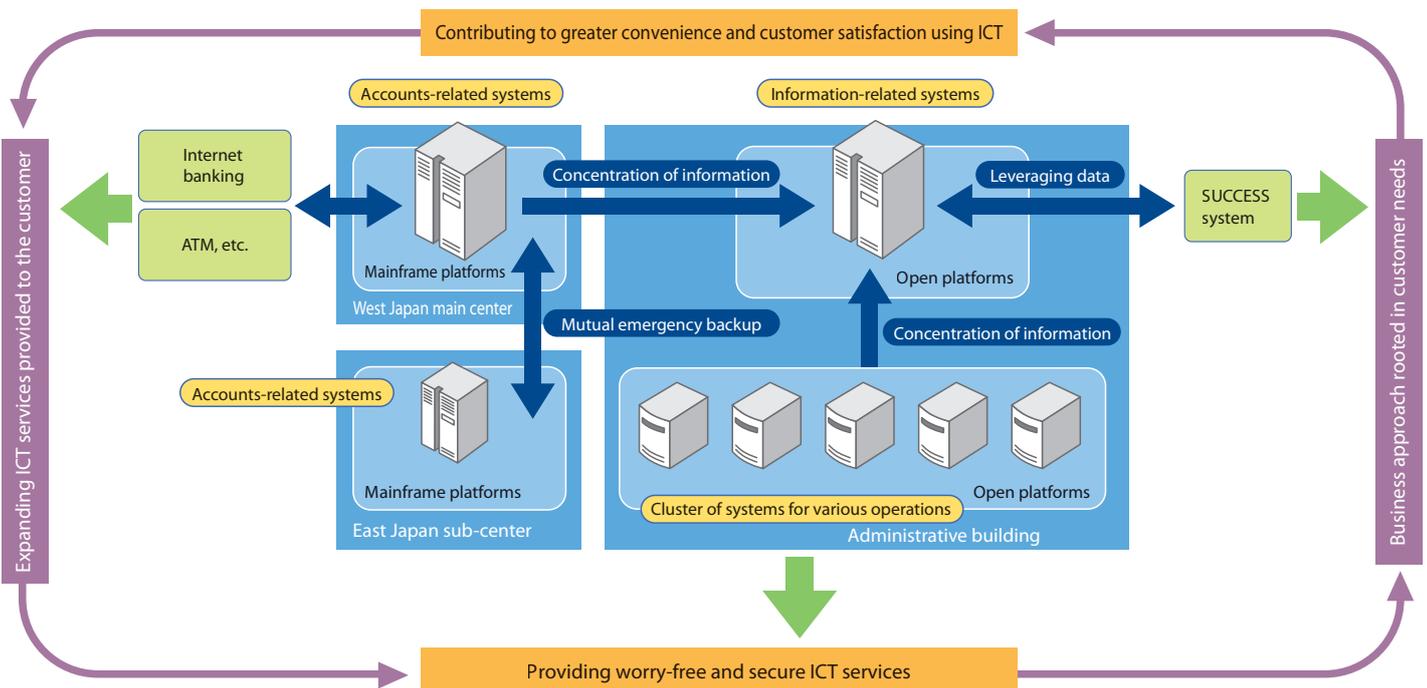
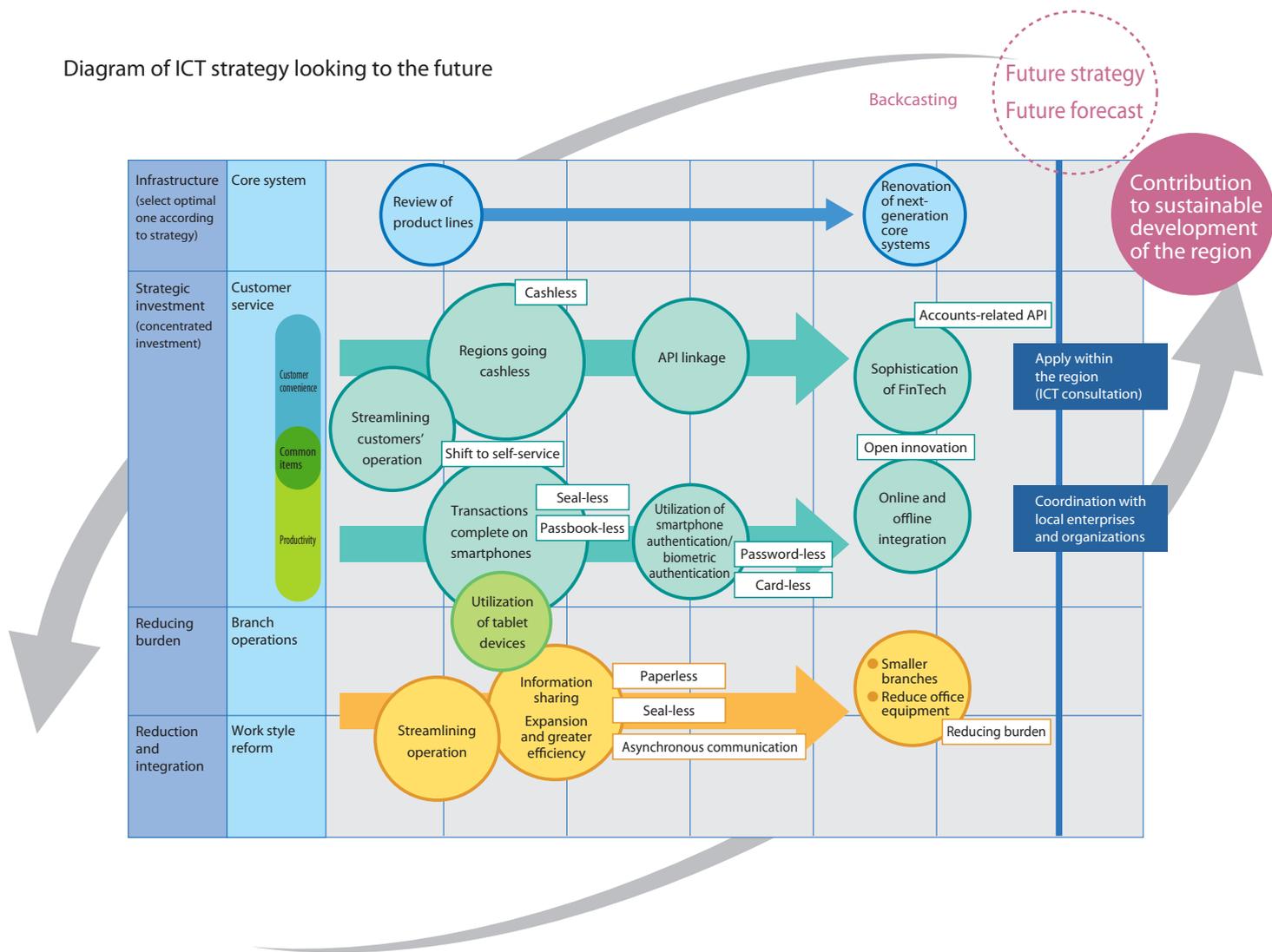


Diagram of ICT strategy looking to the future



### Responding to a cashless society

Cashless services are expected to spread rapidly with the entries of multiple business operators. We believe that responding to the shift to cashless payments in the region will not only ensure greater convenience with more settlement options, but will also prevent sales opportunity losses for our client customers and streamline operations.

In this respect, we are improving the convenience of account holders at the Bank (expanding charge functions) and supporting cashless settlement at our client customers. Specifically, we have started to increase J-Coin Pay and Origami Pay member stores and commenced bank account coordination with various smartphone payment apps (LINE Pay, PayPay, Merpay, etc.).

In addition, we are promoting the automation of routine tasks at the headquarters with the use of RPA, as well as utilization of AI chatbot and tablet devices. While striving to overhaul our operations for greater efficiency, we will work to spend more time to make proposals to customers and further raise their corporate value.

### Future initiatives

Amid major changes in the economic environment and social conditions accompanying the rapid uptake of digital technologies, the Bank must respond to change flexibly and proactively, and it considers it vital to think and take actions in a way that goes beyond conventional frameworks.

Under these circumstances, through promoting a wide-area partnership (TSUBASA Alliance) and collaborations with FinTech companies having strengths in various fields, the Bank will provide even more customer-oriented, highly convenient services.

With a plan to update the next-generation core system in consideration of such external partnerships, we aim to ensure a sustainable society through co-creation with regional communities with the use of various ICT platforms.

### Value to be provided

- Boost initiatives for ICT utilization and deliver worry-free, secure services with greater convenience.
- Define a future with customers and regions, support adoption of digital technologies and ICT with the use of various ICT platforms and contribute to enhancing productivity and operational efficiency in the region.

# Catering to diversifying needs with “branch reforms” and “branch and channel strategy”

Against a background of major changes in the economic environment and in customer trends (linked with population decrease, aging population with low birth rate, 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 increased usage of online-based financial transactions, while the number of customers coming to branches is on the decrease.

Amid this environment, while appropriately and promptly responding to the diversifying needs of customers, we will improve the value we provide to customers in a form suitable for the future economic and social environment through our “branch reforms” and “branch and channel strategy.”

### Branch reforms

#### Measures to reform branches

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 is working on implementing “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.

#### Extending Operational Overhaul to all branches

Initiatives under the Operational Overhaul Project are to be extended to all branches from April 2019, taking three years.

Specifically, we introduced the “purpose-specific counters system” where we establish a General Guide and classify counters according to what customers visiting branches want, and also commenced operation of a centralized administrative base (support office).

Accelerating such measures, we will steadily enhance productivity combined with the branch and channel strategy.



Next-generation branch (Yokaichi Branch)

### Branch and channel strategy

#### 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.

## Introduction of the “Block system”

Aiming to streamline branch functions and provide more extensive services, we started a block system on a trial basis at certain branches in February 2019.

The block system is a framework to consider multiple branches in a nearby location as a block and consolidate their financing counters, as well as to improve productivity by jointly promoting operation with member branches of the block. At the same time, through the concentration of human resources and information, the system serves as a scheme to provide optimal services to customers.

Currently, we have introduced the system at six blocks, each different in size and branch type, and will consider full-scale implementation upon verifying the effectiveness.

## Mobile banking vehicle the Shiganosuke GO!

In four areas of Kutsuki, Kashiwabara, Nishi Azai, Yogo, we are operating 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.



## Enhancement of non-face-to-face channels

The spread of smartphones is changing customers' transaction styles. In addition to the strategy for our physical branches, we promote the shift to online channels that utilize ICT while striving to enhance our non-face-to-face channels as well as face-to-face.

Specifically, we provide an account opening app and other services, and through enhancement of the functions of ATMs and mutual partnerships with other financial institutions, we achieve greater convenience for customers and workload reduction leading to productivity improvement.



## Supporting global development of regional business

The important mission of a regional bank is to unleash the potential “earnings power” of the regional economy and support sustainable development. “Globalization of the region” is essential to fulfill this mission and therefore we will provide “problem-solution type overseas consulting” for our customers by strengthening cooperation with our overseas bases — the Hong Kong Branch, Shanghai Representative Office, and Bangkok Representative Office.

### Improvement of overseas consulting menu

#### Problem-solution type support strategies

Overseas businesses of our customers have expanded to broader regions and sectors, leading to a wider variety of issues. The Bank will solve problems of customers by further strengthening cooperation with local governments, public organizations, and private companies and improving overseas consulting functions, in addition to know-how of overseas business support accumulated so far as an internationally active bank.



### Providing financial intermediary functions satisfying customer needs

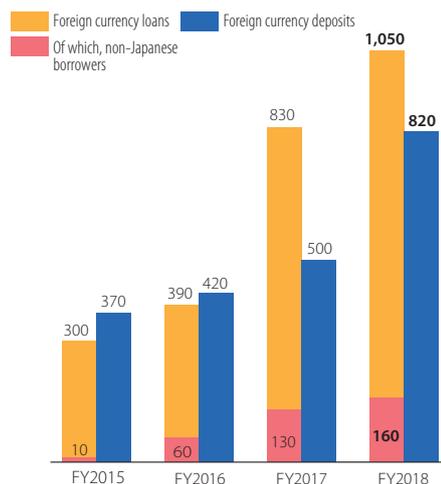
#### Increase deposits and loans denominated in foreign currencies

With respect to loans denominated in foreign currencies, we will respond to the funding needs of customers for establishment of overseas subsidiaries, capital expenditures and other projects, utilizing coordinated funding denominated in foreign currencies with the Japan Bank for International Cooperation (JBIC). Furthermore, we will meet needs for funding in foreign currencies of domestic customers utilizing “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.

Additionally, as domestic interest rates remain ultra-low, we will develop and provide foreign currency deposit products satisfying customer needs such as customers’ asset management and foreign exchange hedges.

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

(Millions of U.S. dollars)



### Development of global human resources and expansion of network

#### Expanding our field further to wider Asia

The Bank has utilized global human resources such as persons who worked at overseas locations and were dispatched to overseas training programs. Furthermore, we will expand the dispatch areas to strengthen human resource development across Asia as a whole. By augmenting know-how and increasing partner institutions in the dispatch areas, we will expand our network that can provide support to be required for globalization of the region.



#### Value to be provided

- Provide know-how accumulated over the years as an internationally active bank
- Provide information sent from the Hong Kong Branch, Shanghai and Bangkok Representative Offices and overseas trainees
- Provide menus in cooperation with the Japan Bank for International Cooperation (JBIC), Japan International Cooperation Agency (JICA) and other organization

# Market investment strategy

## Aiming for maximization of total return

As domestic interest rates are expected to remain ultra-low due to the Bank of Japan's yield curve control policy, we are required to strengthen the earnings structure for increasing non-interest income. To maximize earnings on a mid- to long-term basis, we will manage a sustainable portfolio while strengthening ESG investments and credit investments, improving the market analysis ability and developing human resources who are able to manage risk in the global market.

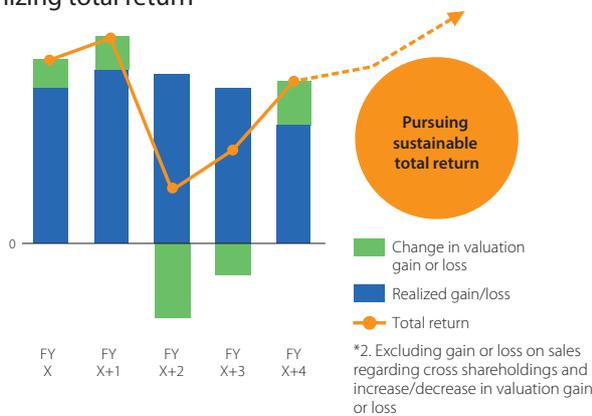
### Pursuing sustainable, stable return

#### Management structure focusing on total return\*1

As ultra-low interest rates are expected to be prolonged with the yield curve control policy, we will manage a sustainable portfolio by maximizing total return.

\*1. Total return = Realized gain or loss + Change in valuation gain or loss

#### Maximizing total return\*2

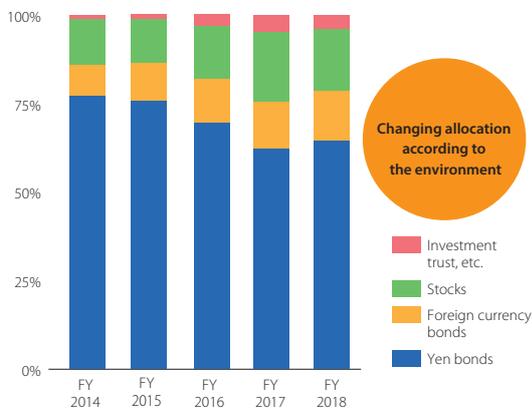


#### Multi-asset management\*3 in tune with changes in the external environment

With the risk appetite framework as a starting point, we review exposure to yen bonds, foreign currency bonds, domestic/overseas shares, etc., as needed in accordance with the market, aiming for investment returns immune to the market environment.

\*3. Multi-asset management: a diversified investment method that aims for stable investment returns in the long-term by changing asset allocation in response to the market environment

#### Trends in ratio of balance of securities



### Maximization of revenues over the mid- to long-term

#### Toward ensuring sustainable revenues



#### Strengthening ESG investment

Through ESG investment, we will contribute to development of a sustainable society and ensure profitability from a long-term perspective.

#### Strengthening credit investment

We will expand investment targets in the global market and also make investment proactively in new fields.

#### Strengthening the market analysis ability

We will aim to obtain capital gains by taking strategic positions based on analysis including fundamentals and technical analyses.

#### Developing human resources

We will establish a human resources development program to develop human resources who are able to manage risk in the global market.

#### Procuring foreign currency stably

Through stable procurement of foreign currency, we will control foreign currency liquidity risk and support global investment, thereby ensuring stable margins.

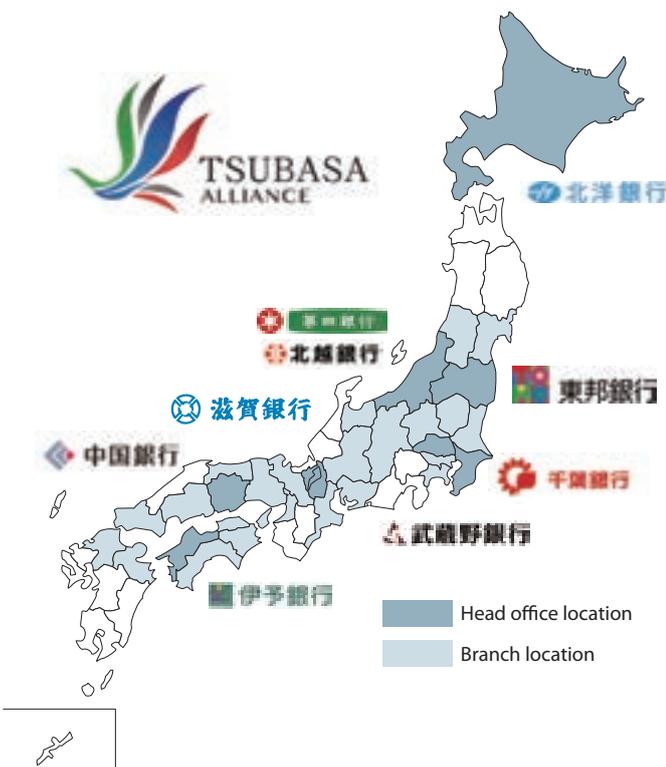
#### Value to be provided

- Improve financial intermediary functions by securing stable revenues
- Contribute to economic development with investments in growth areas
- Contribute to a sustainable society through ESG investments
- Support asset building by developing human resources familiar with the markets

## Joined the “TSUBASA Alliance”

—pursue maximum synergy under the biggest alliance among regional banks—

The Shiga Bank joined the “TSUBASA Alliance” in May 2019. The purposes are: sustainable growth of the region and improvement of the financial system; planning and promotion of alliance measures contributing to enhancement of corporate value of the participant bank groups; growth of the top line; and planning and promotion of cost-cutting measures. Cooperation with more financial institutions through joining the “TSUBASA Alliance” enables us to share know-how and information on common issues such as environmental changes surrounding regional financial institutions. In addition, we will contribute to sustainable growth of regional communities by further accelerating the strategic alliance in various areas and providing high value added financial services, among other activities.



### Comparison with other banks for the year ended March 31, 2019 (consolidated basis) by total asset

	Total assets	Deposits	Loans
Mitsubishi UFJ Financial Group, Inc.	311.1 trillion yen	180.1 trillion yen	107.4 trillion yen
Sumitomo Mitsui Financial Group, Inc.	203.6 trillion yen	122.3 trillion yen	77.9 trillion yen
Mizuho Financial Group, Inc.	200.7 trillion yen	124.3 trillion yen	78.4 trillion yen
<b>TSUBASA*4</b>	<b>65.7 trillion yen</b>	<b>54.1 trillion yen</b>	<b>41.8 trillion yen</b>
Resona Holdings, Inc.*1	59.1 trillion yen	51.1 trillion yen	36.1 trillion yen
Sumitomo Mitsui Trust Holdings, Inc.*2	57.0 trillion yen	31.9 trillion yen	29.0 trillion yen
TSUBASA*3	55.0 trillion yen	45.1 trillion yen	34.5 trillion yen
Fukuoka Financial Group, Inc.	20.8 trillion yen	14.0 trillion yen	12.9 trillion yen
Concordia Financial Group, Ltd.	18.9 trillion yen	15.9 trillion yen	12.6 trillion yen
Mebuki Financial Group, Inc.	17.3 trillion yen	14.3 trillion yen	11.1 trillion yen

\*1. Kansai Mirai Financial Group, Inc. (Kansai Urban Banking Corporation and The Minato Bank, Ltd.) was consolidated in April 2018.

\*2. Japan Trustee Services Bank, Ltd. and two other companies were deconsolidated in October 2018.

\*3. The Hokuetsu Bank, Ltd. joined in April 2018 and was included as Daishi Hokuetsu Financial Group, Inc. in October 2018.

\*4. The Musashino Bank, Ltd. and Shiga Bank joined in March and May 2019, respectively.

### Announced TSUBASA Declaration on SDGs

#### TSUBASA Declaration on SDGs

In line with the Sustainable Development Goals (SDGs) adopted by the United Nations, the TSUBASA Alliance hereby declares that it will utilize the knowledge it has gathered on the common local issues listed below, as mutually recognized by each member bank, to tackle social and environmental issues in its respective localities in order to achieve sustainable growth in the region - which is one of the Alliance's main objectives.

May 22, 2019

1	<b>Local economy and community</b>	Contribute to the vitalization of local economy and communities
2	<b>Aging population</b>	Support peace of mind and safe living for the elderly
3	<b>Financial services</b>	Provide financial services for a better life
4	<b>Diversity</b>	Promote diversity and work reforms
5	<b>Environmental protection</b>	Contribute to the preservation of a sustainable environment

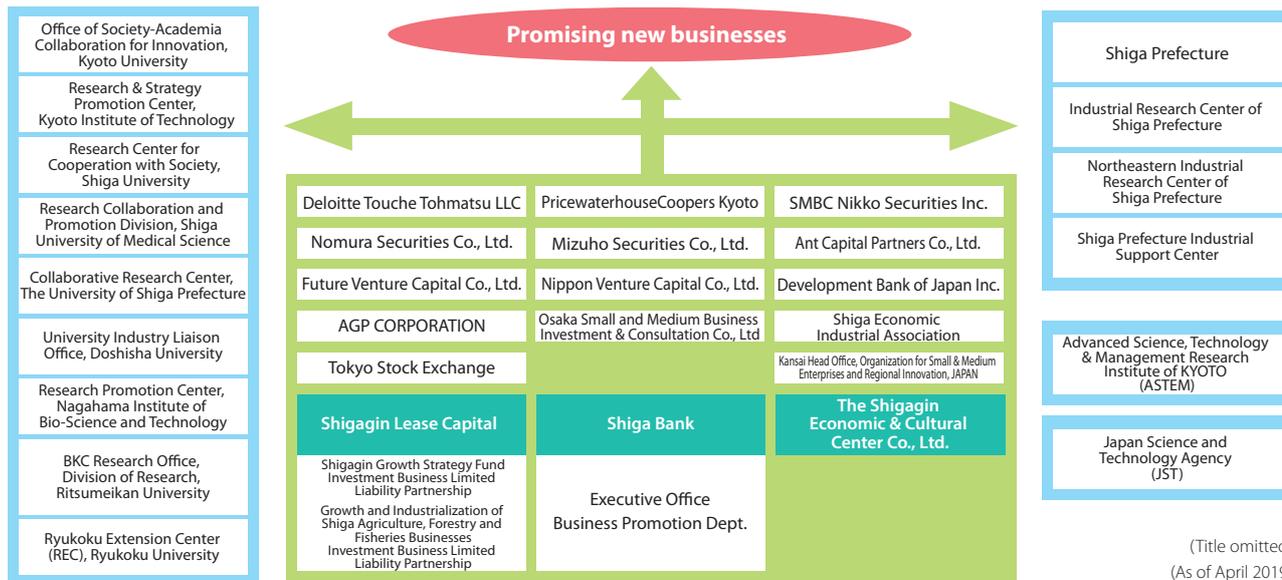


## Cooperation with the community

### 1. Cooperation among industry, government, academia and finance —supporting venture businesses and relaunch—

Shiga Bank has established the Shigagin new business support network “Nonohana Support Group” to support entrepreneurs who seek to create new business in a comprehensive and professional manner. This network supports activities of entrepreneurs for creation of new business by bringing together expertise from the fields of industry, academia, government and finance.

Shigagin new business support network Nonohana Support Group



(Title omitted)  
(As of April 2019)

### 2. Conclusion of comprehensive alliance agreements with local communities and universities

- 1) Shiga University (October 2016)
- 2) Trilateral agreement with Kusatsu City and Ritsumeikan University (December 2016)
- 3) Shiga University of Medical Science (October 2017)

### 3. Business alliance toward regional revitalization through spread of sustainable agriculture and development of regional agriculture

We concluded an agreement on business cooperation with West Japan Railway Company and Farm Alliance Management. (April 2017)

### 4. “Shiga SDGs × Innovation Hub (SHIGAHUB)” — Cooperation with Shiga Prefecture, Shiga Committee for Economic Development and regional financial institutions

“SHIGAHUB” was established for the purpose of creating innovation leading to solution of social issues of Shiga and building new business models for the 21th century.

The Shiga Bank sends its employees to “SHIGAHUB” and contributes to creation of a sustainable society in the region by proactively supporting solutions of social issues leading to SDGs and innovation leveraging the strength of companies, through utilization of our network.

