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TOP MESSAGE

取締役頭取

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President

変革と挑戦によって地域社会の発展に貢献し続ける

「未来創造銀行『The・ちぎん』を目指します。

Contributing to the development of regional communities by pushing through reform and taking on challenges, we aim to become “the Regional Bank that innovates the future.”

滋賀銀行は、2016年4月、新しい経営体制のもと、第6次中期経営計画をスタートさせました。

これからの10年を見据えた当行の取り組みをご説明します。

The Shiga Bank has started the 6th Medium-Term Business Plan from April 2016 under a new management structure.

Below is an explanation of measures planned by the Bank for the coming 10 years.

1. 地方銀行の存在意義

1. What is the purpose of a regional bank?

I believe the existential purpose of regional banks is to support, as best we can, the sustainable development of business partners and regional communities. Invigoration of regional enterprises and industries creates new jobs and raises incomes, creating a virtuous circle. By developing communities in this way, financial institutions such as ourselves can also develop. By the same token, if there is no development of regional communities, our bank cannot develop either. In other words, a regional bank that cannot contribute to the development of regional communities has no reason even to exist, and sooner or later will inevitably fall by the wayside.

When I took up the post of President of the Bank, I spelled out our aim of building Shiga Bank into “the Regional Bank that innovates the future” – a blueprint for the profile the Bank should be aiming to project internally and externally over the long-term. This means further deepening our ongoing traditional role of “locally focused relationship banking based on the concept of mutual prosperity,” and at the same time expresses our determination to develop into a “regional bank among regional banks” which occupies a distinct space from megabanks, and which emphasizes face-to-face contact and meetings of minds. The thinking behind “innovating the future” embodies the idea of helping shape the future of all stakeholders involved with the Bank, including regional communities, business partners, shareholders, executives and employees, and their families.

Today, Japanese society is beset by social issues. In addition the changing industrial structure as globalization progresses, we face a changing demographic profile due to the rising dependency ratio (fewer children and more

elderly people), the deepening of disparities between regions and the rebuilding of state finances. In particular, we believe that vigorous “regional revitalization” that overcomes the issue of declining population is an urgent task. We see it as the duty of regional financial institutions to foster this revitalization.

I believe that regional financial institutions coexisting with regional communities need right now to show their “commitment” to achieving regional revitalization and leverage their ability to make real contributions to it.

2. 滋賀銀行の理念とあゆみ

2. The philosophy and history of the Shiga Bank

「三方よし」の精神を受け継ぐ行是、CSR 憲章
CSR Charter, the Bank’s motto which carries on the “Sampo yoshi” philosophy

The Shiga Bank was born in 1933 through the merger of the 133rd National Bank (Hyakusanjusan Bank), which prided itself on “sound management,” and the Hachiman Bank, which emphasized a culture of “enterprise.” While gaining the deep trust of the local community by ensuring sound management under the motto of “mutual prosperity” with the customers, we drew on the Omi Shonin (merchant of Omi) business philosophy of pioneering enterprise, and were ahead of other financial institutions in establishing branches in Kyoto in 1938, Osaka in 1941 and Tokyo in 1946. Through this program of aggressive network expansion, the Bank built the foundations of its development.

The “Sampo yoshi” management philosophy, embraced by merchants in the Omi region of central Japan, means to bring happiness to three sides: the seller, the buyer and society. We uphold the spirit of this tradition through our motto created in 1966, of “being tough on ourselves, kind to others and serving society.” Since then, we have forged ahead with business partners and local communities. The Bank has made this motto the starting point for corporate social responsibility (CSR), and has established the CSR Charter (Management Principles) in 2007 to pursue “mutual prosperity” with the “regional community,” “all employees,” and “the environment.”

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銀行経営近代化への取り組み

Measures to modernize the Bank's management

We believe that the ultimate mission of the management of a Bank is to “take on risk.” That “risk” is the risk assumed on behalf of the development of the regional communities. Bearing the significant responsibility of helping ensure the development of regional communities, the Bank is expected to serve in a financial intermediary role for the establishment, growth and regeneration of business partners and for the sustainable development of regional communities, without being unduly swayed by the financial environment and economic trends. For this reason, the Bank ensures an adequate level of own capital (retained earnings) as a reserve against any changes that may affect regional communities.

However, the Bank cannot just assume or underwrite risks without precautions if its source of funding is the valued deposits of its customers. Risk must be controlled within a specific range, based on (1) accurate assessment of whether or not risk exists and how great it is, (2) charging interest at rates duly reflecting risk, and (3) covering risk with the Bank's inherent strength.

In recognition of these factors, the Bank is taking measures to modernize its management through rational approaches that do not depend solely on intuition and past experience, and is strengthening its financial position and capital base. After pioneering the adoption of an “in-house corporate credit ratings system” and “pricing system,” in 2007, the Bank was among the first to adopt the “Foundation Internal Ratings Based-Approach (FIRB),” a sophisticated risk management standard based on the Basel II capital adequacy framework of the time. Later, the Bank developed its “Ratings Communication Service (*1),” based on independently built-up data, to position it to use its expertise as a FIRB bank to not only manage risk but also help improve management at business partners. In 2015, further deepening this thinking, the Bank launched its “Ratings Simulation Service (*2).” Through this, the Bank helps business partners resolve issues and grow through a policy of “substantive dialogue.” (Please see page 28.)

The Bank has likewise taken measures to improve the transparency of business planning and to generate revenue opportunities, by clarifying “risk appetite (risk type and scale to be assumed)” necessary in the achievement of business strategy and financial planning, and by introducing a “risk appetite framework” for business and risk management. (Please see page 44.)

(*1) Ratings Communication Service

Using it as a rational communication tool that connects our customers to the Bank, the Bank decides the “corporate credit ratings” through quantitative evaluations based on the financial statements and qualitative evaluations using the Bank's unique expertise in credit supervision. The Bank shares with its clients their respective “strengths” and “weaknesses” which are discovered through the rating process. The service also aims to solve the clients' problems and improve their financial condition.

(*2) Ratings Simulation Service

A service that takes the Ratings Communication Service a step further as it forecasts and shares business plans for the future based on customers' business strategies (targets), thereby supporting the improvement of corporate value.

にじみ出し戦略 ～”商流”の創造～

“Exuding strategy” —creation of “business distribution flow” —

From its base in Shiga Prefecture, the Bank had opened a branch in neighboring Kyoto even before the war, and later opened branches in Osaka, Tokyo, Nagoya, Ogaki and Ueno (Mie Prefecture), becoming one of the earliest wide-area regional banks.

By generating a “business distribution flow” through this network, and acting in the belief that encouraging regional economic development and realizing “mutual prosperity” is the role of a regional bank, the Bank has continued its “exuding strategy” of expanding its business area through a face-to-face business approach based on local and personal links and close relationships.

By building close relations with business partners this way, we are enabling establishment of long-term transaction relations that are not solely governed by interest rates.

C SR 経営 ～滋賀銀行の原点～

CSR Management — the starting point of the Shiga Bank —

The Bank sees corporate social responsibility (CSR) as the role of the Bank as a corporate citizen in fostering sustainable growth of society. The Bank has moved quickly to develop CSR activities based on the three key concepts of “environment,” “welfare,” and “culture.” (Please see page 52.)

Based as it is by Lake Biwa, the Bank in its social mission places particular importance on “environmental management,” which incorporates the environment in management. By providing “environmental finance” which contributes to the creation of a sustainable society through “finance,” the life blood of the economy, the Bank has taken measures to reconcile the twin imperatives of safeguarding the “environment” and providing “finance.” In addition to being designated as the first “Eco-First Enterprise” in the financial industry, our endeavors in this area have been widely recognized and we have won many environment related awards. (Please see page 54.)

3. 前期決算ならびに前長期経営計画の成果と課題

3. Results in the previous fiscal year and achievements and issues in the previous Medium-Term Business Plan

中小企業向け融資が大きく増加 ～ 2016年3月期～

A major increase in loans to small and medium-sized enterprises — fiscal year ended March 31, 2016 —

Consolidated ordinary income for the fiscal year ended March 31, 2016 decreased by ¥2.0 billion year-on-year to

¥22.5 billion and net income attributable to owners of parent increased by ¥1.8 billion year-on-year to ¥15.5 billion, for a second consecutive year of record high earnings.

The average balance of deposits during the period under review increased by ¥101.5 billion (2.37%) year-on-year to ¥4,379.9 billion and the average balance of loans and bills discounted increased by ¥174.2 billion (5.90%) year-on-year to ¥3,124.2 billion. It was significantly higher than the targets set forth in the 5th Medium-Term Business Plan. The increase in the average balance of loans and bills discounted during the period was the highest in the last 10 years, and easily exceeded the increase in the average balance of deposits during the term. This was the result of proactively developing solutions under the exuding strategy, a focus on new customers in business development, the Ratings Communication Service initiative, and in problem-solving services. As a result, the number of customers with business loans increased by 452 to 19,143, with the contribution of the increase of ¥99.6 billion (8.25%) in balance of loans and bills discounted for small and medium-sized enterprises.

The total capital ratio (consolidated) increased by 0.51% year-on-year to 16.45%, easily clearing the uniform international standards. The parent-only total of risk-monitored loans decreased by ¥5.8 billion year-on-year, and accounted for 2.01% of total loans and bills discounted, a decrease of 0.33%.

Due mainly to a decrease in the yield on loans amid prolonged low interest rates, interest on loans and discounts decreased by ¥0.7 billion year-on-year to ¥39.8 billion.

株主還元

Returns to shareholders

With “mutual prosperity with the regional community” as a pillar, the Bank works to secure the health and transparency of management while aiming to enrich internal reserves and strengthen the financial structure in preparation for a management environment that will be increasingly harsh and future investment. The Bank has also a basic policy of continuing to provide stable dividends to shareholders twice in each fiscal year while making payment of dividends as great as possible.

Under the basic policy of continuing to provide stable dividends, ordinary dividends were previously ¥6 annually, but to respond to the support of our shareholders, the Bank recently increased the amount by ¥1 to ¥7. Given that the Bank booked its highest-ever net income attributable to owners of parent in the year ended March 31, 2016, special dividends of ¥1 were added and the amount of dividends paid for the full year increased by ¥2 year-on-year to ¥8 per share.

Regarding dividend policy for the period of the three-year 6th Medium-Term Business Plan, we are considering paying a special dividend, depending on business performance, in addition to continuing the regular dividend (¥7 per share of common stock).

2017年3月期業績見込み

Earnings forecasts for the year ending March 31, 2017

In the fiscal year ended March 31, 2016, net income reached a record high but for the year ending March 31, 2017,

we forecast a significant decline. The major reasons for this are (1) a reduction of approximately ¥2.0 billion in interest on loans and discounts due to the impact of Negative Interest Rate Policies, (2) the approximately ¥3.0 billion impact of the projected absence in the term under review of gains on sales of stock accompanying the liquidation of strategic-purpose shareholdings, (3) an increase of approximately ¥1.2 billion in amortization of net actuarial losses on retirement benefit costs, and (4) an increase of approximately ¥1.0 billion in credit cost due to the uncertainty of prospects for the Japanese economy.

2017年3月期業績見込み

Earnings forecasts for the year ending March 31, 2017

(Billions of yen)

	Non-consolidated			Consolidated		
	Forecast for the year ending March 31, 2017	Results for the year ended March 31, 2016	Year-on-year difference	Forecast for the year ending March 31, 2017	Results for the year ended March 31, 2016	Year-on-year difference
Ordinary income	13.0	20.8	(7.8)	15.0	22.5	(7.5)
Net income (*)	8.5	14.7	(6.2)	9.5	15.5	(6.0)

* Net income attributable to owners of parent for columns under “Consolidated.”

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Looking ahead, we see a reduction in interest income as inevitable given narrowing spreads between loan rates and capital-market trading rates due to the fall in market rates in the wake of Negative Interest Rate Policies. However, we also assume a boost in new housing purchase and capital investment demand. By building relations of unshakeable trust with the customer through our sophisticated consulting functions, we will work to improve top-line performance by ensuring the right spreads.

The year ending March 31, 2017 will truly be a year in which we undertake measures to reach our goal of realizing the true value of “mutual prosperity” between the Bank and its business partners and regional communities.

前長期経営計画

Previous Medium-Term Business Plan

The 5th Medium-Term Business Plan ended on March 2016, and during the term, the Bank has promoted the plan setting “a bank journeying into the future together with our customers and region” as the basic vision and “awareness-raising and behavioral improvement for improving customer satisfaction” as its main theme.

After introducing “SUCCESS (*3)” in 2013, we worked to improve productivity by cutting down loan-related paperwork and processing time, while at the same time increasing the number of contact and interview time with the customer, offering business management consultation and making solution proposals for customers with issues. These were some of the high value-added financial services we provided during the year. Aiming to make “further contributions to the regional economy,” we also took measures to support new businesses and growth industries, and foster and propagate a regional brand, by stepping up measures to achieve regional revitalization through the establishment of the Regional Promotion Office.

(*3) “SUCCESS” is an abbreviation for “SHIGAGIN Utility Customers Communication Excellent Support System.”

前長期経営計画を終えての課題認識

Recognition of issues remaining at the end of the Previous Medium-Term Business Plan

第5次長期経営計画の挑戦指標・地域貢献目標と実績

Numerical targets, regional contribution goals, and results for the 5th Medium-Term Business Plan

	Profitability	Efficiency	Soundness	CSR
Numerical targets	ROE (consolidated)	OHR (non-consolidated)	Common equity Tier 1 ratio (consolidated)	Reduction in greenhouse gas emissions

Targets for the year ended March 31, 2016	3.0% or more	Less than 70%	10.0% or more	20% reduction (*1)
Results for the year ended March 31, 2016	4.52%	69.97%	13.28%	35.09% reduction

(*1) An average 20% reduction compared to fiscal year 2006 over the three years from fiscal year 2013 to fiscal year 2015

Regional contribution goals	Total deposits (end of year balance)	Total loans (end of year balance)	Promotion of relationship banking			
			Network		Asia	CSR
			Number of customers to whom the Ratings Communication Service is provided (cumulative)	Number of times of business matching meetings	Number of times of overseas business support	Total number of people participating in volunteer activities
Targets for the year ended March 31, 2016	¥4.3 trillion	¥3.0 trillion	3,200 customers	3,000 cases	4,300 cases	7,500 people
Results for the year ended March 31, 2016	¥4.4 trillion	¥3.2 trillion	3,496 customers	4,111 cases	6,010 cases	7,739 people

In the previous Medium-Term Business Plan, we set numerical targets for “profitability,” “efficiency,” “operational soundness” and “CSR,” along with six regional contribution goals, and were able to achieve all of them.

Broadly speaking, three issues remain following the end of the previous Medium-Term Business Plan.

First is the point of shifting to a new “business model.” The challenge in transforming the business model is identifying core competencies and finding ways of how these competencies can enrich our main businesses. We believe that the essence of the business model that we should reach for is seeking a pathway to being a provider of truly value-added “comprehensive financial and information services,” within our role as financial intermediary. Looking ahead, we expect a worsening of the dependency ratio issue, further population decline, and further globalization. By ensuring close relationships with customers, with quick response times, and providing a menu of solutions, a regional financial institution has to carve out for itself in an even more indispensable role in its home area, working hand-in-hand with business partners and regional communities to resolve issues.

The second point is improvement of “profitability.” We expect a continuation of the narrowing of spreads between loan rates and capital-market trading rates due to the unavoidable and protracted downward rate pressure from Negative Interest Rate Policies, leading to reduced interest income. While we expect an even fiercer competition with other banks in the sector and with other sectors than banking, we believe that we have no future as a bank if we merely compete for loan business on low interest rates, a policy which simply drains our institutional strength. Using our consulting functions, we see it as essential to build up non-interest income businesses, such as business startup and succession support, M&A guidance, business matching and asset management advice.

Third, we need to improve productivity. We met our “overhead ratio (OHR)” target, an indicator of efficiency, in the previous Medium-Term Business Plan, but given the gradually deteriorating earnings environment, we urgently need to transform ourselves into a more “robust institution.” While top-line earnings are trending downward, we believe it will take some time to improve the OHR, given our planned forward-looking investments in system infrastructure. However, we believe that we must improve productivity, through further cuts in fixed costs and non-personnel expenses, and by overhauling the roles of our branches, streamlining administration and taking other measures.

4. 今後 10 年を展望して ～第 6 次中期経営計画～

4. Visions for the next ten years — 6th Medium-Term Business Plan —

Looking at the business environment 10 years ahead, while we expect a significant worsening of the dependency ratio issue and further population decline in Japan, we see accelerating change in demographic, social and economic structures against a background of greater female empowerment in society and a more active elderly generation, as well as technological innovations including progress in developing the Internet of Things (IoT) and Artificial Intelligence (AI).

Shiga Prefecture, the main business base of the Bank, is located in the center of Japan, not only geographically speaking, but also in terms of historical, cultural and natural heritage. In addition to its favorable geographical position linking the Kinki area and Tokai area in Japan, it is also blessed with good transportation lines. Because of this, many major manufacturers have opened production plants and research facilities in the area. Shiga Prefecture ranks No. 1 in all Japan in terms of secondary industry as a proportion of all production, and it is No. 2 nationwide in terms of value-added per business site in monetary terms, making it one of the leading industrial prefectures in Japan. Until recently, Shiga was also one of the few prefectures in Japan with an increasing population, though this position was reversed two years ago. However, in 2040, it is predicted that the prefecture will be No. 2 in Japan in terms of population of up to 14 years of age, and No. 4 in terms of productive population (15-64 years). For these and other reasons, Shiga still has strong growth prospects. However, with a trend of polarization in demographic structure depending on locality, regional differences are expected to further deepen in the years ahead.

While taking due note of such predictions and current issues at the Bank, in April 2016 we launched the 6th Medium-Term Business Plan, with the title “The Regional Bank that innovates the future,” which lays down our long-term vision for the Bank group under the main theme of “Change & Challenge.”

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滋賀銀行の成長イメージ

(ビジネスモデル)

Growth of the Bank

(Business model)

当行を取り巻く環境

Environment surrounding the Bank

地方創生

Regional revitalization

FinTech

ネット社会

FinTech

Internet society

金融機関

異業種との競合激化

Financial institutions

Intensified competition with other sectors

低金利

Low interest rates

人口減少

高齢化社会

Decrease in population

Aging society

3つのチェンジ

Three Changes

お客さま対応スピードのチェンジ

Responding more promptly to customer needs

組織運営スピードのチェンジ

Speeding up the pace management

コスト構造のチェンジ

Improving the cost structure

5つの挑戦

Five Challenges

1. 地方創生への挑戦
1. Challenge to regional revitalization

2. トップライン増強への挑戦
2. Challenge to strengthening top line

3. 生産性向上への挑戦
3. Challenge to increasing productivity

4. 強靱な経営基盤構築への挑戦
4. Challenge to constructing a robust management foundation

5. 戦略的 CSR への挑戦
5. Challenge to a strategic CSR

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Please see pages 12 to 13 for details.

挑戦指標

Numerical targets

Regarding the compilation of the “6th Medium-Term Business Plan,” we have set benchmarks for challenges to be met during the Plan period, and also “long-term benchmarks” in a time-frame unrelated to the 6th Medium-Term Business Plan.

The benchmark challenges in the “6th Medium-Term Business Plan” are “achieving ¥5.0 trillion in total deposit assets” and “¥3.5 trillion in total loans” (end of year balance in both cases). Given expectations of a continuing low interest rate environment, we aim to set volume benchmarks for deposits and assets under custody, and to ensure quality improvements go hand-in-hand with higher volumes.

To ensure that as “the Regional Bank” of the area, we keep our “focus on our community,” we have also set ourselves a target of a 50% share of loans within Shiga Prefecture.

In addition, we plan to further raise “environmental finance” standards, on which the Bank has focused in recent years, and take on the challenge of “cutting our own greenhouse gas emissions by 30%.”

We would also point out that the earnings targets are for single fiscal years, due to the uncertainties surrounding prospects in years ahead caused by Negative Interest Rates Policies.

輝かしき創立 90 周年

100 周年へ

共有価値の創造

Glorious 90th anniversary of our founding

Toward the 100th

Creation of shared values

目指すべき姿

Main theme the Bank should aim for

未来創造銀行

『The・ちぎん』

The Regional Bank that innovates the future

未来創造

Innovating the future

A self-sufficient, robust institution that will shape the future of the region

「The・ちぎん」

The Regional Bank

Further deepening relationship banking based on the concept of mutual prosperity, a tradition that we have long carried on, and aiming to be a “regional bank among regional banks” that emphasizes face-to-face contact and meetings of minds

生き生きとした人間集団

A vigorous group that emphasizes interpersonal relations

Becoming an organization that enables maximized self-realization (making dreams come true) by giving free rein to the individuality and ability of individual bank employees

6 次 中計 期間 中 挑戦 指標

〈2019年3月期（中計最終年度末）計画〉

Benchmark challenges in the 6th Medium-Term Business Plan

(Targets for the year ending March 31, 2019 (final fiscal year in the Plan))

Total deposit assets (end of year balance) (Total deposits + investment trust + public bond + financial instruments intermediary)	¥5.0 trillion
Total loans (end of year balance)	¥3.5 trillion
Share of loans made within Shiga Prefecture (Excluding Shoko Chukin Bank and some other financial institutions)	50%
Reduction in greenhouse gas emissions (An average 30% reduction compared to fiscal year 2006 over the three years from fiscal year 2016 to fiscal year 2018)	30%

長期的挑戦指標

Long-term benchmark challenges

Long-term benchmarks in a time-frame unrelated to the 6th Medium-Term Business Plan

Return on equity ROE	5.0% or more
OHR	Less than 65%

Business Plan

6th Medium-Term Business Plan			7th Medium-Term Business Plan			8th Medium-Term Business Plan			100th anniversary
FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	
→85th anniversary			→90th anniversary						→

Meanwhile, the targets of “ROE of at least 5%” and an “OHR of less than 65%” have been set in the “long-term benchmark challenges.” ROE is set at a relatively low level due to our efforts to build up own capital in light of the regional bank’s role of “assuming risk on behalf of local communities.” However, in recognition of its importance among management indicators, we will continue to practice a form of management that is always conscious of improving profitability and efficiency.

第6次中計の基本戦略

Basic strategies for the 6th Medium-Term Business Plan

Basic strategies for the 6th Medium-Term Business Plan consist of three changes and five challenges. By acting independently to ensure survival as a transformed, more robust institution, we aim to become “the Regional Bank”

that innovates the future by driving the growth of local communities and customers, through our “Change & Challenges” initiative.

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- 「 3つのチェンジ」
- “Three changes”

The first of the “Three Changes” is “responding more promptly to customer needs.” We aim to be the “first communication bank” that responds fastest and in the most friendly and immediate way, by prioritizing customer consultation. (The borrowed English “fa-suto” implies both the meanings of first and fast).

The second change is “speeding up the pace of management.” Under the slogan “faster, more boldly,” we plan to speed up all stages between decision-making and execution, and ensure that decisions are resolutely carried out no matter what it takes.

The third change is “improving the cost structure.” Aiming to be a more robust institution, we are committed to radical structural reform that leaves no stone unturned, to boost the management efficiency of the whole Shigagin Group. Specifically, we aim to reform branch administration and streamline policy-making, slim down head office operations and improve productivity at affiliated companies.

- 「 5つの挑戦」
- “Five Challenges”

We have set (1) challenge to regional revitalization, (2) challenge to strengthening top line, (3) challenge to increasing productivity, (4) challenge to constructing a robust management foundation, and (5) challenge to a strategic CSR as our “Five Challenges.”

(1) 地方創生への挑戦

(1) Challenge to regional revitalization

“The Bank cannot grow unless its business partners grow.” We believe the most important role of a regional bank is to spur regional revitalization, by contributing to the long-term development of business partners and regional communities. We believe these efforts as our primary task. By giving full free rein to the matchless potential of Shiga Prefecture, and by further supporting the growth of good practice manufacturing through leveraging alliances of government-private sector partnerships, and by promoting local-level branding based on better use of local resources, we bring out the “earning power” of our area, and we will continue to create a virtuous cycle of the regional economy. (Please see page 18.)

(2) トップライン増強への挑戦

(2) Challenge to strengthening top line

Through sound but aggressive risk-taking, we contribute to improved productivity and strengthened earnings capability at business partners, and to sustainable growth of the regional economy and regional revitalization. In particular, based on comprehensive dialogue through the Ratings Communication Service and Ratings Simulation Service, and in light of the current status and medium-term prospects of economies and industries in particular areas and an analytical understanding of issues involved, we are committed to supporting growth through feasibility appraisals based on due evaluation of business portfolio and growth potential at our business partners. This will establish transaction relations that are not governed by interest rates, and generate improved profitability from strengthened corporate fee revenue and other advantages. (Please see page 26.)

(3) 生産性向上への挑戦

(3) Challenge to increasing productivity

First, we plan to carry out an overhaul of branch operations in order to strengthen our relations with our customers. By halving the volume of administrative work at our branches, we aim to greatly reduce waiting times and simultaneously improve branch productivity, while increasing the number of sales staff and lengthening opening hours.

Second, we will proactively consider establishing new branches and stepping up the roles of established ones in areas of growth potential. We will also ensure low-cost operations by resolutely moving ahead with a shift to slimmed-down branches, while maintaining customer convenience to the maximum extent.

Third, we are committed to expanding contact with customers by creating new financial services in partnership with FinTech companies, and by strengthening the role of indirect (not face-to-face) channels. (Please see page 36.)

(4) 強靱な経営基盤構築への挑戦

(4) Challenge to constructing a robust management foundation

In 2015, the Bank increased the number of Outside Directors from three to four and established the “Corporate Governance Guidelines.” We will expand our corporate governance system (please see page 41) to create a resilient management platform based on sound and sustainable growth of the Bank and improved corporate value over the medium and long-term. Based on a “risk appetite framework” for risk management, we will also work to increase the transparency of business planning and expand revenue opportunities, while taking measures to ensure management control of risk.

In addition to promoting positive action, we also plan to work to foster human resource diversity. We will foster staff with a high degree of motivation and specialization who can help create value at business partners, positioning us to provide tailored responses to the needs of business partners and local communities. (Please see page 40.)

(5) 戦略的 CSR への挑戦

(5) Challenge to a strategic CSR

To ensure sustainable development of regional communities and improve corporate value, the Bank will pursue a three-pronged “CSR strategy”: (1) resolution of social issues through our main businesses, (2) resolution of environmental issues in our operations, and (3) strengthening the CSR foundations that support our main businesses. In addition to the CSR activities undertaken to date, we aim to better incorporate CSR into our main businesses, further strengthen our ability to contribute to the community and disseminate useful information, and at the same time enable the “creation of shared values” hand in hand with business partners. (Please see page 52.)

5. 変革と挑戦によって地域社会の発展に貢献し続ける「未来創造銀行『The・ちぎん』」を目指す

5. By addressing the challenge of change, we aim to continue contributing to the development of local communities as the Regional Bank.

At the beginning, I mentioned our commitment to carrying out our responsibilities as a regional bank and ensure sustainable development for business partners and regional communities. Aiming to realize its management philosophy, the Bank has steadily proceeded toward its goals by implementing policies such as its set of initiatives for modernizing bank operations, the “exuding strategy” and CSR-based management. We believe that the history of the Bank really is one of ensuring “mutual prosperity” with business partners and regional communities.

What are regional banks for in an age where artificial intelligence systems are capable of beating professional go players, and taking university entrance examinations? Banks that can only offer value through low interest rates will be replaced by artificial intelligence. In other words, banks that cannot contribute to the development of business partners and regional communities are beset with fear that they have no future.

We live in a time of rapid change. If we return once again to the “basics” of banking, we believe that we can become a regional bank of recognized value to the community in ten or even 20 years’ time, by fully and squarely meeting the needs of business partners and regional communities.

By embracing reform and various challenges, the Bank will aim to become “the Regional Bank that innovates the future,” continuing to contribute to the development of regional communities, through the unstinting efforts of all employees from executives down.

I would like to take this opportunity to thank all stakeholders for their understanding, and look forward to their further patronage of the Bank in coming years.