

The illustration features a large, stylized sun with a yellow center and green concentric circles. A white dove is in flight within the sun's glow. Two light blue clouds are positioned on either side of the sun. In the background, a white city skyline is visible on the left, and three white wind turbines stand on a blue hill on the right. The foreground is dominated by a body of water represented by horizontal blue bands of varying shades. A white ship is sailing on the water. The bottom right corner of the image is a white diagonal shape containing the report's title and subtitle.

SHIGA BANK

SHIGA BANK REPORT 2021

INTEGRATED REPORT

ANNUAL REPORT 2021 Year ended March 31, 2021

Announced the Bank's motto

The Bank's motto
Be tough on ourselves,
kind to others and serve
society.

CSR Charter (Management Principles)

Instituted in April 2007

The Shiga Bank has its own motto of "Be tough on ourselves, kind to others and serve society," which forms the starting point for corporate social responsibility (CSR). As a member of society, the Bank will work for mutual prosperity with society. The Bank's motto carries on the "Sampo yoshi" philosophy, a management philosophy embraced by Merchants in the Omi region of central Japan, which means to bring happiness to three sides: being good for the seller, the buyer, and society.



Mutual prosperity with the regional

As a bank that advances hand-in-hand with society, in order to win customer confidence and meet customer expectations, we maintain a sound and enterprising bank and work for the development of regional communities.



Mutual prosperity with all employees

Respecting the human rights and individuality of each and every executive and regular employee, we will build a satisfying workplace, and turn our bank into "Clean Bank Shigagin."



Harmonious coexistence with the environment

The social mission of our company, which is headquartered next to Lake Biwa, is environmental management. We are committed to protection of the global environment and the building of a sustainable society.

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Shiga Bank's Disclosure Policy

1. Basic views

Based on our social responsibility and public mission as a regional financial institution, we aim to ensure highly transparent disclosure. We shall ensure timely, due, continuous, fair and accurate disclosure of information, to foster understanding and appropriate evaluation of Bank operations by all of our stakeholders, including our customers, shareholders, investors and regional communities.

2. Information to be disclosed

The Bank will disclose management information in accordance with laws and regulations such as the Banking Act and the Financial Instruments and Exchange Act, as well as the Rules on Timely Disclosure of Corporate Information by Issuers of Listed Securities established by the Tokyo Stock Exchange (hereinafter referred to as the "Timely Disclosure Rules").

In addition, we will disclose information that is deemed useful to our stakeholders in a fair and timely manner to the greatest extent possible, even if the information does not fall under the category of material facts specified by laws and regulations or the Timely Disclosure Rules.

3. Methods of information disclosure

Information required to be disclosed under laws and regulations as well as the Timely Disclosure Rules will be disclosed in a timely and appropriate manner in accordance with such rules and regulations, and will also be posted on the Bank's website.

For other voluntarily disclosed information, we will strive to disclose information that is fair and useful in an appropriate manner.

4. Information disclosure procedures and systems

The Bank has established the "Rules on Management-related Information Disclosure" and has designated the General Planning Department as the department responsible for disclosure of management-related information in order to develop and enhance procedures and systems for timely and appropriate information disclosure.

In addition, to maintain the appropriateness of the information, we consult with audit firms and other experts as necessary, and periodically verify the appropriateness and effectiveness of the information.

5. Forward-looking statements

The information on the Bank's website and in the Integrated Report contains statements regarding the financial position of and future forecasts concerning the Bank and other Group companies. These forward-looking statements do not guarantee that future performance will be achieved as stated. They are affected by certain risks and uncertainties and may not necessarily be consistent with actual results due to changes in the business environment in the future.

Editorial Policy

Shiga Bank has compiled the integrated report SHIGA BANK ANNUAL REPORT 2021. This report links financial information to non-financial information, such as the Management Principles, environmental, social and governance (ESG) information by reference to the "International Integrated Reporting Framework" proposed by the International Integrated Reporting Council (IIRC) and "The Guidance for Collaborative Value Creation" by the Ministry of Economy, Trade and Industry. It serves as an integrated review of measures for creation of sustainable value for the Bank and in regional communities. This report serves also as disclosure materials (briefing documents of status of operations and assets) pursuant to Article 21 of the Banking Act. The reader is recommended, when using this document for disclosure purposes, to refer also to the material section and "Financial Data, Basel III, Column 3 of SHIGA BANK ANNUAL REPORT 2021" (both viewable on our website (<https://www.shigagin.com>)). (Japanese only)

The management team of the Bank confirms that this combined report has been duly disclosed in accordance with the Disclosure Policy of the Bank.



Cautionary Statement with Respect to Forward-Looking Statements

This material contains statements regarding future earnings forecasts and targets, etc. relating to the Bank. These statements are based on information available at the time of compilation of these materials and forecasts or certain conditions (assumptions) that could affect business performance. They are not guarantees of future performance of the Bank, and involve various risks and uncertainties.

TOP MESSAGE

Shojiro Takahashi,
President, Shiga Bank

Striving to achieve a decarbonized society

The society in which we live and structure of the economy are undergoing dramatic changes. For over a year now the novel coronavirus pandemic has enveloped the world. With restrictions on social and economic activities put in place worldwide to prevent the spread of the virus, the real economy has deteriorated rapidly and the trend of transformation has dramatically accelerated. In Japan, the switch to remote methods is moving forward in people's activities, lifestyles, and businesses, and digitalization of society and the economy is progressing. Digital transformation (DX), i.e., using digital technology to reconstruct corporate management and business processes, has accelerated structural changes even further.

Companies face an environment with a wide range of issues—from the advent of digital society, to the pandemic and geopolitical risks—and the transition to a decarbonized society is another pressing matter. Financial institutions are involved in all aspects of the economy, so the risk of climate change that will lead to extensive natural disasters

will require them to take appropriate action as well. Society and the economy will not be able to recover after the pandemic without decarbonization, in other words reducing greenhouse gas emissions to virtually zero. Hopes are high for technological innovations in new energy sources such as hydrogen and renewable energy like solar and wind. And the new trend of green transformation (GX), which seeks to transform business from an environmental perspective, is poised to greatly change society and the economy along with digitalization.

In order to take action based on identifying risks and opportunities with a focus on the transformation into a decarbonized society, last September we announced that we would strive to achieve sustainability for the Shiga Bank Group and regional communities through digital technology by formulating a Sustainability Policy and implementing organizational reforms. Below I will explain the Group's initiatives to co-create a sustainable society with the regional community.

Co-creating a sustainable society

Society can maintain stability when the earth's environment is sustainable, and companies can continue when society is stable. Companies are kept moving by society and keep society moving. A company cannot exist on its own. And because companies are connected with so many external parties, they have a social responsibility. In order to be able to fulfill that responsibility, they must have a sound business. Companies must differentiate themselves from rivals, build competitive advantage, improve capabilities that underpin their business day by day, and switch to a style of management that strives to achieve a sustainable society, environment, and economy. From this point on corporate management will need to pursue a business portfolio that ensures that "the more the company grows the closer we come to achieving a sustainable society." The Shiga Bank wants to spread a style of management that takes on that responsibility and will be passed on to the next generation together with the regional community we are a part of.

Establishing a sustainable system

We formulated a Sustainability Policy to establish a foundation for steering the Bank in the future (see Page 12). The policy consists of five items: 1) Identification

of materiality areas and solutions to local problems through business activities, 2) Corporate management that emphasizes the social impact of business activities, 3) Establishment of a business model that contributes to the conservation and restoration of the environment, 4) Respecting human rights and building a relationship of trust with communities, and 5) Developing talent that can think and act independently and establishing a work environment that facilitates this.

Besides formulating this policy, we also revised our Environmental Policy to put greater consideration into initiatives for climate risk response and biodiversity preservation. The entire Shiga Bank Group is firmly committed to the following five points and is engaging in environmental management under the mindset of "protecting the global environment through the circulation of money": 1) Environmental conservation through business activities, 2) Initiatives to mitigate environmental impact, 3) Compliance with relevant environmental laws, 4) Governance and management systems, and 5) Full participation and information disclosure.

We also established a Sustainability Strategy Office in the General Planning Department and changed the CSR Committee into the Sustainability Committee in order to



discuss and deliberate future courses of action and other issues. It will cross-organizationally deliberate on policies and initiatives to contribute to the regional economy and the realization of a sustainable society, share the results throughout the entire Group, and translate that into action.

Leveraging digital technology

The pandemic has brought a variety of business issues to the forefront, but I do not think there will be much of a future for Japan unless we confront and resolve the country's delay in digitalization. Digitalization is essential for companies, local public agencies, and other organizations to increase operational efficiency and productivity, improve sales capabilities, and enhance customer response. Last October we established the Digital Promotion Office in the Business Promotion Department, and assigned a Digital Promotion Supporter, Digital Promotion Leader, and Digital Promotion Officer to each branch and area. We also enhanced our system to support digitalization of customers and business partners. The Shiga Bank will accelerate initiatives to promote regional digitalization by focusing efforts on IT consulting for customers and local governments, in which different departments and staff members of the Bank work together to provide advice starting by interviewing them on issues.

Promoting ESG finance

Combining E (Environment), S (Social), and G (Governance) produces a new type of economic rationality that isn't based only on immediate profit and efficiency. It helps businesses advance to the next growth stage and provides opportunities to generate sustainable value. The essence of ESG is to consider externalities in business. Companies must think about how to generate profit while incorporating these externalities in their business. Transitioning to a decarbonized society will require companies to become sustainable companies.

In order to drive ESG finance efforts, we established a team of ESG finance specialists in the Business Promotion Department. Last August we became the first regional bank to offer sustainability linked loan (SLL) products, and in September we made our first loan to a quarrying company in Shiga Prefecture. SLL is a type of loan in which a company sets SDG- and ESG-related targets, and the level of achievement of those targets is linked to the terms and conditions of the loan such as interest. SLLs are mainly used

by major corporations, but we offer plans with low initial costs (with loan amounts starting at ¥50 million) and more choices in assessment and rating agencies to make it easier for our SME customers to use them. This last fiscal year we executed a total of six loans to customers including a major shipping company in Tokyo.

The SLL product developed out of our SDG consulting service, in which we provide advice to SME customers that view SDGs as opportunities for growth on matters such as leveraging SDGs to improve corporate value and setting KPIs (key performance indicators). As of the end of March 2021 we have been contracted for a total 90 SDG consulting projects.

We have also underwritten a private placement type green bond (GB) issued by a tourism company that runs a ski slope in Shiga Prefecture. The GB was used for funds to construct a hydroelectric generator, contributing to the spread of clean energy using the local resource of water.

The Bank has also built up knowledge and experience in ESG finance through other means besides independent initiatives. For example, we actively practice positive impact finance endorsed by major banks.

Collaborating with regional communities

Fighting global warming is the most important issue in sustainability, but it will take more than the efforts of one company to achieve a decarbonized society. Shiga Bank developed a system in partnership with the Shiga prefectural government to tackle this very issue, which launched this March.

Surrounding Lake Biwa, Shiga Prefecture has a high awareness of environmental issues. In January 2020 it announced the kickoff of the "Shiga CO₂ Net Zero" Movement. The movement is a joint initiative by citizens, businesses, and government to strive to achieve net zero CO₂ emissions within the prefecture by 2050, and is endorsed by the Shiga Bank Group. In alignment with the initiative, in March we started offering the "Shigagin" Sustainability Linked Loan "Shiga Net-zero CO₂ Emissions" Plan and executed the first loan to a customer in the prefecture.

Not many SMEs engage in corporate decarbonization yet, but I believe that encouraging companies to address implementation of carbon tax and engage in decarbonization efforts that include the entire supply chain as quickly as possible is important also in terms of boosting regional earning power.

Supporting new business

Economic activities are energized by ambitious companies. In July 2020, the Bank established the Shigagin Regional Revitalization SD Fund (see Page 52) with Quantum Leaps Capital Partners and Shigagin Lease & Capital Co., Ltd. for companies striving to grow based on innovative business

models. Last December we made our first investment in a company from Hyogo Prefecture that provides support for remote medical care. We also invested in a fund that utilizes research results of Kyoto University and Osaka University to encourage the creation of new businesses with potential for further growth.

Review of 7th Medium-Term Business Plan and pandemic response

While the above explanation focused on initiatives of the last fiscal year, now I would like to present a progress report on earnings for the fiscal year ended March 31, 2021, which was the second year of the 7th Medium-Term Business Plan (ending March 31, 2024). The Bank posted net income attributable to owners of parent of ¥11.4 billion, down ¥0.9 billion year-on-year. Deposits (the average balance of deposits during the period including negotiable certificates of deposits) increased

by ¥345.7 billion year-on-year to ¥5,277.2 billion and loans (the average balance of loans and bills discounted during the period) increased by ¥194.5 billion year-on-year to ¥3,994.7 billion, both on a non-consolidated basis. The capital ratio (consolidated) was 17.19%, and the total of risk-monitored loans was ¥71.4 billion, accounting for 1.78% of total loans and bills discounted.

We expect a net income (consolidated) of ¥13.8 billion in the fiscal year ending March 31, 2022.

● Results of fiscal year ended March 31, 2021 and forecast of fiscal year ending March 31, 2022

(in million yen)

	Non-consolidated			Consolidated		
	Results of fiscal year ended March 31, 2021	Forecast of fiscal year ending March 31, 2022	Compared to fiscal year ended March 31, 2021	Results of fiscal year ended March 31, 2021	Forecast of fiscal year ending March 31, 2022	Compared to fiscal year ended March 31, 2021
Ordinary profit	10,375	21,500	11,125	11,070	22,500	11,430
Net income	11,331	13,500	2,169	11,448	13,800	2,352

Note: Consolidated data indicates net income attributable to owners of parent

The Bank strives to ensure transparency and soundness of corporate management. Furthermore, we continuously pay stable dividends to shareholders and make every effort to provide as much shareholder return as possible by making preparations to address an ever-increasing adverse environment and invest for the future, enhancing internal reserves, and strengthening financial health.

We are also taking on challenge to achieve five Sustainable Development Targets ("SD targets," see Pages 30 - 31) in five years as part of the 7th Medium-Term Business Plan. Some targets have already been achieved in the second year, and we greatly increased four of them: "Investment and financing to promote sustainable development," "Support for value improvement of regional customers," "Reduction in greenhouse gas emissions," and "Activities for promotion and improvement of SDGs and financial literacy, training of next-generation workforce." The new targets reflect our revised understanding and commitment to address sustainable development in response to strengthened regulations on

greenhouse gases worldwide and the rapidly changing circumstances surrounding decarbonization.

As the pandemic has impacted customers in many industries, the Bank has focused efforts on providing support through fund-raising and other means. Currently we are transitioning to the stage of business support and revitalization support, and working to stabilize the regional economy by increasing the sophistication of business assessments we have developed over the years and providing attentive service. We also increased personnel in the Corporate Business Support Office of the Credit Supervision Department and expanded support eligibility, and invested in the Kinki Central Area Recovery Support Fund as a measure to assist recovery from the pandemic. Furthermore, we waived the loan modification fee for customers with home loans until the end of March 2022. It is unclear when the pandemic will be completely under control, but the Shiga Bank Group will provide even more solid support than before with due consideration to the safety and security of our customers and business partners.

Status of initiatives to address identified issues

In our 2020 integrated report, we identified three issues we must overcome: “reorganize our branch network and streamline branch operations,” “promotion of digitalization,” and “build a value-added network.” Allow me to explain the status of initiatives to address these issues.

The first issue, “reorganize our branch network and streamline branch operations,” is progressing according to the 7th Medium-Term Business Plan. We have carried out efficient reallocation of personnel through measures such as integrating branches within branches and grouping multiple branches in the vicinity into one block. These measures have led to improving productivity of the Bank as a whole.

I discussed the second issue, “promotion of digitalization,” above, but we will continue to view this as a priority issue and strengthen initiatives to address it even further.

In regard to the third issue, “build a value-added network,” last November we held the SDGs Business Succession and M&A Conference 2020 in partnership with Nihon M&A Center Inc. The conference was live streamed and reached a large number of viewers across a wide area (see Page 55).

The fact that it was streamed from our own Shiga Prefecture and not a major city is a prime example of maximizing the convenience of digitalization. The event was very productive, with highlights such as participants seeking to be listed on the Tokyo Pro Market asking for advice.

In addition, last fiscal year two more banks, Bank of The Ryukyus and the Gunma Bank, joined the TSUBASA Alliance of which we are a member, expanding the network of partnerships between regional banks not based on business integrations while maintaining the independence of members. The Alliance cooperates in a wide range of fields including FinTech and jointly arranged syndicated loans, and we will continue to consider new products and services that leverage the advantages of the partnership.

We also utilize services of multiple FinTech companies, and will continue working to enhance convenience for customers and improve the corporate value of our business partners by partnering with more companies and banks to expand our network and provide added value.

Evolution into a problem-solution type financial information services provider

We worked to boost our consulting capabilities in order to evolve into a problem-solution type financial information services provider, and joint initiatives between headquarters and branches led to an increase of balance of assets under custody. Last April the Bank began offering trust services,

further expanding the scope of consulting. And we will continue to focus efforts on our M&A and IT consulting business in response to customer needs for support in areas such as addressing longer lifespans, business succession, recovery from the pandemic, and facilitating digitalization.





Flexsus Project to support sustainable systems

With an eye towards a digital society of the next generation, we are moving forward with the Flexsus Project (see Page 49) — a project to build a new core system to mitigate future risks in bank management — and plan to launch in January 2024. We will migrate from our current mainframe to an open system that enables flexible and agile response. The new system will be highly flexible and easily connectable to external systems, enabling digitalization to be achieved both internally and for customers and the regional community quickly and at low cost.

Such an immense system upgrade would be difficult without people that have expert knowledge in the inner workings of the current system, so we aim to upgrade the system while such experts remain and pass their knowledge and skills on to the younger generation. We made the decision to migrate to the new system based on the realization that, looking 10 to 20 years ahead, we could not afford to delay upgrading. Investments will need to be made until the new system goes online, but we are working to improve the overhead ratio to reduce system development costs as much as possible once it is online.

Improving effectiveness of governance

The Corporate Governance Code of Japan establishes principles for action of listed companies. This year it was revised. Companies that move to the Prime Market now are expected to disclose information such as the status of initiatives in accordance with the Task Force on Climate-related Financial Disclosures (TCFD), an international framework on disclosure related to climate change. The Bank announced its support of the TCFD in July 2018, making us the first regional bank in Japan to do so, and we have been disclosing the status of our initiatives since the 2020 integrated report. We have been selected for the “TCFD Scenario Analysis Support Project” by

the Ministry of the Environment and preparations are moving forward. An explanation of the current status is provided later in this report (see Page 36).

The Bank is also engaging in other efforts in line with the revision. For example, we are working to enhance the functions of the board of directors and engage in more constructive dialogue with our shareholders. We are also working to achieve sustainable growth for the Bank and regional communities and improve corporate value over the mid- to long-term by increasing the effectiveness of governance.

Our purpose is “to bring happiness to people in regional communities”

As society undergoes changes due to the pandemic, there is urgent need to address several issues that have been around since even before it began. In order to address Japan’s declining birthrate and increasing aged population, digitalization needs to move forward, but we must also engage in initiatives such as expanding services for the elderly who do not use digital technology and ensuring smooth business succession. Through our efforts to achieve green transformation, we have realized the importance of recognizing the speed in which modern issues change. When the speed of change continues to accelerate and something changes past a certain point, there is a risk that before you know it a major change has occurred and the world has been transformed. But it is difficult to predict the direction of increasingly complex changes and decisions need to be made based on determining the current circumstances at a faster pace.

Whether such changes move in a positive or negative direction depends on the ability of those of us living in the

present to act. As a guideline for such actions, the Shiga Bank Group laid out its vision — to become a Sustainability Design Company — in the Medium-Term Business Plan. Our commitment is to go beyond the framework of a “Bank” and become a “Company” that is indispensable to the region by designing the sustainable development of our customers and regional communities. This is a necessary evolution to achieve our purpose, “to bring happiness to people in regional communities through the circulation of money.” And at the heart of this purpose lies our motto: “Be tough on ourselves, kind to others and service society.”

The Shiga Bank Group will work to co-create a sustainable society with regional communities based on these guidelines. Thank you for your continued understanding and support.

July 2021

Shojiro Takahashi, President, Shiga Bank



To bring happiness to people in regional communities

Happiness means different things to different people.

Let the Shiga Bank Group help you

“define the future and realize your dream.”

Living in harmony with the region, the Shiga Bank Group will facilitate the circulation of money to bring happiness to people in regional communities.



Close Up FEATURES

Actively Using Digital Technology to Create Sustainability in the Region

- Toward a Sustainability Design Company

Establishment of Sustainable Strategy Office and Digital Promotion Office

Shiga Bank regards each person's happiness as being linked to their regional community. In the Sustainability Vision (Long-term Vision) under the 7th Medium-Term Business Plan, implementation of which started in April 2019 and ends in March 2024, we set out to create "a society where everyone can define their future and live happily" as a goal for regional communities. To live happily, we must first be able to define our future. To do so, we must be able to have hope that our individual ideas will be respected and that we will be able to live our own lives. It is also important to feel that we want to live here in the future, as our regional community, economy, and human relationships are stable.

To create such a society with the regional communities, we announced in September 2020 that we would strengthen our efforts for sustainability. We established the Sustainable Strategy Office in the General Planning Department to define our Sustainability Policy, compile information, and formulate measures across the organization. We will aim to be a sustainable organization and contribute to the development of the regional communities. One of the key initiatives is the digitalization of the regional communities. We have set up the Digital Promotion Office in the Business Promotion Department to work with our customers, business partners, local governments, and other members of the communities.

Contributing to the co-creation of sustainable regional communities

The Bank has identified 16 items as the Materiality (priority issues, see page 27), including "declining birthrate, aging population, and depopulation," "business succession," "efficient use of local resources," "decarbonization and renewable energy," "work style reform," and "human resource development." We support the creation of problem-solving businesses. We also manage our businesses by focusing on the social impact of our business activities. Local financial institutions are also the infrastructure of society, contributing to the growth of the local society and economy, and creating a virtuous cycle of money. In addition, we have long been promoting environmental management

that is highly compatible with the SDGs. We focus on SDGs consulting and sustainability-linked loans that are easily accessible to small and medium-sized business partners. We also launched a loan plan to support the decarbonization efforts of local companies in cooperation with Shiga Prefecture (see page 45).

In conjunction with the establishment of the Sustainability Policy, we have also revised our Environmental Policy for the first time in ten years. Our priority is to protect the global environment through our business activities, with a strong awareness of the need to respond to the climate crisis and preserve biodiversity. Based on the Sustainability Policy and the Environmental Policy, we will contribute to the co-creation of sustainable regional communities.

Promoting the digitalization of the regional communities

The digitalization of society and economy, which has been a longstanding challenge, has been accelerated by COVID-19. Digitalization, which can improve productivity and transform business models, is an urgent task for large companies and central government agencies and for SMEs and local governments in rural areas that are suffering from a shortage of human resources. We have been promoting the Flexsus Project (see page 49) to transform our core systems and have set up the Digital Promotion Office in the

Business Promotion Department to establish a sales structure. We have been developing IT business support that solves business partners' management issues from a digital perspective in cooperation with FinTech companies (see page 51). In November 2020, we co-hosted the SDGs Business Succession and M&A Conference 2020 with Nihon M&A Center Inc., which was streamed live. We were able to greatly enhance our ability to disseminate information from Shiga Prefecture (see page 55). We will continue to focus on improving the digital environment inside and outside the Bank and further promote digitalization to support local sustainability.



Shiga Bank's Sustainability Policy

We aim to enhance our corporate value by following our CSR Charter (management philosophy) based on our motto "Be tough on ourselves, kind to others and serve society," and to contribute to realizing a sustainable society through co-creation with regional communities.

1. Identifying materiality (priority issues) and solving local issues through business activities

Identify materiality that will lead to sustainable development and prosperity for both Shiga Bank and regional communities and develop and provide products and services that help solve social issues. Also, promote the digitalization of regional communities and support the creation of problem-solving businesses to realize a sustainable society.

2. Management focusing on the social impact of business activities

Strive to reduce the negative impact of our business activities on people and the environment while continuously expanding the positive impact. Place particular emphasis on the social impact of financial intermediation and create a virtuous cycle of money toward a sustainable society through dialogue with our customers.

3. Establishing a business model that contributes to the conservation and revitalization of the global environment

Understand that the prosperity of regional communities, which is the foundation of our existence, is based on the benefits of nature, including Lake Biwa, and the sustainability of the global environment. Establish a business model that contributes to realizing a decarbonized society, the construction of a circular economy, and the conservation of biodiversity.

4. Respecting human rights and building relationships of trust with society

Respect human rights and conduct honest and fair corporate activities based on high ethical standards. Also, build a strong relationship of trust by complying with laws and regulations, disclosing information fairly and accurately to stakeholders, engaging in two-way dialogue, and responding sincerely to the expectations and requests of society.

5. Developing human resources who can think and act on their own and improving the workplace environment

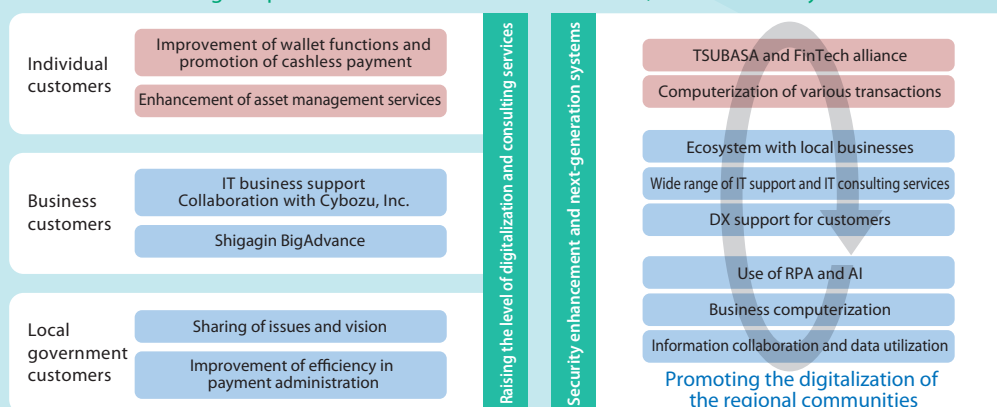
Strive to develop human resources who can think and act independently, making the SDGs and regional social issues their own business. Aim to create a work environment for respecting diverse personalities and work styles, enhancing work-life balance, and having each employee fully demonstrate their abilities.

Instituted on October 1, 2020

Specific Activities of the Digital Promotion Office

Digital promotion

Sustainability and DX



Strengths of Shiga Bank

Shiga Bank

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Pioneering ESG regional financing

The Bank has always been a leader in ESG regional financing, with its original environmental rating loan launched in 2005 and the Sustainability Link Loan introduced in 2020.

Spirit of "Sampo yoshi" and value-added network

Based on the frontier spirit inherited from merchants in the Omi region of central Japan and the spirit of "Sampo yoshi," the Bank has been expanding its value-added network throughout Asia and Japan and pursuing problem-solving-oriented businesses.

Solid capital

Securing a high level of capital ratio of 17.19%, the Bank has developed a sound financial base, which is essential for assuming the risks of the local economy.

Rich market

Shiga Prefecture, which has long prospered as a transportation hub, is now home to many mother factories and R&D centers of global companies.

Dominant market share

With a 48.92% share of loans and a 46.42% share of deposits in Shiga Prefecture, the Bank enjoys overwhelming support from regional communities.

Advanced risk management system

The Bank has employed the Foundation Internal Ratings Based-Approach (FIRB) since 2007 and also practices advanced risk management through our Risk Appetite Framework.

Transparent engagement with customers

The Bank discloses the credit ratings used in credit management to customers. We are committed to increasing our corporate value through transparent engagement (two-way dialogue).

Human resources with strong financial knowledge

More than one in ten employees of the Bank have obtained FP (Financial Planning) Level 1 certification. We have equipped many employees with strong financial knowledge to meet asset formation and asset succession needs.

Looking Back on Shiga Bank's History

The philosophy of the Shiga Bank

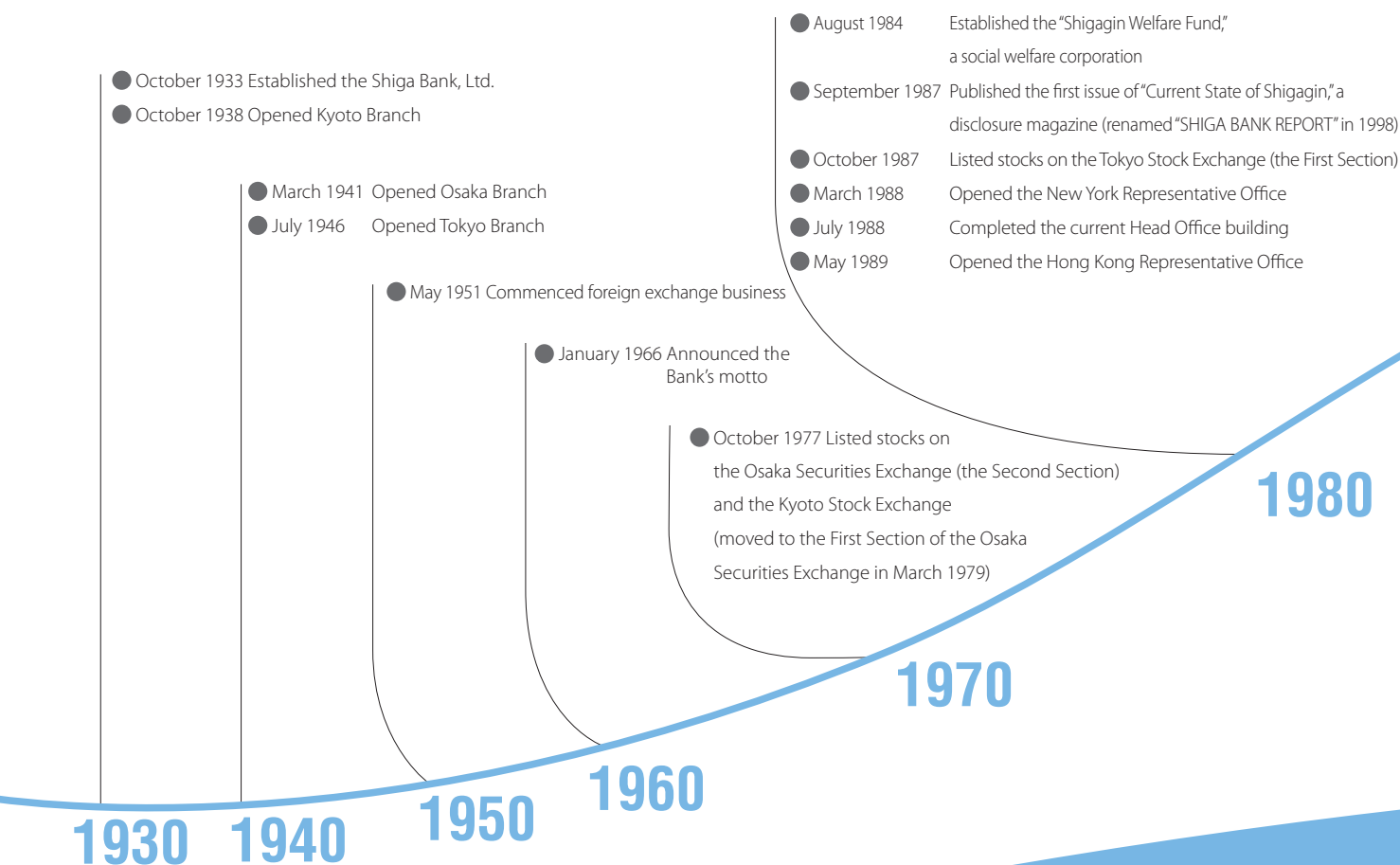
CSR Charter, the Bank's motto which carries on the "Sampo yoshi" philosophy

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." Since then we have forged ahead with fulfilling our mission of helping business partners and regional communities to flourish. The "Sampo yoshi" management philosophy, embraced by merchants in the Omi region of central Japan, was upheld through our motto of "being tough on ourselves, kind to others and serving society." The Bank has made this motto and the "CSR Charter (Management Principles)" the starting point for our activities.

Measures to modernize the Bank's management

For the development of the regional communities

We believe that the ultimate role of the management of a bank is to "take on risk." For us, this means the risk assumed for the development of the regional communities. To contribute to the development of regional communities, the Bank is pioneering measures to modernize its management through adoption of an "In-house corporate credit ratings system," "Pricing system," and Basel II's Foundation Internal Ratings Base-Approach (FIRB).



The 5th Medium-Term Business Plan

From April 2013 ▶ March 2016

Basic vision

A bank journeying into the future together with its customers and region

Main theme

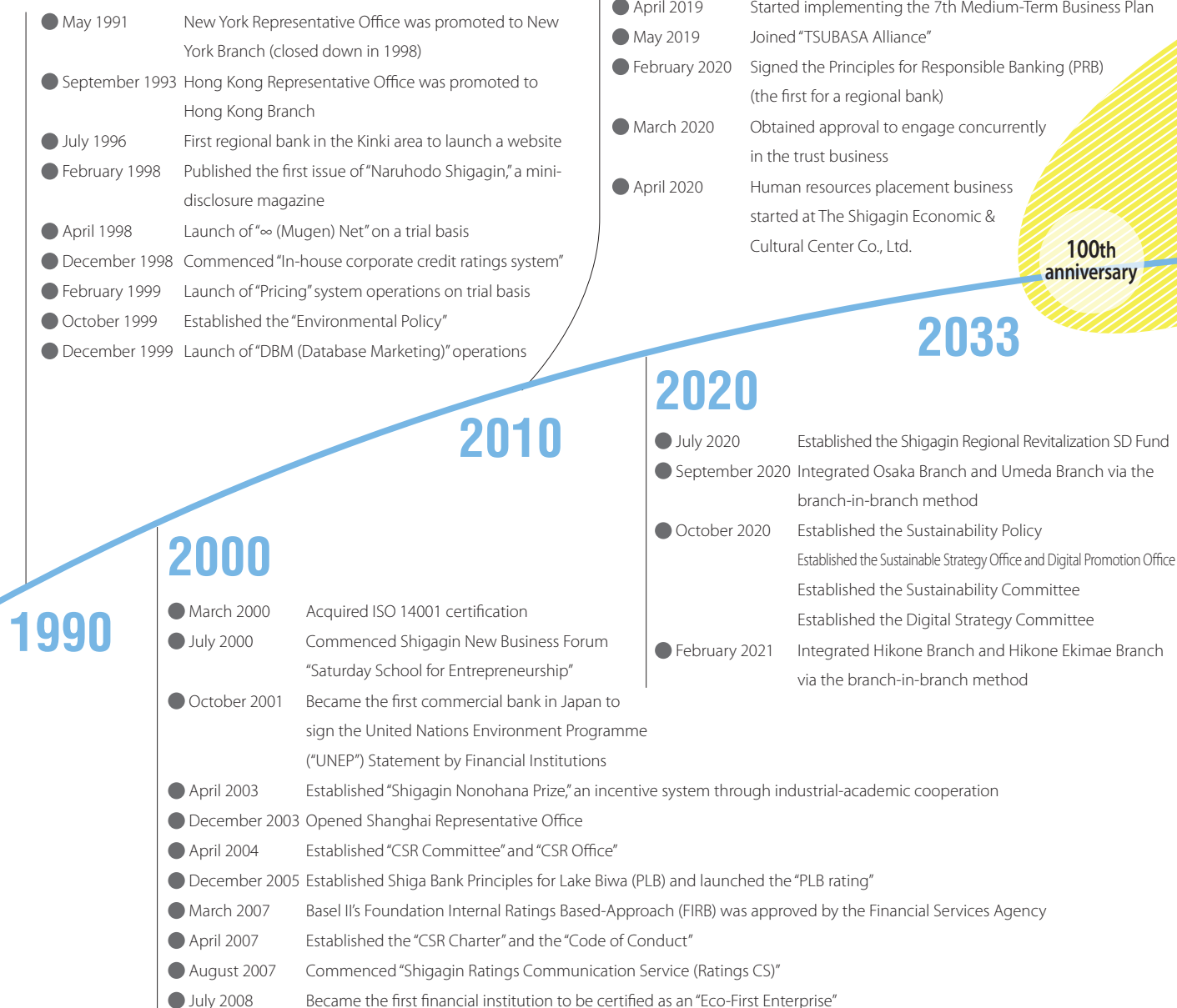
Awareness-raising and behavioral improvement for improving customer satisfaction

Evolution of management plans

Environmental Management

Aiming to reconcile environmental and economic needs

The Bank sees CSR as the role of the Bank as a corporate citizen in fostering sustainable growth of society. The Bank has been developing CSR activities based on the three key concepts of “environment,” “welfare,” and “culture.” By implementing “environmental management” 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.”



The 6th Medium-Term Business Plan

From April 2016 ▶ March 2019

Long-term vision

The Regional Bank that innovates the future

Main theme

Change & Challenge

The 7th Medium-Term Business Plan

From April 2019 ▶ March 2024

Vision

Sustainability Design Company

—Realizing mutual prosperity based on the “Sampo yoshi” philosophy—

Main theme

Define a future and realize a dream

—For the future of customers, regional communities and all employees—

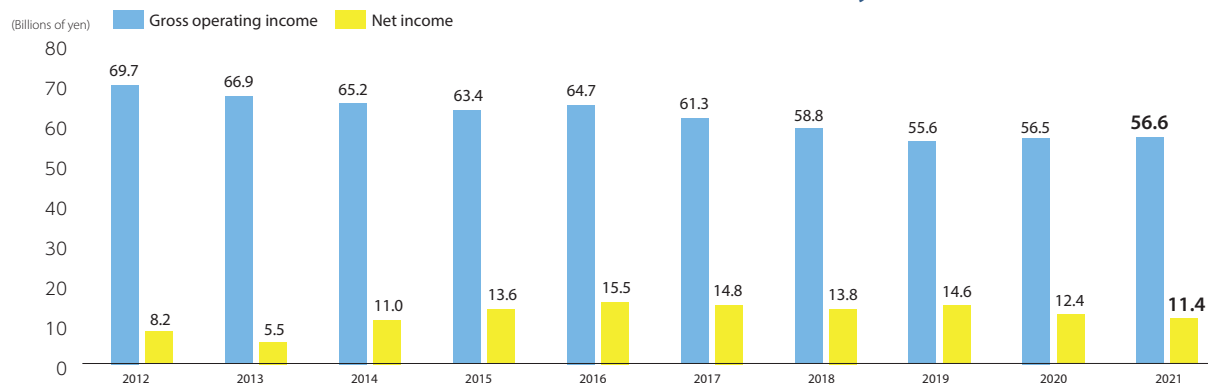
Financial Highlights (As of March 31, 2021)

Gross operating income (consolidated)

56.6 billion yen

Net income attributable to owners of parent (consolidated)

11.4 billion yen

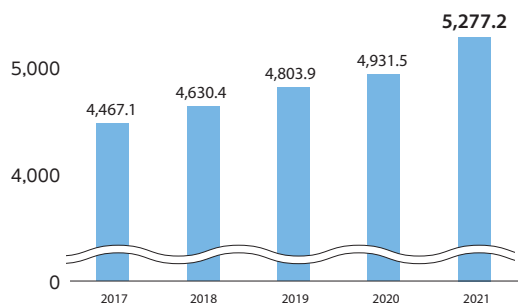


Average balance of deposits during the period (including negotiable certificates of deposits) (non-consolidated)

5,277.2 billion yen

Share within Shiga Prefecture **46.42%**

(Billions of yen)
6,000



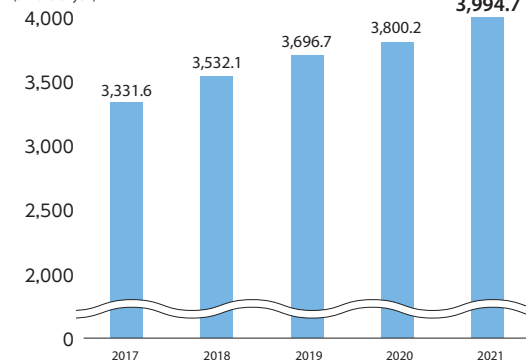
* Share within Shiga Prefecture excludes JAPAN POST BANK Co., Ltd. and The Shoko Chukin Bank, Ltd.

Average balance of loans and bills discounted during the period (non-consolidated)

3,994.7 billion yen

Share within Shiga Prefecture **48.92%**

(Billions of yen)

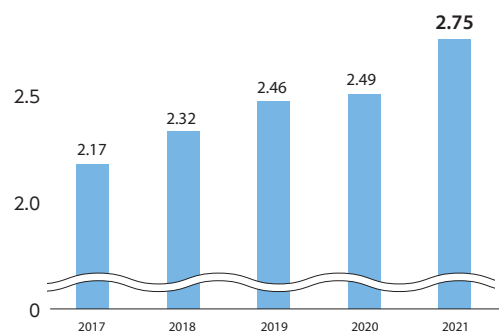


* Share within Shiga Prefecture excludes JAPAN POST BANK Co., Ltd., The Shoko Chukin Bank, Ltd., and Japan Finance Corporation.

Deposits per employee (non-consolidated)

2.75 billion yen

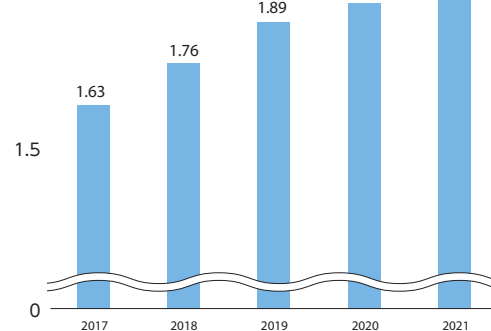
(Billions of yen)
3.0



Loans and bills discounted per employee (non-consolidated)

2.02 billion yen

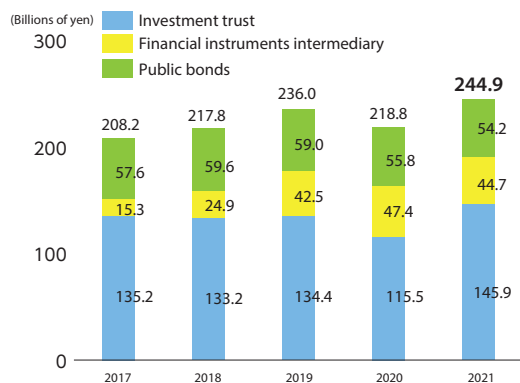
(Billions of yen)
2.0



* Deposits and loans per employee = Deposits and loans (end of year) / Number of employees excluding part-time staff and seconded staff (end of year)

Balance of assets under custody
(sum of investment trust, financial instruments intermediary and public bonds)

244.9 billion yen

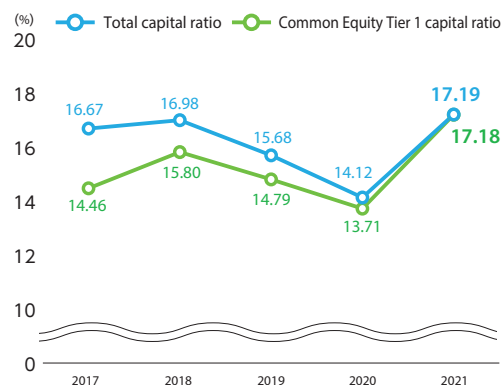


Total capital ratio (consolidated)

17.19%

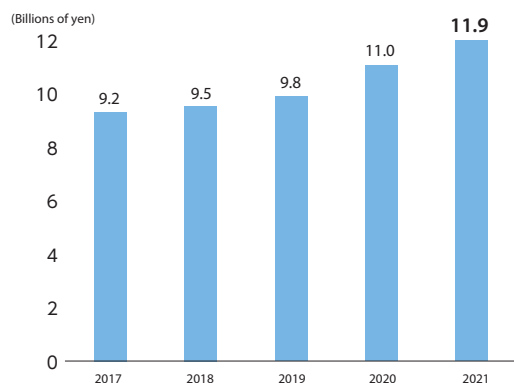
Common Equity Tier 1 capital ratio (consolidated)

17.18%



Fees and commissions (consolidated)

11.9 billion yen

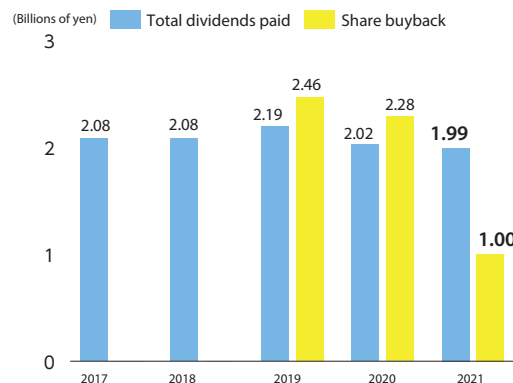


Shareholder return (total dividends paid)

1.99 billion yen

Share buyback

1.00 billion yen



Rating

Japan Credit Rating Agency, Ltd. (JCR)

A+

Rating and Investment Information, Inc. (R&I)

A+

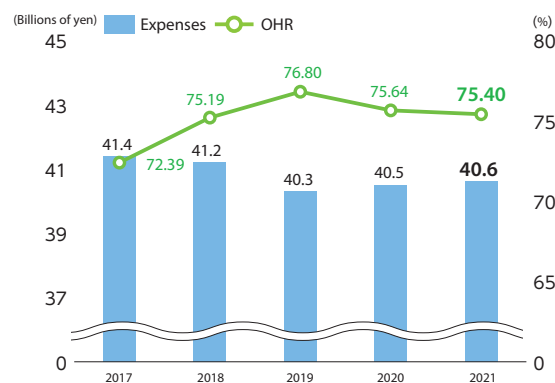


Expenses (non-consolidated)

40.6 billion yen

OHR (non-consolidated)

75.40%

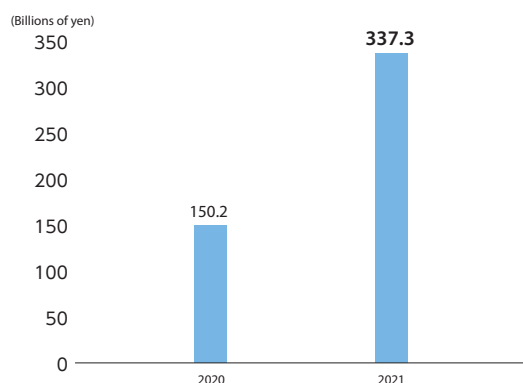


ESG Highlights (As of March 31, 2021)

Cumulative investment and financing to promote Sustainable Development

Revised upward the target in June 2021 (see Page 30).

337.3 billion yen



Education on SDGs and financial literacy (cumulative total number of persons participated in training, etc.)

Revised upward the target in June 2021 (see Page 30).

8,338 persons



Reduction in greenhouse gas emissions

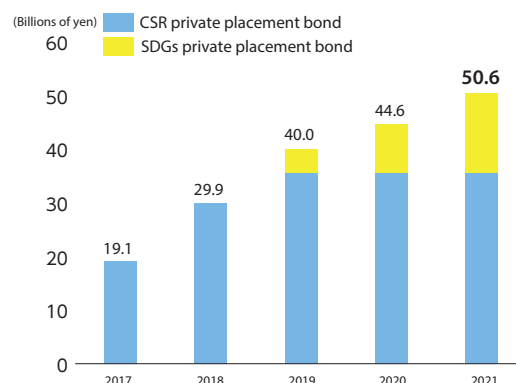
Rate of reduction in greenhouse gas emissions **42.07%**

Reduction rate compared to fiscal 2013. Revised upward the target in June 2021 (see Page 30).



Cumulative actual amount of CSR private placement bonds / SDGs private placement bonds

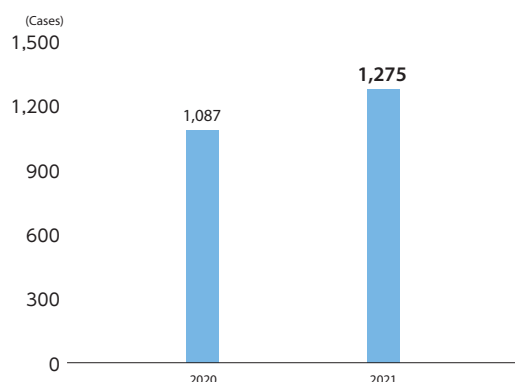
50.6 billion yen



Number of requests for consultation per year

Revised upward the target in June 2021 (see Page 30).

1,275 requests

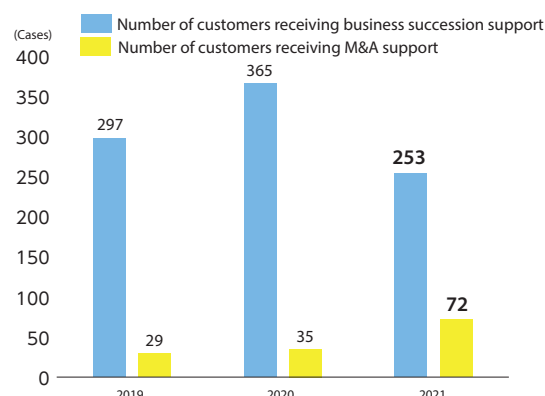


Number of customers receiving business succession support

253 customers

Number of customers receiving M&A support

72 customers





TOP MESSAGE



SPECIAL FEATURE



ABOUT SHIGA BANK

CHALLENGES FOR
VALUE CREATIONCHALLENGES FOR
FUTURE INNOVATIONPOWER THAT SUPPORTS
VALUE CREATION

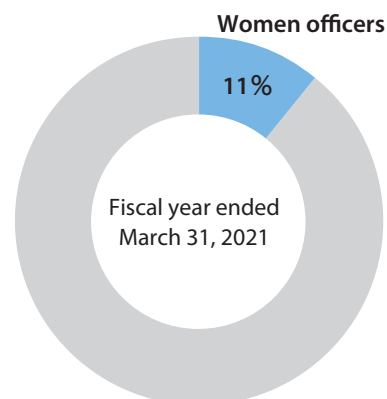
Number of IT business support
contracts per year

17 contracts



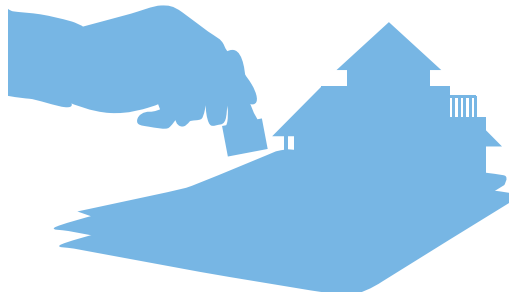
Women officers ratio

11%



Number of trust services
commissioned per year

126 cases



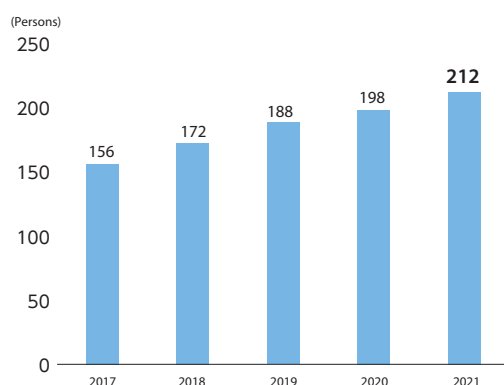
Number of Shigagin Welfare Fund
subsidies and the total amount of
subsidies

504 cases
381.90 million yen



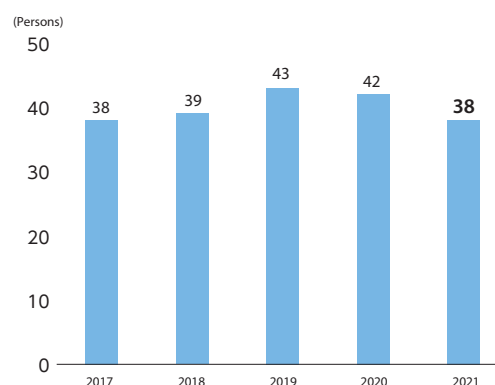
Number of employees with
Financial Planning Grade 1
certification

212 persons



Number of employees certified as
Small and Medium Enterprise
Management Consultant

38 persons



External Evaluation



* For information on awards we have received in the past, please access the QR code on the left.

The 2nd ESG Finance Awards Japan (Hosted by the Ministry of the Environment)

Received the Gold Prize (Minister of the Environment Award) in the indirect finance category (regional category) February 24, 2021



The award ceremony was held online.

The ESG Finance Awards Japan recognize and reward investors, financial institutions, and other organizations that have made a positive impact on the environment and society through their proactive engagement in ESG finance and green projects. We this time received a Gold Prize (Minister of the Environment Award) in the indirect finance category (regional category), after being awarded the Silver Prize (Minister of the Environment Award) last year.



Awarded the Prize for Excellence in the Environmental Report Category at the 24th Environmental Communication Award



Selected as a component of the SOMPO Sustainability Index



Certified as an "Eco-First Enterprise" by the Ministry of the Environment



Obtained the "Platinum Kurumin" certification by the Ministry of Health, Labour and Welfare



Obtained 2 stars for the "Eruboshi" certification by the Ministry of Health, Labour and Welfare



JQA-EM0777
Acquired ISO 14001 Certification

Support for External Initiatives



Signed the United Nations Environment Programme Finance Initiative (UNEP FI)



Signed the United Nations Principles for Responsible Banking (PRB)



Supports the final recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)



Joined the Japan Climate Initiative (JCI)



Signed the Principles for Financial Action for the 21st Century



Supports the "Shiga CO₂ Net Zero" movement



CHALLENGES FOR VALUE CREATION

CHALLENGES FOR VALUE CREATION

- 24 Value Creation Story
- 26 Risks and Opportunities
- 28 Sustainability Vision (Long-term Vision)
- 30 The 7th Medium-Term Business Plan
- 32 Dialogue - Domestic and International Conditions and
the Role of Finance on Decarbonization
Thinking about co-creation with local communities toward a
carbon-neutral society
Interlocutor: Ms. Yukari Takamura, Professor, The University
of Tokyo Institute for Future Initiatives
- 36 Measures for Climate Change/Global Warming
- 38 Principles for Responsible Banking



Value Creation Story

INPUT

(Capital to be Used)

Finance capital

- Diversified earnings structure
- Sound loan assets (fiscal year ended March 31, 2021)
Average balance of loans and bills discounted during the period ¥3,994.7 billion
Ratio of loans based on the Financial Reconstruction Act 1.75%
- Adequate Bank capital (as of March 31, 2021)
Total capital ratio (consolidated) 17.19%
- Unrealized gain on securities ranks No. 5 among regional banks in Japan (as of March 31, 2021, source: Nikkin Report)

Human capital

- Human resources who have advanced financial knowledge
- Number of employees with financial qualifications ranks high among regional banks (fiscal year ended March 31, 2021)
Number of employees with Financial Planning Grade 1 certification 212 persons
Number of employees with Financial Planning Grade 2 certification 1,257 persons
Number of Small and Medium Enterprise Management Consultants 38 persons
- Corporate culture that emphasizes regional contribution and motivation
Women managers ratio 30.42% (as of March 31, 2021)

Intellectual capital

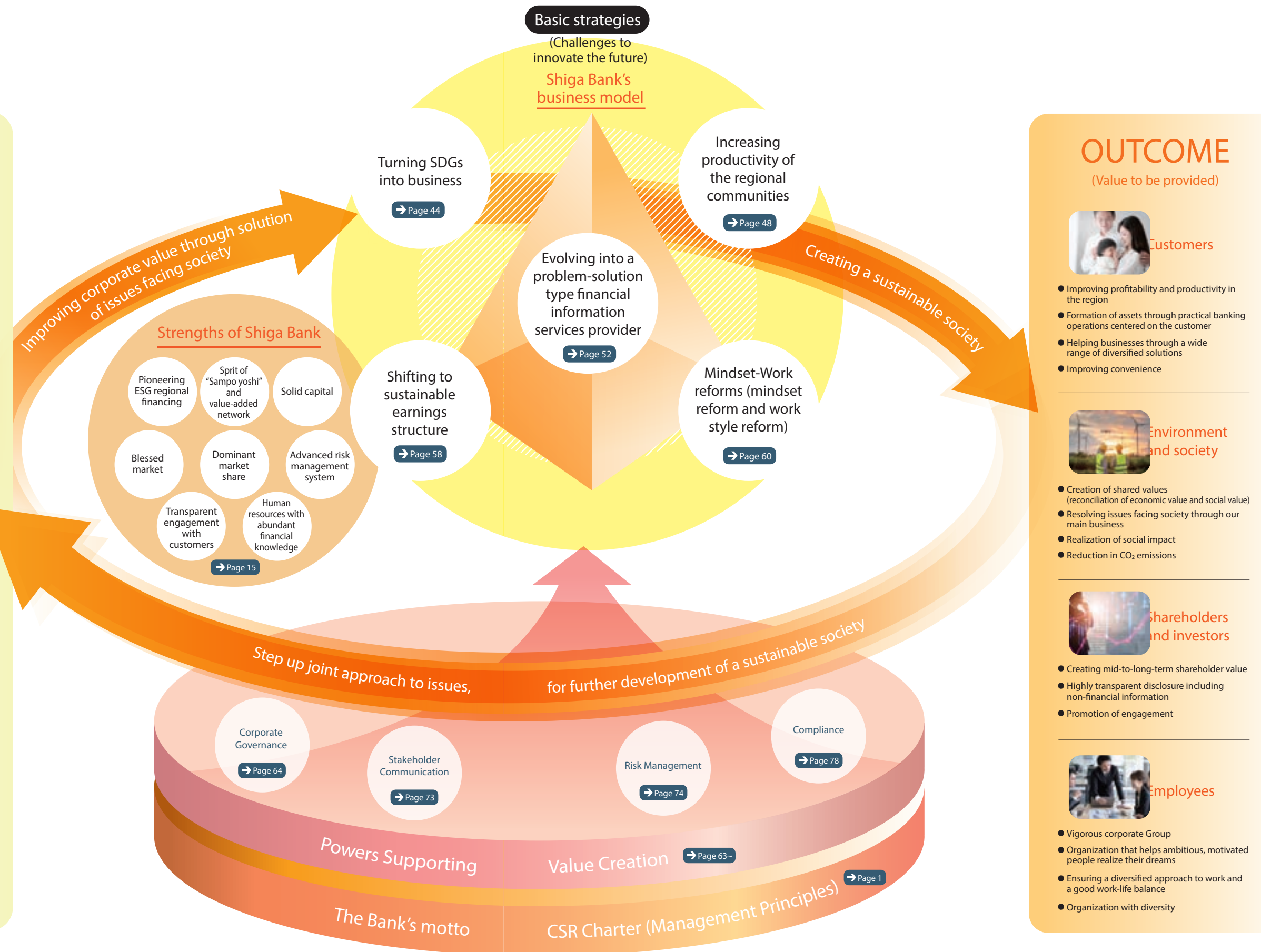
- Diversified financial methods
- Fulfilling consulting functions
Number of Ratings Communication Service clients 4,892
- Environmental management and measures for SDGs
- Responding to digitalization

Social relationship capital

- Network of branches rooted in the community
- Asia network 3 bases
- Region with a moderate rate of population decline
- Clusters of academic centers and corporate research institutes
- Regional community which carries on the "Sampo yoshi" philosophy

Natural capital

- Natural environment with rich biodiversity represented by Lake Biwa
- Concentration of National Treasures and Important Cultural Assets



Risks and Opportunities

Business environment

Risks and Opportunities

Materiality

Basic strategies

Economy
<ul style="list-style-type: none"> Regional economic downturn due to depopulation Prolonged ultra-low interest rate environment Economic slowdown due to COVID-19 Expansion of ESG investment and financing Tightening requirements for supply chains to address climate change Changes in existing businesses and industrial structure Increase in renewable energy-related businesses
Society
<ul style="list-style-type: none"> Further depopulation, low birthrate and aging population Accelerating rural flight and widening regional disparities Changes in sense of values and lifestyle Great leap forward made by the post-COVID generation such as the Generation Z Advancement in work style reform Prevalence of new lifestyle to adapt to COVID-19 Responding to an unknown virus Tightening regulations for human rights protection Expanding conflict zones and widening rich-poor gap Rise of protectionism and populism
Environment
<ul style="list-style-type: none"> Rapid social change toward achieving a decarbonized society Tightening regulations to meet the Paris Agreement and address climate change (implementation of carbon pricing, TCFD disclosure, revision to the CG Code, etc.) Regulations on waste plastics Escalation of natural disasters (wind and flood damage) Tightening regulations to protect natural capital Increasing social demand for caring for the environment
Technology
<ul style="list-style-type: none"> Progress in digital innovation Diversifying cashless payment methods Advancements in FinTech Increasing penetration of 5G and 6G Increasing use of big data and AI Advancements in renewable energy-related technologies such as virtual power plant (VPP), wind power, hydrogen and ammonia

Risks	Opportunities
Economy	Economy
<ul style="list-style-type: none"> Decline in the prefectural GDP and decrease in capital needs due to an increase in discontinuance of business caused by absence of successors and other reasons Increase in outflow of deposits to other prefectures due to inheritance and other reasons as the migration of the youth from the prefecture increases Continued decrease in interest income due to ultra-low interest rate environment Increase in bad loans caused by such reasons as economic slowdown due to COVID-19 Changes in existing businesses and industrial structure 	<ul style="list-style-type: none"> Increase in capital needs from new business domains such as circular economy Increase in needs for new businesses and relaunching Capturing capital needs by using new financing methodologies such as sustainable finance Expansion of businesses that are related to business succession such as M&A Consulting for improving regional productivity
Society	Society
<ul style="list-style-type: none"> Intensifying competition for acquiring young and specialized human resources Increase in reputation risk, driven by human rights and other issues Increasing impact of geopolitical risk, conflict escalation, etc. on client companies Providing new services to meet social demands 	<ul style="list-style-type: none"> Increase in fee business such as consulting on needs for resolving social issues Expansion of businesses that create social impact Rise of new generation as part of mainstream society; Diversifying customer needs attributable to changes in sense of values and lifestyle Development of businesses for the elderly Expansion of the human resources placement business at an associated company Offering products and services tailored to lifestyle Support for organizational management such as decent work and health and productivity management
Environment	Environment
<ul style="list-style-type: none"> Increase in costs for achieving a decarbonized society such as those incurred for meeting the Paris Agreement and addressing climate change Increase in transition risks that cause a decrease in asset value of customers due to, among other things, regulations for greenhouse gas emissions and market trends Increase in physical risks borne by customers such as typhoons and floods Loss of economic base due to deterioration in natural capital 	<ul style="list-style-type: none"> Expansion of opportunities for environment-related businesses such as introduction of renewable energy, new materials and new technologies Providing solutions for environmental regulations, etc. Consulting for business transformation Providing solutions for addressing physical risks such as typhoons and floods
Technology	Technology
<ul style="list-style-type: none"> Loss of existing business domains due to digital transformation Responding to diversifying settlement methods, such as cashless payment Intensifying competition with different industry players such as FinTech providers Homogenization of services due to intensified competition 	<ul style="list-style-type: none"> Providing new products with the use of digital technologies Providing diversifying settlement methods Expanding new business domains through collaboration with different industry players Streamlining business operations and implementing work style reform

Establishing the regional economy

Creating new industry

Productivity improvement

Business succession

Efficient use of local resources

Low birthrate and aging population/ depopulation

Disaster prevention

Digital

Turning SDGs into business

→ Page 44

Increasing productivity of the regional communities

→ Page 48

Evolving into a problem-solution type financial information services provider

→ Page 52

Shifting to sustainable earnings structure

→ Page 58

Mindset-Work reforms (mindset reform and work style reform)

→ Page 60

Sustainability of the global environment

Decarbonization/ renewable energy

Climate change

Water preservation in Lake Biwa

Biodiversity

Training a diversified workforce

Developing human resources

Compliance

Health

Promotion of diversity

Work style reform

Sustainability vision (Long-term Vision)

The long-term vision of the Bank which serves as a guidepost for its business plans is based on the “vision for regional communities the Bank should aim to materialize.” The reason “an ideal bank” was not used as the basis for the long-term vision is that we aimed to shift our perspective from the Bank’s point of view to the point of view of society and customers. We have the following aspirations under our long-term vision.

Work first from the sustainable prosperity for the regional community

As a community-based regional financial institution, we believe that our development is predicated on the sustainability and sound prosperity of the regional community in which we operate. Based on the recognition that the Bank’s development is unattainable without the development of the region, we believe that the Bank can only be sustainable if we are working towards sustainable prosperity for the regional community.

Attach importance to social impact produced by ESG finance

With growing awareness of the SDGs and the Paris Agreement, there has been increasing interest in the importance of the social impact of finance on the environment and society. The Bank started off by indicating the “vision for regional communities the Bank should aim to materialize,” clarified the social impact we should create, and then took a backcasting approach to formulate our medium-term business plan.

Aim to achieve the long-term vision through three milestones

To achieve our long-term vision, we have set the Milestones for 2030 from three perspectives: economic, environmental, and people. Through initiatives to achieve these milestones, we will create a social impact and realize a society where everyone can define their future and live happily.

Take on the challenge of achieving more ambitious targets

Of the three items of the Milestones for 2030, we revised two items, for which we had already achieved SD targets set forth in the 7th Medium-Term Business Plan (see Page 31), i.e., interim performance indicators, in June 2021. By setting ambitious, more difficult-to-achieve targets, the Shiga Bank Group will make all-out efforts to achieve its long-term vision.

Item	Before revision	After revision
Reduction in greenhouse gas emissions (compared to fiscal 2013)	Reduce by 30% or more	Reduce by 75% or more Achieve “Shiga CO ₂ Net Zero” by 2050
Activities for promotion and improvement of SDGs and financial literacy; training of next-generation workforce (total number of participants)	10,000 persons	30,000 persons

* An initiative to reduce CO₂ emissions in Shiga Prefecture to virtually zero. Shiga Prefecture plays a central role in promoting this initiative in cooperation with various entities, including prefectural residents and businesses.

● Linking the economy, environment and people (integrated development)

Milestones for 2030 (Target 2030)

Establishing the regional economy



Investment and financing to promote Sustainable Development
New investment and financing for a cumulative total of **¥1 trillion**

Sustainability of the global environment



Reduction in greenhouse gas emissions by **75 % or more** (compared to fiscal 2013)
Achieve “Shiga CO₂ Net Zero” by 2050

Training a diversified workforce



Activities for promotion and improvement of SDGs and financial literacy; training of next-generation workforce
Aim to target at **30,000 persons**

We create and reconcile the twin imperatives of economic value and social value through the three benchmark challenges, and achieve sustainable development of regional communities.

Sustainability vision (Long-term Vision)

Unchanging spirit

The Bank’s motto: Be tough on ourselves, kind to others and serve society
CSR Charter: Mutual prosperity with the regional communities, all employees, and environment

Vision for regional communities that the Bank should aim to materialize

A society where everyone can define their future and live happily

—Realization of sustainable society through co-creation with the community—

Backcasting (Examining issues that need to be addressed)

MTBP

MTBP

7th MTBP

The Bank

The 7th Medium-Term Business Plan

Next business term and thereafter

Fiscal year
2019

Fiscal year
2020

Fiscal year
2021

Fiscal year
2022

Fiscal year
2023

Fiscal year
2024

Fiscal year
2025

Fiscal year
2026

Fiscal year
2027

Fiscal year
2028

Fiscal year
2029

Fiscal year
2030

Fiscal year
2031

Fiscal year
2032

Fiscal year
2033

Event

Tokyo Olympic Games

Renew core systems
90th anniversary

Lake Biwa National Sports Festival
Osaka World Expo

95th anniversary

SDGs target

100th anniversary

The 7th Medium-Term Business Plan

Outline of the plan and progress in year two

Our vision is to plan and create sustainable development of the region and customers. Two years have passed since we launched our 7th Medium-Term Business Plan to achieve this vision. We have taken up the challenge of achieving five Sustainable Development targets ("SD targets") over a period of five years. The implementation status of such initiatives is outlined below.

In reduction in greenhouse gas emissions, we reduced emissions by 42.07% compared to levels in fiscal 2013 and achieved this SD target ahead of schedule. This was made possible by the reduction of energy consumption through large-scale renovations, consolidation of branches through the branch initiatives and the reduction of the workload through productivity improvement measures including operation reforms.

In addition, in activities for promotion and improvement of SDGs and financial literacy and the training of next-generation workforce, we exceeded our SD targets by proactively developing human resources and implementing lecture activities both inside and outside of the Bank through web-based online distribution with behavioral constraints due to the coronavirus outbreak.

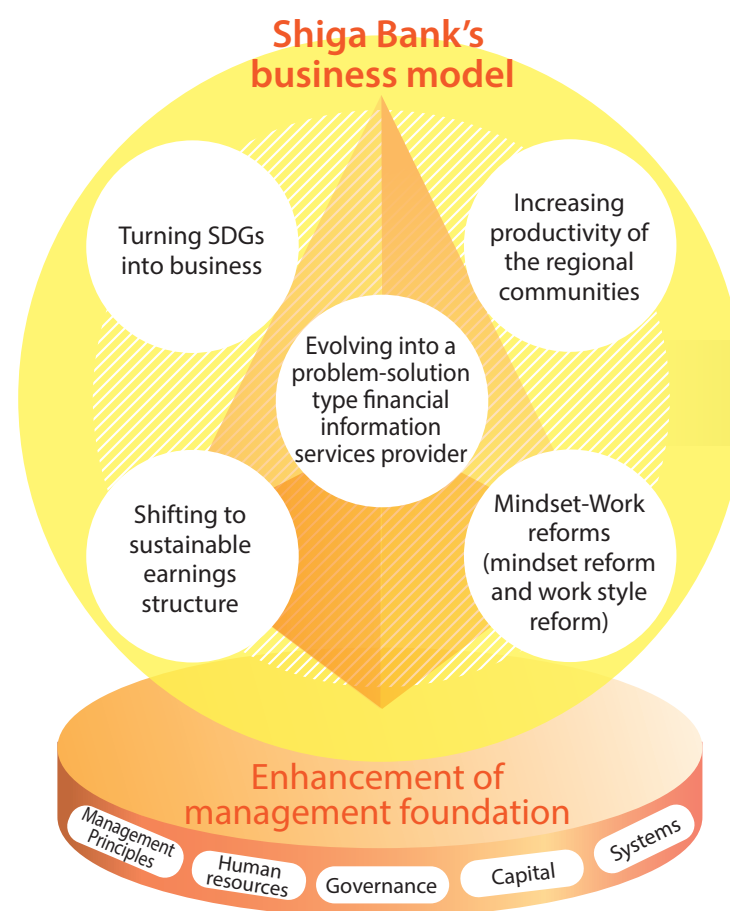
In investment and financing to promote Sustainable Development, support for value improvement of regional customers and support for asset formation of regional customers, we moved forward with initiatives by providing support through caring and detailed dialogue with customers that only regional financial institutions can provide using digital tools, such as a membership web service for business operators Shigagin Big Advance, while being affected by the coronavirus outbreak. As a result, we have generally made good progress overall.

Upward revision of SD targets

In June 2021, we revised four benchmark challenges, investment and financing to promote Sustainable Development; support for value improvement of regional customers; reduction in greenhouse gas emissions; and activities for promotion and improvement of SDGs and financial literacy; training of next-generation workforce, to further deepen our initiatives.

While continuing to pursue higher targets, we will move step by step to achieve our vision, becoming a Sustainability Design Company.

Item	Before revision	After revision
Investment and financing to promote Sustainable Development	500.0 billion yen	700.0 billion yen
Support for value improvement of regional customers	2022: 850 requests 2024: 1,000 requests	2022: 1,500 requests 2024: 2,000 requests
Reduction in greenhouse gas emissions (compared to fiscal 2013)	25% reduction	50% reduction
Activities for promotion and improvement of SDGs and financial literacy; training of next-generation workforce	5,000 persons	15,000 persons



Progress in benchmark challenges

		Results by year two	Comments
SD targets	Investment and financing to promote Sustainable Development (cumulative total of new investment and financing)	New target: 700.0 billion yen Result: Cumulative total of 337.3 billion yen	We successfully achieved steady results as a result of the launch of Shigagin Sustainability Linked Loan as well as our efforts such as engaging in dialogue with customers through the Ratings Communication Service.
	Support for value improvement of regional customers (number of requests for consultation per year)	New target: 2022: 1,500 requests 2024: 2,000 requests Result: 1,275 requests	As a result of our efforts to implement our goal-based support based on a customer-oriented perspective (market-in), we increased the number of consultations on trust business launched by the Bank itself, human resources placement, and IT consulting.
	Support for asset formation of regional customers (balance of assets under custody "investment trust + financial instruments intermediary")	Target: 2022: 220.0 billion yen 2024: 300.0 billion yen Result: 190.7 billion yen	We provided customers with meticulous support even during the stock market downturn caused by the coronavirus outbreak by restructuring our system for promoting assets under custody. Such efforts led to an increase in assets under custody during the phase of market recovery.
	Reduction in greenhouse gas emissions (compared to fiscal 2013)	New target: 50% reduction Result: 42.07% reduction	Energy consumption reduced through the renovation of the entire administrative center within the Head Office undertaken in the past and consolidation of branches by implementing the branch initiatives. The reduction was substantial, partly due to a reduction in the emission factor for electricity.
	Activities for promotion and improvement of SDGs and financial literacy; training of next-generation workforce (total number of persons participated in training, etc.)	New target: 15,000 persons Result: 8,338 persons	In year two, with restrictions on our activities due to the coronavirus outbreak, 2,923 persons participated in our activities and training provided through such means as web-based online seminar.
Revenue targets	Net income attributable to owners of parent (consolidated)	Target: 10.0 billion yen or more Result: 11.4 billion yen	Although the interest rate environment remains challenging, we successfully secured a revenue level exceeding our target, partly as a result of an increase in loans due to the novel coronavirus support financing, declines in interest rate levels abroad, and an increase in fees and commission income.
	Income from services for customers	Target: 2022: 2.0 billion yen 2024: 3.0 billion yen Result: 2.9 billion yen	Despite being slightly affected by declines in deposit and loan yields, net income from services for customers exceeded the target level, reflecting steady growth in service revenues, such as financing-related fees and commissions from assets under custody.
	ROE (consolidated)	Target: 5.0% or more Result: 2.62%	Our ROE declined to the 2% range amidst the continued challenging revenue environment. We will work to restructure our business model to achieve more efficient business operations.
Long-term benchmark challenges	OHR	Target: Less than 65% Result: 75.40%	OHR was high partly due to expenses recorded for the system renewal for next-generation core systems, although our efforts, such as the branch initiatives, have had some beneficial effects on improving productivity.

Dialogue - Domestic and the Role of Finance Thinking about Co-creation for a Carbon-

International Conditions and in Decarbonization with Local Communities neutral Society

Professor, The University of Tokyo Institute for
Future Initiatives

Yukari Takamura

President of
The Shiga Bank, Ltd.

Shojiro Takahashi

The world is making rapid progress in dealing with global warming and climate change. In October 2020, the Japanese government declared that Japan would become carbon neutral, with a target of net-zero GHG emissions in 2050. In May 2021, the revised Act on Promotion of Global Warming Countermeasures was enacted, specifying this goal. The government has set a target of reducing GHG emissions by 46% from the fiscal 2013 level by fiscal 2030, and has positioned “green and digital” as the cornerstones of economic growth.

Efforts to realize a decarbonized society are accelerating in many fields related to our lives and the economy. Ms. Yukari Takamura, Professor of The University of Tokyo Institute for Future Initiatives, was appointed as chair of the Central Environment Council, a body that discusses environmental policies and communicates opinions to the government, in February this year. She joined us for an interview with the Bank’s President Shojiro Takahashi on the topic of domestic and international conditions and the role of finance in decarbonization.

The decarbonization declaration that turned the tide

Takahashi Thank you for joining me today. Ms. Takamura, you have held various key positions in the government. What do you think is the significance of setting a carbon-neutral target for 2050?

Takamura Many companies say that the government’s declaration of commitment to carbon neutrality has turned the tide. The government made it clear that Japan would be transitioning to a decarbonized society and set out the targets to be achieved. This was significant in that it led to a huge step forward in initiatives for becoming a decarbonized society. For example, companies saw it as a new business

opportunity and began to actively invest in carbon reduction. The declaration has also a tremendous impact on energy policies. Eighty-five percent of Japan’s greenhouse gas is CO₂ emitted from energy use. We need to have a fundamental rethink about energy.

Takahashi I could not have imagined a year ago that such a big change would happen so suddenly and that things would progress so quickly. As changes continue to take place globally and at the center of society, we as local financial institutions need to think carefully about how they will affect local SMEs and the local economy. Up to now, we have been telling people that the era of decarbonization is coming, but from now on, we need to tell them, “How will you realize decarbonization? If you don’t, you will be left behind the competition.” We also have a data center. Since the financial industry consumes more electricity than the sectors such as the service industry, we are currently considering the introduction of locally-generated electricity and renewable energy. While explaining our efforts, I think it is necessary to deepen the understanding of local residents that our decarbonization efforts are not a cost, but an investment for the future.

In addition, the Financial Services Agency has revised its corporate governance code to require information disclosure in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and central government agencies are discussing carbon pricing. However, the current situation is that small and medium-sized companies do not have that level of awareness.

Takamura It is said that only about 200 listed companies are fully compliant with TCFD standards, so there are still many issues to be addressed. However, the trend will undoubtedly move in the right

direction in the future as investors, shareholders, and business partners work together. I also believe that even if local companies do not disclose the same level of information, they will be able to grasp the amount of their emissions and will be encouraged to reduce them. In addition, the Green Growth Strategy formulated in December 2020 states that carbon pricing, which contributes to growth, should not be regarded as taboo. Currently, the Ministry of the Environment and the Ministry of Economy, Trade and Industry are considering introducing a carbon tax, emission reduction credit transactions, and so on, and they agree that it is important to price carbon and give a signal.

Carbon neutrality in regional communities

Takahashi I feel that having the discussion of carbon pricing on the table is a big change in itself. We have been focusing on environmental finance for a long time. Actually, we launched a financial product with the idea of carbon pricing, “Carbon Neutral Loan, *Mirai-Yoshi*” in April 2007. It was designed to promote the introduction of natural energy and preserve the environment and the ecological system of Lake Biwa. If a solar power generation system or other system is installed through the use of our environment-friendly loan products, we estimate the reduced amount of GHG emissions and convert it into a monetary value based on the emission trading price. We contribute the funds to a project to protect, nurture, and release *nigorobuna* fish (*carassius auratus grandoculis*) and *wataka* fish (*ischikauia*), species that are unique to Lake Biwa. The *nigorobuna* fish released can be identified by staining the otoliths of the inner ear with a special dye. So, they can be captured after a certain period of time to allow their breeding status to be studied. If the positive aspects for companies and society

of our efforts to decarbonize can be recognized, even if only a little, it will be easier for us to explain, and our business partners will be more convinced.

Takamura You have been visualizing the value of carbon reduction for more than ten years. The first issue in promoting net-zero CO₂ emissions is cost. The cost of generating electricity from renewable energy sources has fallen considerably worldwide. In Japan, solar power generation costs have fallen by 63% over the past decade. Of course, there are issues to be resolved, such as how to connect to the power grid and how to deal with decreases in the output of solar and wind power. However, the government will work out the issues and implement policies to reduce the costs of renewable energy as much as possible. The introduction of renewable energy is also a positive thing for the regional communities. For example, if you purchase from a local power company, the money will circulate in the community. If you generate electricity by yourself and use it, you can also save on your electricity bill.

I also believe that climate change measures can be made to be positive rather than simple costs. Zero Energy Homes (ZEH) can lower energy costs by reducing utility bills through high insulation. It makes it easier to maintain a constant temperature in the house and is effective in dealing with heat shock. If you have a storage battery, you can use electricity during a disaster. A typical example is housing, which involves various industries such as architecture and home electronics and has a large economic ripple effect. If this kind of information is communicated to residents by local financial institutions when they provide loans for home purchases, I think that the loans will generate a variety of benefits for the community.

Thinking about Co-creation with Local Communities for a Carbon-neutral Society



Takahashi Global companies are leading the way in decarbonization efforts, but I believe that the demand for decarbonization will increase not only for their own efforts but also for their supply chains. Shiga Prefecture ranks first in Japan in terms of the percentage of its gross prefectural product accounted for by secondary industry, and there are many local companies associated with global companies. I believe that this will have a significant impact.

When I exchanged greetings at the beginning of this year via the web with a manager of a global company in the Kansai region, I was asked about their decarbonization efforts and how subcontractors and related companies should be dealt with in the future. I explained that the first step is to accurately understand the positive and negative impacts of the arrival of a decarbonized society on business and to start specific initiatives that will lead to business opportunities while minimizing risks. At the same time, many of our business partners do not know what their CO₂ emissions are and how to reduce them. This reaffirmed the need for us to provide a variety of consulting services to help companies decarbonize, including ones related to resource and energy conservation. We start with a survey, and then analyze the information obtained from it so that our business partners can put it into practice themselves. I believe that such initiatives will lead to new business opportunities.

Roles of financial institutions

Takamura The realization of a decarbonized society requires a change in energy, in industry, and in the nature of cities. In order to achieve this, policies are important, and funds are also needed. We need to create a system where investments and loans are provided to those who are willing to change. In addition to climate change measures, biodiversity issues are also serious. Since the 1970s, many species have been lost and ecosystems have been destroyed, affecting our lives and economies. I believe that the role of finance is very important in creating businesses that will change this society and in providing funds for these businesses. In the process of changing society, new businesses will be born, and a new society will be created. New roles and business opportunities will emerge in the better regional communities of the future. Those are the kind of relationships that will exist. I believe that financial institutions are the ones who can demonstrate the need for change in their businesses from a long-term perspective.

Takahashi We have been practicing environmental management since the 1990s. We have been working on balancing the economy and the environment with the belief that we should protect the global environment not only through volunteering but also through our core business. We committed to the SDGs in November 2017, became the first regional bank to endorse the TCFD in July 2018, and became the first regional bank to start offering sustainability-linked loans (SLLs) in August 2020. SLLs are loan products that allow customers to set ambitious business goals related to SDGs and ESGs, and the loan conditions are linked to the degree of achievement. Under this system, the rationality of the targets is checked by Rating and Investment Information, Inc. (R&I), and subsequent monitoring is conducted by Shigagin Keizai Bunka Center Co., Ltd. (KEIBUN). As of the end of May this year, 9 billion yen has been spent in six projects, including those of major companies. Our goal is not to sell loans, but to solve business problems. We hope that our business partners will deepen their understanding of SDGs and ESGs, as doing so will increase their corporate value.

ESG finance and economic rationality

Takahashi We are promoting ESG finance initiatives, but there are still issues in connection with corporate philosophy and economic rationality (profitability). Recently, a manager of an overseas company that was a top ESG performer was dismissed at the request of shareholders. Ms. Takamura, what do you think about ESG initiatives and economic rationality?

Takamura That is a difficult question. ESG investments and loans are made with a focus on various points, not just profitability, but I believe there is still debate over where they will really boost earnings and corporate performance. As for climate change, companies that are properly addressing the issues have been gaining recognition in the financial markets. However, looking at individual cases, there are still issues as to whether profitability and ESG assessment are truly aligned. As a business entity, we must constantly strive to build a profitable business model while addressing ESG and sustainability issues. At the same time, I believe that it is important to change customer awareness about how society changes so that a company that addresses ESG and sustainability can also become a profitable company.

It is unfortunate that a good ESG company manager was dismissed. In individual companies, decisions are made by shareholders, and not everyone has the same ideas, but we need to think about how to create companies and businesses that can balance ESG and profitability.

Takahashi It is hard to determine profitability in environmental finance, but if we aggregate SDGs consulting, private placement bonds, and SLLs, I think the revenue is commensurate with the cost. Regional financial institutions support a variety of economic activities in the region using their customers' money. A certain level of understanding that our Bank's business is involved with customers, local issues, and environmental problems is a positive effect that is not always visible. No one can deny the contribution of companies to society. However, we always tell our clients that they should do their core business well, so if both our Bank and our clients take a stance of supporting each other, I believe it will be beneficial in the long term.

Takamura What you have just said is very important. I thought that creating an opportunity for businesses to think about climate change, sustainability, ESG, and other issues would have the effect of incorporating regional and medium- to long-term perspectives into their business.

Toward sustainable communities

Takahashi We can offer a variety of consulting services not only on environmental issues, but also in the sense of listening to the issues of our customers. We are also exploring the possibility of solving problems in a way that can be linked to financing and the businesses we are involved in. This approach also applies to our customers. With a firm understanding of the global trend toward decarbonization, various initiatives for the future may lead to new businesses. I believe that the accumulation of these efforts will gradually grow the business from the realm of challenge to the realm of profitability.

Regional financial institutions must be able to protect their local economy. This is where the role and significance of regional banks lies. To achieve this, we need to increase the corporate value of our customers. This is why we focus on providing companionship and support to our customers. Through consulting and financing, we are working to transform businesses through digital transformation (DX) and green transformation (GX).

Takamura Regional financial institutions cannot run away from the community, which is why they are trusted by the local people. I believe that being able to conduct business based on that trust is a strength. On the other hand, the difficulty for regional financial institutions lies not only in the changes related to decarbonization, but also in the many challenges that Japan is already facing. They include a declining population and the problem of who will be responsible for the industries that support society as the population ages. With the exception of major metropolitan areas, these issues are common throughout Japan. We must face the challenge of making our communities sustainable and attractive as places to work and live.

Therefore, it is necessary to work well with local stakeholders. The same problem is faced by local governments. Regional financial institutions need to be actively involved in the formation of businesses that will help change the region by seeking ways for the region to address issues and boldly taking on challenges. The resources that regional financial institutions have are that important to the community. Unless we make good use of these resources, the region itself will not be able to survive. I think we are in that phase now.

Takahashi Local communities, local SMEs, and local governments all have their own dreams, ideals, goals, and plans for the future, and there are challenges involved in making these dreams reality. I believe that if we communicate carefully and work firmly as a problem-solution type financial information service provider with a clear vision, the road will open on its own.

In our 7th Medium-term Business Plan, implementation of which started in April 2019 and ends in March 2024, we have set forth a vision of becoming a "Sustainability Design Company." It expresses our determination to design sustainable development for the region and to become an indispensable company for it. Once a year, I visit the leaders of 19 cities and towns in Shiga Prefecture to ask them about the impact of the COVID-19 disaster, digitalization, agriculture, and the

declining birthrate and aging population. Not only municipalities, but also communities and businesses have faced a never-ending stream of challenges.

For example, there are various patterns of business succession, so we examine what is the best way for our business partners, including M&A. Working hard, we will identify needs of such as own stock succession and minority shareholders, which will lead to business opportunities for our bank.

The most important thing is to maintain a relationship where customers feel secure in entrusting their money and business partners are willing to associate with us and talk with us about various issues because they can get support when they need it.

Expectations for Shiga Bank

Takamura We are in the midst of major changes, which are affecting not only global companies, but also local SMEs that play a part in supply chains. It is important to ensure that business funds are provided for these changes, and regional financial institutions are a key player in solving local issues.

Shiga Prefecture, in particular, has the tradition of the "Sampo yoshi," a philosophy embraced by merchants in the Omi region. At the same time, it has many industries due to its high environmental awareness and favorable location. Therefore, if you cannot succeed in Shiga Prefecture, it is highly likely that you will not succeed anywhere else in Japan. In that sense, Shiga Bank's efforts will serve as an important role model for financial institutions and communities across Japan that are facing similar challenges. I would like to see your bank become a financial institution that provides financial services and solves problems with the community while still generating profits. This will be a shout out to everyone in Japan, and to everyone in the region. I hope that you will do your best.

Takahashi Thank you for cheering us on. With the spirit of creating a new community with all our stakeholders, we will continue to work steadily, and sometimes hit the accelerator.

I would like to ask you to bridge the gap between the government and the private sector for the future of a new Japan by providing policy support and information for the decarbonization of regional communities and SMEs as well as the central government and large corporations. Thank you for joining us today.

(May 31, 2021)





CHALLENGES FOR VALUE CREATION

Measures for Climate Change/Global Warming

Climate change and other global environmental changes, such as the increasing damage caused by abnormal weather, are having a major impact on economic activities and our daily lives. These changes have already become a significant risk to all humanity. Under these circumstances, governments and companies worldwide are accelerating their efforts to shift to a decarbonized society by reviewing their social and economic structures, which are dependent on fossil fuels.

Recognizing climate change as one of our most important management issues, the Bank will strive to create a sustainable society by establishing a “virtuous circle propelling the economy and environment forward” by fulfilling its role as a financial institution.

The Bank also supports the TCFD* Proposal, and it will take measures to enhance the sophistication of its information disclosure to meet recommendations by the TCFD.

* An abbreviation for Task Force on Climate-related Financial Disclosures, established by the Financial Stability Board (FSB) in 2015. It calls for companies' climate-related impact disclosures on a voluntary basis upon providing financial reporting.

Initiatives for Task Force on Climate-related Financial Disclosures (TCFD)

Governance

The Shiga Bank has established the Sustainability Committee, which is chaired by the President. The Committee meets three times a year with Management Meeting members, General Managers of each department and office, and presidents of associated companies as Committee members. The Committee members deliberate on policies and plans for addressing risks and taking advantage of opportunities in connection with medium- to long-term ESG issues, including climate change issues.

Specific activities of the Committee include the identification of the Materiality, development of the Sustainability Vision, and discussion on how to respond to the TCFD.

Looking ahead, the Bank will regularly report on measures and responses concerning climate change to the Management Meeting and the Board of Directors.

Strategy

While designating priority issues to be tackled by the Bank (Materiality), we formulated the Sustainability Vision (Long-term Vision), with the aim of establishing a sustainable society. Based on the Sustainability Vision, the 7th Medium-term Business Plan that started in April 2019 set forth “Sustainability Design Company” as our new vision and “Define a future and realize a dream” as our main theme. We uphold evolving into a problem-solution type financial information services provider that turns SDGs into business and transforms society through its businesses.

The Bank established the Sustainability Policy in October 2020. To create a new structure, we have established the Sustainable Strategy Office in the General Planning Department and a dedicated team for ESG finance in the Business Promotion Department.

Specifically, we are working to promote environmental finance to realize a decarbonized society and a circular economy and to strengthen community-based consulting. We will support businesses

that contribute to mitigating climate change such as renewable energy and green projects, corporate investments toward enhancing energy efficiency and infrastructure development, as well as creation of climate change-resilient regions and establishment of sustainable lifestyles.

Furthermore, we will review the risks and opportunities that climate change presents through multiple scenario analyses. In fiscal 2020, we were selected by the Ministry of the Environment as a recipient of the “Climate Risk / Opportunity Scenario Analysis Pilot Program Support Project (for financial institutions) in line with TCFD recommendations.” We researched methods for analyzing physical risks and transition risks associated with climate change. We will continue to narrow down the conditions and work toward analysis and publication.

Risk Management

The Bank recognizes that physical risks and transition risks stemming from climate change will deeply affect the Bank's operation, strategy and financial planning. We will therefore establish systems for managing such risks in a framework of comprehensive risk management.

Indicators and targets

The Bank has stipulated environmental impact reduction goals as follows.

(Scope 1 and Scope 2 standards)

●Medium-term indicator (by March 31, 2024)

Reduce CO₂ emissions by 50% (compared to fiscal 2013)

●Long-term indicator (by March 31, 2030)

Reduce CO₂ emissions by at least 75% (compared to fiscal 2013)

Achieve “Shiga CO₂ Net Zero”* in 2050

* An initiative to reduce CO₂ emissions in Shiga Prefecture to net zero. Shiga Prefecture plays a central role in promoting this initiative in cooperation with various entities, including prefectural residents and businesses.

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Principles for Responsible Banking



In February 2020, we became the first regional bank in Japan to sign the Principles for Responsible Banking (the "PRB"), which was drafted by the United Nations Environment Programme Finance Initiative (*UNEP FI) and launched in September 2019. Together with more than 230 other signatory banks, we have been practicing finance with sustainability at the core of business.

The PRB provide a framework for a bank to take a leading role and responsibility as a financial intermediary and voluntarily set out business strategies that are aligned with the Sustainable Development Goals (SDGs) and the Paris Agreement based on the recognition that sustainable social prosperity is key to development of the banking industry. In accordance with the six principles of the PRB, signatory banks are required to set their own strategies and targets and engage and partner with stakeholders including customers so as to increase the positive impacts as well as reduce the negative impacts of their business activities on the environment and regional communities.

Initiatives during the first year

The PRB require signatory banks to disclose their progress in following the Principles. Specifically, signatories are required to publish the first report and self-assessment regarding the Principles within 18 months of signing, and annually thereafter, and to conduct an impact analysis, set and implement targets, and achieve accountability within four years.

Based on the recognition that "the Bank's development is unattainable without the development of the region," we are committed to environmental management that helps protect the global environment through the circulation of money. In fact, the Bank has pioneered

environmental initiatives and is certified as an Eco-First Enterprise by the Ministry of the Environment. After signing the PRB, we have further strengthened our efforts toward the development of sustainable regional communities. Our progress outlined in the first report is as follows:

●Ripple effects of social impact



*The United Nations Environment Programme Finance Initiative (UNEP FI)

UNEP FI was established in 1992 by the United Nations Environment Programme, a UN auxiliary organization that was formed in 1972. It is a partnership of financial institutions around the world that is working to transform into financial systems integrating economic development with ESG (environmental, social, and governance) considerations. The Bank signed the UNEP FI in 2001, a first for a commercial bank in Japan.

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/Links to details of bank's full response/relevant information
Principle 1. Alignment We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Agreement, and relevant national and regional frameworks.		
1.1 An overview of our banking business, including major customer segments in key regions where it operates, the products and services it offers, the sectors and projects it finances, and in some cases, technologies.	The Bank, as a regional bank in Japan, operates business mainly in Shiga Prefecture. We provide products and services, with financial intermediary at the core, primarily to customers in the region, including individuals, SMEs, and local governments. Of the loans outstanding totaling about four trillion yen as of the end of March 2021, domestic borrowers account for approximately 99.7%. Of the loans extended to domestic borrowers, corporate customers account for 74.5% and consumers 25.5%.	Page 15 of this report (Strengths of Shiga Bank)
1.2 Describe how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Agreement, and relevant national and regional frameworks.	In its Sustainability Vision, the Bank is committed to creating "a society where everyone can define their future and live happily" as a goal for regional communities, which is aligned with the goals expressed in SDGs and the Paris Agreement. To achieve the goal, we have set out specific benchmark challenges in our Medium-Term Business Plan. In October 2020, we formulated the Sustainability Policy," which sets out our basic policies for realizing a sustainable society, and revised the existing Environmental Policy, to improve our organizational structure. We are also aware that climate change is a priority issue (Materiality) that potentially has a material impact on regional communities. In July 2018, we declared our support for the Task Force on Climate-related Financial Disclosure (TCFD) and have since taken measures to meet its recommendations.	Page 28 of this report (Sustainability Vision) Page 12 of this report (Sustainability Policy) Page 36 of this report (Measures for Climate Change and Information Disclosure in Line with TCFD Recommendations)

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/Links to details of bank's full response/relevant information
Principle 2. Impact and Target Setting We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.		
2.1 Impact Analysis Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfills the following elements: a) Scope: The bank's core business areas, products/services across the main geographies that the bank operates in, as described under 1.1, have been considered in the scope of the analysis. b) Scale of Exposure: In identifying its areas of most significant impact, the bank has considered where its core business/ its major activities lie in terms of industries, technologies and geographies. c) Context & Relevance: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates. d) Scale and Intensity/Salience of Impact: In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the Bank's activities and provision of products and services. Engage relevant stakeholders in the analysis under elements c) and d) Show that building on this analysis, the bank has <ul style="list-style-type: none"> ● Identified and disclosed its areas of most significant (potential) positive and negative impact ● Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts 	We have identified Materiality (priority issues) in view of the social needs as expressed in SDGs and the Paris Agreement, as well as the expectations and requests to regional financial institutions from stakeholders, and have also defined the following three areas for priority action over the medium- to long-term based on our CSR Charter (our Management Principles): (1) Establishing the regional economy (2) Ensuring sustainability of the global environment (3) Training a diversified workforce To achieve SDGs and the goals of the Paris Agreement, people and companies from across all sectors need to transform their behaviors. As the bank representing 48% or more of overall loans in Shiga Prefecture and thereby having a certain degree of impact on the economy of the prefecture, we believe we can contribute to realizing a sustainable society by making continuous efforts to drive behavioral transformation in the regional communities. We are now studying impact analysis and intend to announce what initiatives and measures to take based on the results of the analysis.	Page 26 of this report (Risks and Opportunities) Page 28 of this report (Sustainability Vision)
Publicize verification results and statements as a signatory bank to determine whether it meets the requirements for Impact Analysis.		
We have identified the areas for priority action over the medium- to long-term by taking into account a range of factors, including the social needs as expressed in SDGs and the Paris Agreement, expectations and requests to regional financial institutions, and the potential impact of our activities on the regional communities. We have attached importance especially to environmental initiatives due in part to the environmentally conscious characteristics of the regional communities.		
2.2 Target Setting Show that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound SMART targets, which address at least two of the identified "areas of most significant impact," resulting from the bank's activities and provision of products and services. Show that these targets are linked to, drive alignment with, and have made a great contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline. Show that the bank has analyzed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society's goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.	In our Sustainability Vision, we have set three milestones as benchmark challenges, which are aligned with the areas for priority action, to realize the vision of the regional communities. Of these milestones, we raised the targets for the following two in June 2021 in view of our progress against the benchmark and the growing need to urgently address climate change: "Reduction in greenhouse gas emissions" and "Activities for promotion and improvement of SDGs and financial literacy, and Training of next-generation workforce." <Milestones for 2030> (1) Establishing the regional economy Investment and financing to promote Sustainable Development New investment and financing for accumulative total of ¥1 trillion (2) Ensuring sustainability of the global environment Reduction in greenhouse gas emissions by 75% or more (vs. fiscal 2013) Achievement of "Shiga CO ₂ Net Zero" emissions by 2050 (3) Training a diversified workforce Activities for promotion and improvement of SDGs and financial literacy; training of a next-generation workforce Aim to target at 30,000 persons	Page 28 of this report (Sustainability Vision)
Publicize verification results and statements as a signatory bank to determine whether it meets the requirements for goal-setting.		
We have assessed what impact we should have on the regional communities to achieve their vision and have set three milestones towards that vision. In addition, we have examined the validity of the set targets through Impact Analysis and intend to review and revise these targets as needed.		



Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/Links to details of bank's full response/relevant information
<p>2.3 Plans for Target Implementation and Monitoring</p> <p>Show that your bank has defined actions and milestones to meet the set targets.</p> <p>Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.</p>	<p>We have been managing three milestones as our benchmark challenges as part of the 7th Medium-Term Business Plan of five years and have disclosed our progress against these milestones. In addition, we have set annual targets, as the Group-wide targets for retaining the ISO 14001 certification, which are incorporated into the activities of each department and affiliate, while each department and affiliate has set its own implementation plan. The Sustainability Committee, which normally meets three times a year, monitors progress as part of the PDCA cycle we have developed over the years.</p> <p>The Sustainability Committee also deliberates on matters related to monitoring and revision of the targets set and the status of initiatives implemented by each department based on the Sustainability Policy, and refers/reports these matters to the Board of Directors and the Management Meeting depending on the content of such matters.</p>	<p>Page 30 of this report (The 7th Medium-Term Business Plan)</p> <p>Page 64 of this report (Corporate Governance)</p>
<p>Publicize verification results and statements as a signatory bank to ensure that requirements are met for the implementation of objectives and monitoring plans.</p>		
<p>We have set targets towards achieving the milestones, which are part of our activities to meet the 7th Medium-Term Management Plan and retain the ISO 14001 certification, and have also formulated an implementation plan. The Sustainability Committee monitors progress against the milestones, and has disclosed the results of the monitoring after referring/reporting the results to the Board of Directors and the Management Meeting.</p>		
<p>2.4 Progress on Implementing Targets</p> <p>For each target separately:</p> <p>Indicate that the Bank has implemented what it should have done to achieve the target set.</p> <p>Or explain why actions were not taken or did not need to be changed, and how banks are changing our plans to achieve our goals.</p> <p>Report on your bank's progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)</p>	<p>We have disclosed our progress against the milestones and the benchmark challenges in the 7th Medium-Term Business Plan. In June 2021, we reviewed and revised the set targets to strengthen our sustainability efforts.</p>	<p>Page 28 of this report (Sustainability Vision)</p> <p>Page 30 of this report (The 7th Medium-Term Business Plan)</p>
<p>Publicize the results of the review and statements of the signatory bank to determine whether it meets the requirements for progress toward goal-setting.</p>		
<p>We will continue to proactively disclose our progress against the set targets and specific measures implemented for achieving the targets.</p>		
<p>Principle 3. Customers (Corporate and Retail)</p> <p>We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.</p>		
<p>3.1 Provide an overview of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programs and actions implemented (and/or planned), their scale and, where possible, the results thereof.</p>	<p>We uphold our CSR Charter (Management Principles), the Bank's motto representing our unchanging spirit, and established the Sustainability Policy in October 2020.</p> <p>To promote responsible relationships with customers, we have focused on constructive dialogues (engagement) with them through a range of initiatives such as Ratings Communication Service. We have supported our customers in their efforts to improve corporate value by sharing their management issues, including not only financial issues but also ESG issues. Based on our "Policy for customer-first business operation," we have sought to provide customer-centric goal-based support.</p>	<p>Page 12 of this report (Sustainability Policy)</p> <p>Page 76 of this report (Ratings Communication Service)</p> <p>Page 60 of this document (Mindset-Work reforms)</p>
<p>3.2 Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.</p>	<p>We have supported our customers in improving their corporate value with sustainability-oriented management, primarily through the team dedicated to ESG finance established under the Business Promotion Department.</p> <ul style="list-style-type: none"> ● SDGs consulting ● "Shigagin" Sustainability Linked Loan ● Private placement type green bonds 	<p>Page 44 of this report (ESG finance)</p>

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/Links to details of bank's full response/relevant information
Principle 4. Stakeholders We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.		
4.1 Describe which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.	Our CSR Charter (Management Principles) states that we are committed to ensuring mutual prosperity with regional communities, all employees, and the environment, and have emphasized co-creation with all our stakeholders. Our Sustainability Vision reflects not only opinions from inside the Bank but also the opinions of multiple outside experts obtained through stakeholder dialogues.	Page 28 of this report (Sustainability Vision) Page 73 of this report (Stakeholder Communication)
Principle 5. Governance and Corporate Culture We will implement our commitment to these Principles proactively and transparently, through effective governance and a corporate culture of responsible banking, by publicizing our targets set in relation to the areas in which we potentially have significant impact.		
5.1 Describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.	In our Sustainability Policy, we state that we are determined to focus on increasing positive impacts and reducing negative impacts of our activities as a financial intermediary. Within the governance structure of the Bank, the Group Sustainability Committee, chaired by the President and CEO, reviews medium-to long-term ESG issues and monitors the status to responses to them.	Page 12 of this report (Sustainability Policy) Page 64 of this report (Corporate Governance)
5.2 Describe the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.	To foster the corporate culture of a responsible bank, we have provided opportunities to learn about sustainability through job rank-based seminars, and also have held seminars related to the environment based on ISO 14001, as well as semiannual seminars aimed at raising awareness of human rights, for all employees of the Group. Further, to encourage self-study, we recommend our employees participate in courses to learn about ESG finance and take relevant examinations. Also, in April 2020, we reorganized the Committee for Advancing Women's Success into the Diversity Promotion Committee to create a work environment in which diverse opinions are respected and everyone can fulfill their potential. We are also transforming our performance evaluation system into one that assesses efforts made from a medium- to long-term perspective to address social issues in the regional communities.	Page 60 of this report (Mindset-Work reforms)
5.3 Governance Structure for Implementation of the Principles Show that your bank has a governance structure in place for the implementation of the PRB, including: a) target-setting and actions to achieve the targets set b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.	We have been working towards setting and achieving targets under the governance structure described in 2.3. We will also manage our progress against the targets set and will take remedial action, drawing on the same structure, should negative impacts be detected.	Page 30 of this report (The 7th Medium-Term Business Plan) Page 64 of this report (Corporate Governance)
Publicize the results of the review and statements of the signatory bank to determine whether it meets the requirements for governance structures for implementing the principles.		
To effectively implement the Principles for Responsible Banking, we have established a governance system which covers target setting and monitoring. The Sustainability Strategy Office under the General Planning Department is responsible for implementation and reports progress to the Sustainability Committee, which normally meets three times a year.		

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TOP MESSAGE



SPECIAL FEATURE



ABOUT SHIGA BANK



CHALLENGES FOR
VALUE CREATION



CHALLENGES FOR
FUTURE INNOVATION



POWER THAT SUPPORTS
VALUE CREATION

CHALLENGES FOR FUTURE INNOVATION

CHALLENGES FOR FUTURE INNOVATION

- 44 Turning SDGs into Business
- 48 Increasing the Productivity of the Regional Communities
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- 58 Shifting to a Sustainable Earnings Structure
- 60 Mindset-Work reforms
(Mindset Reform and Work Style Reform)





CHALLENGES FOR FUTURE INNOVATION

Turning SDGs into business

SDGs have increasingly become a common language across the world of business today. SDGs have helped define the “future vision of the world,” and the gaps between the vision and the current reality are presenting potential business opportunities. We are committed to realizing sustainable regional communities and are paving the way for increased corporate value by strategically turning SDGs into business and raising awareness of SDGs among the regional communities and our customers.

Driving ESG Finance

In September 2020, we declared to society our commitment to strengthening our sustainability initiatives (see page 12). Based on our Sustainability Policy, we have worked on a range of efforts for promoting sustainability in the regional communities to ultimately realize a sustainable society.

Team dedicated to ESG finance established

In October 2020, we set up a team of three members dedicated to ESG finance under the Business Promotion Department. The team is expected to further drive SDGs initiatives in the regional communities towards realizing a sustainable society.

The team supports promoting and raising awareness of SDGs in the regional communities and assists customers with sustainable business operations through consulting. Also, we provide support with the structuring of ESG financing instruments, such as Sustainability Linked Loans and green bonds, and offer one-stop services ranging from consulting to financing.

Going forward, we will position climate change as a significant regional issue and strongly support customers in their sustainability-driven management through consulting and financing to ultimately achieve decarbonization by 2050.

SDGs consulting

We are now in an era in which pursuing SDGs will provide companies with opportunities, while the failure to pursue them poses risks. We are providing “SDGs consulting,” a service that incorporates the concept of SDGs into customers’ business strategies and assists them in launching new businesses. We also conduct activities to raise awareness of SDGs in the regional communities.

For a company to operate business in a sustainable manner, it needs to implement a consistent sustainability strategy in everything from management principles and business strategies to more specific tactics. We have supported our customers in publicizing their commitment to SDGs in the form of “SDGs declarations.” Specifically, we have assisted them with developing their sustainability strategies and specific benchmarks for actions through tailored and meticulous consulting.



SDGs consulting scene

Underwriting of green bonds

Green bonds, which are designed to promote green businesses by limiting the use of proceeds only to green businesses, need be aligned with customers’ sustainability strategies. We have sought to expand proliferation in green bonds and green loans, while supporting our customers in developing their sustainability strategies through consulting.

Participation in Positive Impact Finance

We have worked to promote ESG finance, specifically by comprehensively analyzing and evaluating the positive and negative impacts of corporate activities on the environment, society and economy, and by participating in Positive Impact Finance, which is aimed at continuously supporting such efforts.

Value to be provided

- Incorporate SDGs into business and reconcile the creation of economic value with the creation of social value
- Assist customers with their SDGs initiatives and contribute to improving their corporate value

Rollout of Sustainability Linked Loans - a first for a regional bank

In August 2020, we became the first ever regional bank to offer Sustainability Linked Loans (SLL) when we rolled out our “Shigagin” Sustainability Linked Loan.

Sustainability Linked Loans are loan products the conditions of which are linked to the borrowers' progress in achieving challenging business objectives they have set in connection with SDGs and ESG (Sustainability Performance Targets or SPTs). Favorable loan terms, such as preferential interest rates, provide the borrowers with an incentive to take concrete actions based on their SDGs declaration and environmental policies.

Sustainability linked loans should comply with the international Sustainability Linked Loan Principles (SLLP) and the Sustainability Linked Loan Guidelines developed by the Ministry of the Environment

in Japan. With respect to specific financing transactions, we make sure to obtain second party opinions from external rating agencies (including Rating and Investment Information, Inc., and The Shigagin Economic & Cultural Center Co., Ltd.).



■ “Shigagin” Sustainability Linked Loan “Shiga Net-zero CO₂ Emissions” Plan, a special loan package aimed at accelerating the shift to a decarbonized society

In March 2021, the Bank launched “Shigagin” Sustainability Linked Loan “Shiga Net-zero CO₂ Emissions” Plan (hereinafter the “Plan”) for customers who have offices in Shiga Prefecture, in response to decarbonization initiatives promoted by Shiga Prefecture.

All business entities are called on to pursue decarbonization as an important management task for achieving a decarbonized society by 2050. The Sustainability Linked Loan is available only to borrowers whose Sustainability Performance Targets (SPTs) are linked to the reduction of CO₂ emissions. The borrowers, therefore, are required

to file a report on their SPTs and the status of their sustainability initiatives with the Shiga prefectural government in accordance with the “Action Plan System for Business Entities” implemented by Shiga Prefecture, and also submit the same report to the Bank. The prefecture then publishes the content of their reports in accordance with the system. Drawing on the Plan, business entities, administrative bodies, and financial institutions are expected to collaborate in addressing decarbonization issues.

● Sustainability Linked Loan offered in collaboration with Shiga Prefecture

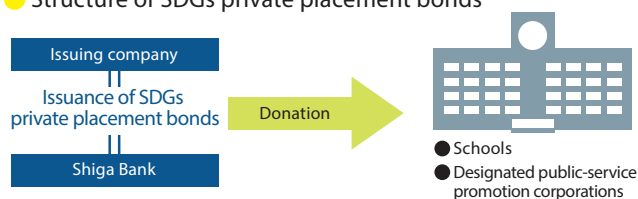


[Environmental finance]

SDGs private placement bonds “Tsunagari”

To commemorate the issuance of SDGs private placement bonds, the Bank has used 0.2% of the total amount of the bonds issued to purchase goods to donate to schools and designated public-service promotion corporations. (Refer to the material section on page 10.)

Structure of SDGs private placement bonds



Initiatives towards creating a Regional Circular and Ecological Sphere

Through project finance, we have sought to realize a Regional Circular and Ecological Sphere where regions draw on each other's regional characteristics and make maximum use of their local resources, including their beautiful natural landscapes, to form a distributed autonomous society and harness their regional vitality to the fullest extent by allowing their resources to complement those of other regions.

Example 1: Underwriting of green bonds to fund a hydropower generation project

Business entity: Okuibuki Hydroelectric Power LLC

Location: MaibaraCity, Shiga Prefecture

Use of proceeds: Construction of Okuibuki Hydroelectric Power Plant



Example 2: Underwriting of green bonds to fund a recyclable fuel business

Business entity: CAMPO Co., Ltd.

Location: Kyoto City, Kyoto Prefecture

Use of proceeds: Capital investments in recycled fuel (RPF) plants, etc.



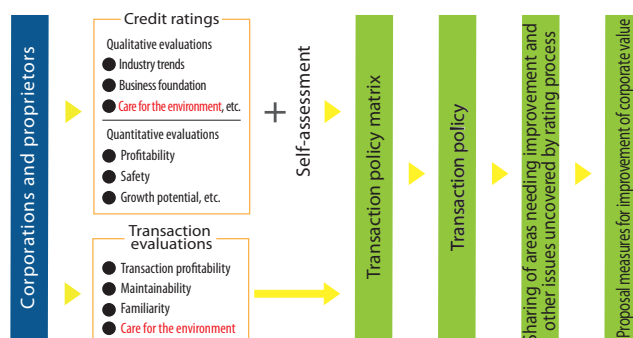
Other ESG investments and loans

- Investment in JICA (Japan International Cooperation Agency) bonds
- Investment in Japan Student Services Organization bonds
- Investment in Low Carbon Japanese Equity Fund
- Participation in provision of sustainability loans
- Participation in Sustainability Linked Loans

Corporate credit ratings that take account of customer environmental awareness

Environmental awareness has been established as a “screening criterion” in the Bank’s “corporate credit ratings.” Customers’ environmental protection measures are reflected in these ratings.

Corporate credit ratings system



The Bank’s original environmental rating (PLB)

The Bank has established its own unique Shiga Bank Principles for Lake Biwa (PLB) to protect Lake Biwa and the global environment, and is enlisting support for these principles from customers. In addition, the Bank rates customers who have agreed with the principles of the PLB, using the “environmental rating (PLB rating)” based on the Bank’s unique evaluation standards. This is used as a tool for raising awareness of environmental management.

Customers who develop products or services that are practically helpful in preserving the environment or introduce energy-saving facilities, etc. are eligible for funding under the Principles for Lake Biwa Support Fund (PLB Fund). We offer loans at preferential interest rates to borrowers based on their environmental ratings.

Initiatives for Preserving the Environment

Eco-office creation

The Bank is actively promoting resource and energy usage reduction in accordance with its environmental policy.

■ Power-saving measures

The Shigagin Eco Style summer campaign between May and October and winter campaign between December and March are implemented, while lighting is reduced and overtime is discouraged. In fiscal 2016, we conducted repair works of the Headquarter administrative center installing the latest energy-saving facility and realized significant power usage reduction.

■ Recommending eco-commuting

In 2011, the Bank was certified for excellence in eco-commuting. The Bank aims to raise awareness of eco-commuting in every employee, and encourages them to shift to commutation modes of low environmental impact such as trains, buses, bicycles, and walking.

■ Development of environment-conscious branches

Ritto Branch was opened in 2015 as a “carbon-neutral store,” which realize practically zero CO₂ emissions. We aim to raise environmental awareness among employees at our branches and the customers who use them.

■ Practicing sustainability management with ISO 14001

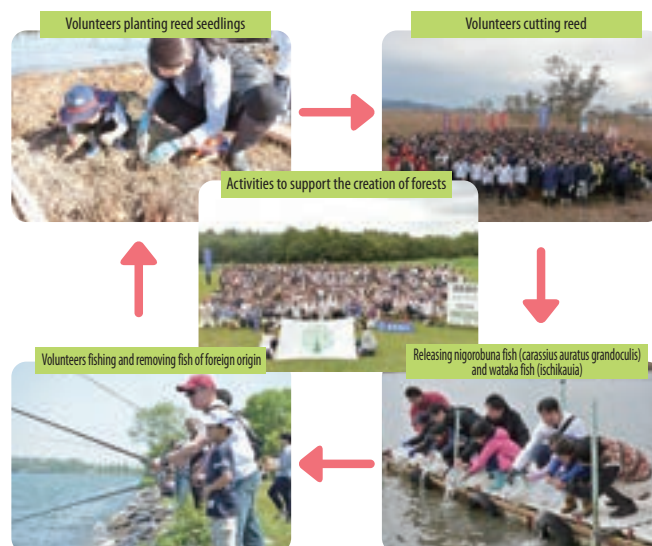
We have been operating our own environmental management system since we received certification in 2000. We are solving social issues through our core business by incorporating SDGs into the PDCA cycle that we have developed over the years and linking them with our Medium-Term Business Plan.

Environmental volunteering

We are committed to protection of the environment and biodiversity so as to pass on to future generations the bountiful blessings that the global environment brings to us.

■ “Ikimonogatari” (Tales of Life) activities

The Bank’s “Ikimonogatari” activities, unique to Shiga Prefecture, are all about protecting the quality of water in Lake Biwa and protecting and developing spawning grounds and reed beds to protect, nurture and release nigorobuna fish (*carassius auratus grandoculis*) and wataka fish (*ischikauia*), endangered species unique to the Lake, and to eliminate invasive alien fish species.



STAKEHOLDERS' VOICE



Mr. Toyoo Takada, President and Representative Director of Kusatsu Electric Co., Ltd. —

A user of “Shigagin” Sustainability Linked Loan “Shiga Net-zero CO₂ Emissions” Plan

We have long advocated environmental preservation as part of our management principles, and have practiced sustainability management. In April 2020, we issued a “SDGs Declaration.” Decarbonization is becoming a critical management task, and one that is unavoidable even for SMEs. The impact of activities by a single company may not be material. However, if the decarbonization movement spreads and many companies promote related initiatives hand in hand with administrative bodies and financial institutions, the activities of the respective companies combined will contribute significantly to regional decarbonization and provide new business opportunities.



CHALLENGES FOR FUTURE INNOVATION

Increasing productivity of the regional communities

Digital technologies have been developing and spreading exponentially as seen in ever faster communications via 5G and the expanded use of AI. In fact, the effective use of these technologies allows for the transformation and evolution of our business processes and daily lives. We are determined to resolve the issues of the region and our customers using the power of digital technologies, improve the overall productivity of the regional communities, and contribute to increasing their attractiveness and earning potential.

The Bank's Digital Strategy

In September 2020, we declared to society our commitment to strengthening our digitalization initiatives (Page 12). With the Digital Strategy as one of the pivots of our business strategy, we have set the following three basic policies for the Digital Strategy:

- Contributing to greater convenience and customer satisfaction through digitalization
- Improving the productivity of business operations
- Working to provide worry-free and secure digital services

In line with the basic policies of its Digital Strategy, the Bank is committed to proactively mobilizing digital technologies to understand our customers even better and provide high value-added services, by aiming to "expand financial services" so as to accurately address customer needs; further "streamline business operations and ensure risk control," and "create a system to enabling implementation of strategic management policies in a flexible and scalable way.

Basic policies of the Digital Strategy

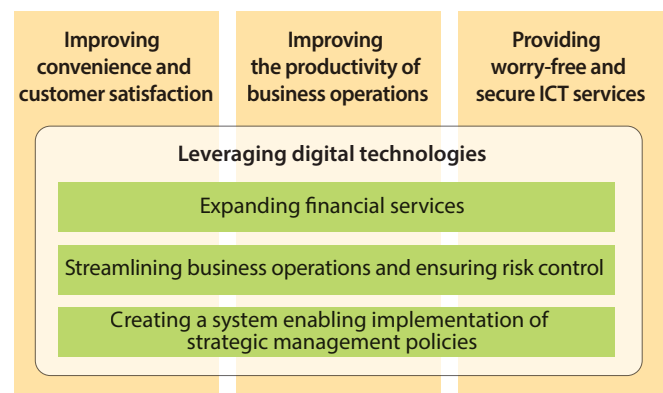
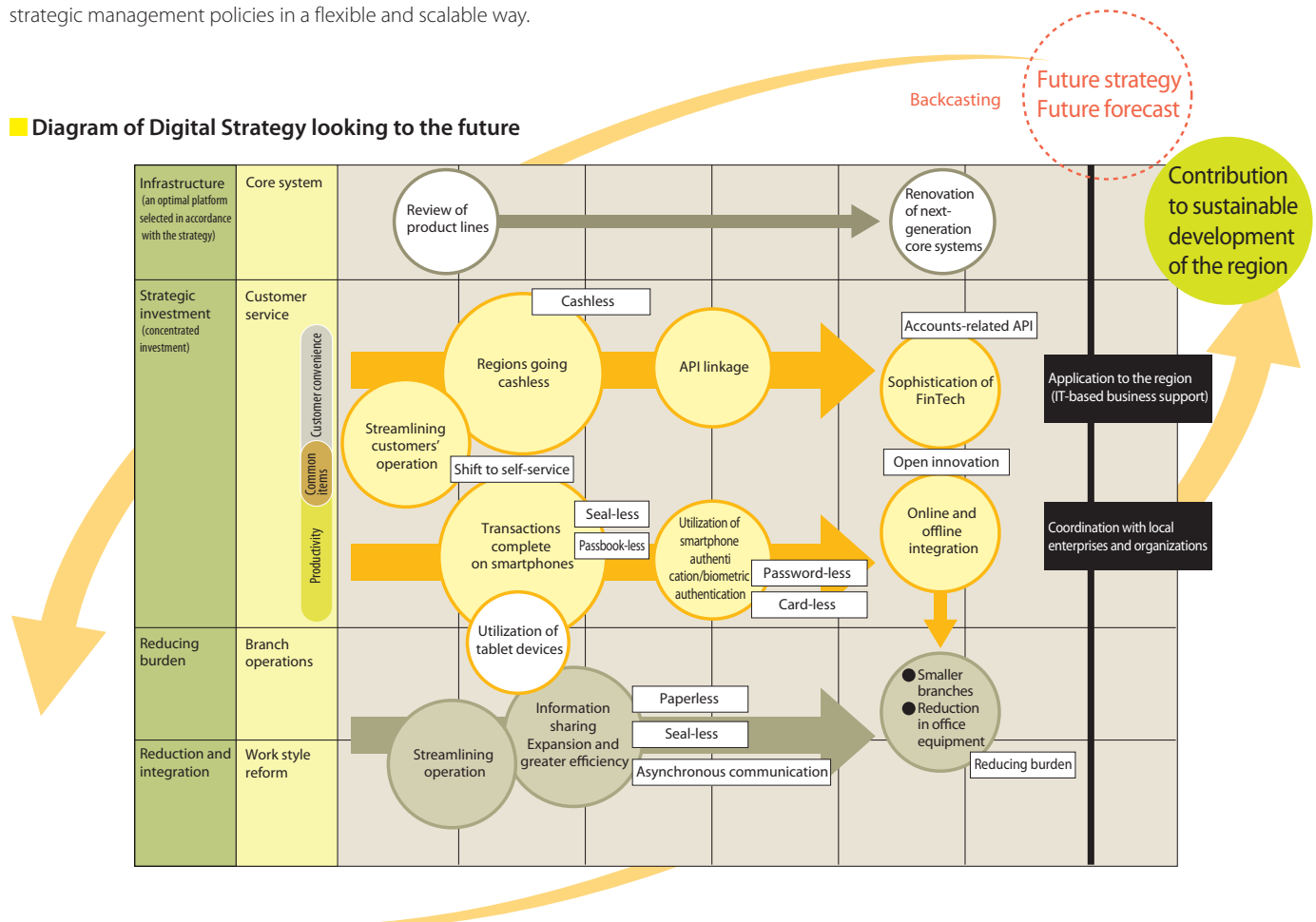


Diagram of Digital Strategy looking to the future



Value to be provided

- Proactively drive the use of digital technologies and deliver worry-free and secure services with greater convenience.
- Define our future jointly with customers and the regional communities and support them in driving the adoption of digital technologies to ultimately contribute to enhancing productivity and operational efficiency in the region.

Flexsus Project

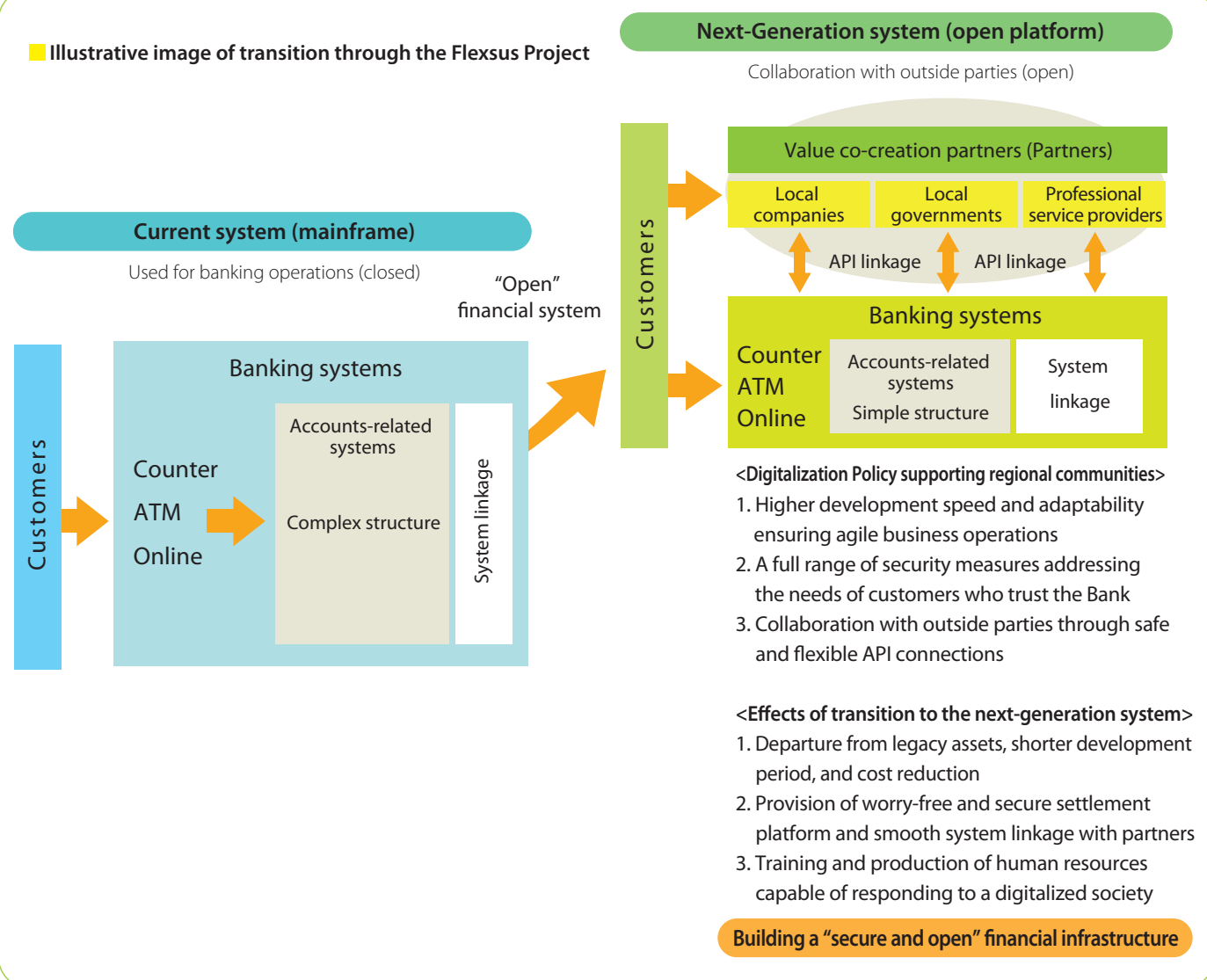
The Bank's computer system is one of the important parts of public infrastructure, and is expected to have a robust platform to ensure provision of secure and reliable financial services.

The Bank's core systems have been in operation for more than 30 years. We have recently decided to introduce next-generation banking systems developed by Hitachi, Ltd. (headquartered in Tokyo) to replace such legacy systems with new core systems developed for the purpose of transitioning to the next-generation digital society. To adapt to the

next-generation digital society more flexibly and agilely, while retaining its uniqueness, the Bank is determined to migrate its accounts-related systems from mainframe to open platform. The project for building the new system structure, including the migration, is named the "Flexsus Project." The project is being executed mainly by a diverse team of personnel with various skills.

* Flexsus: Flexsus is a name coined from two words, Flexible and Sustainable, which represent our commitment to transition to a flexible and sustainable operating foundation.

■ Illustrative image of transition through the Flexsus Project



Increasing productivity of the regional communities

Strengthening digitalization initiatives

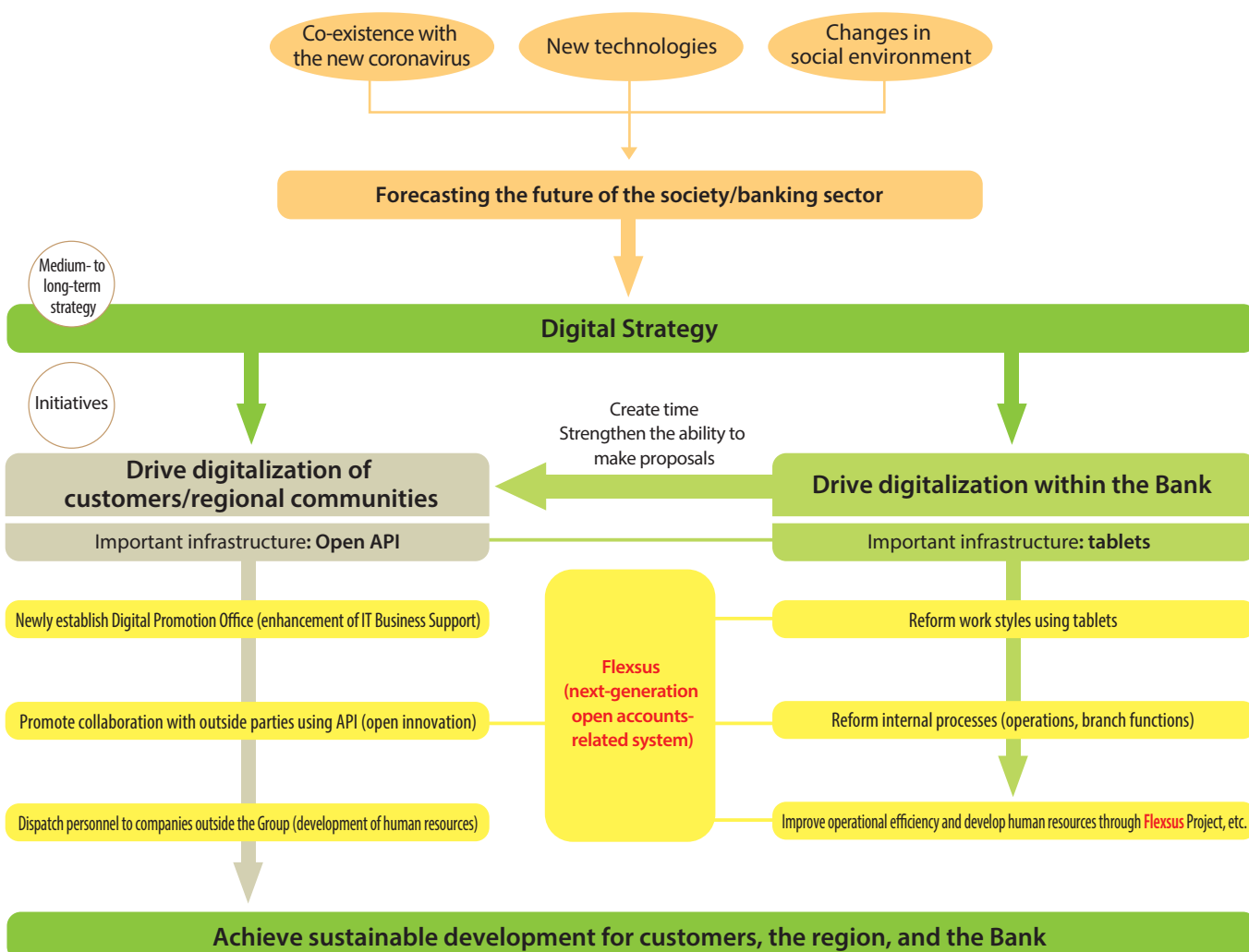
In strengthening our digitalization initiatives, we established the Digital Strategy Group and Digital Promotion Office within the Head Office in October 2020.

The Digital Strategy Group has planned and developed a medium- to long-term digital strategy, taking into account the factors that could affect the social environment like the COVID-19 crisis and various new technologies, and has promoted digitalization within the Bank.

Further, the Digital Promotion Office, responsible for supporting the digitalization of regional communities and customers, is offering "IT business support" to proactively provide regional communities and customers with expertise and know-how acquired through digitalization of the Bank and to resolve customers' management issues in the context of digitalization.

Specifically, the Office has assigned digital promotion leaders, digital promotion supporters, and digital promotion officers at each site to accelerate regional digitalization.

■ Illustrative image of how the Digital Strategy is implemented



● Digital Strategy Group

We have established the Digital Strategy Committee, responsible for planning and supervising the Digital Strategy, and have formulated a “Digital Strategy Roadmap” which defines the direction we should head for from a medium- to long-term perspective.

By joining the TSUBASA Alliance, we have strengthened collaboration with other banks in a broad range of advanced fields, while promoting collaboration with a variety of other companies outside of the Group to provide prompt and meticulous services to our customers in the regional communities, where digitalization is progressing rapidly.

In addition, we have made efforts to provide a high-quality, problem-solving type financial information service, such as promoting work style reform using tablets, fundamentally improving our operational efficiency, and spending more time in dialogue with customers.

Collaboration with local governments

While the Japanese government plans to establish a “Digital Agency,” local governments have also accelerated their digitalization initiatives, including the digitalization of administrative procedures, the planned provision of what is called the “one-stop, once-only service,” and the support of digitalization efforts by regional communities including SMEs.

Shiga Prefecture also has focused on a range of efforts to drive the use of digital technologies, including the establishment of the “DX Public-Private Co-Creation Salon” which is a platform to bring together highly specialized companies with cities, towns and companies in Shiga Prefecture.

The Bank, which has supported digitalization of its customers in the region, is also committed to supporting the digitalization of administrative bodies and promoting the digitalization of the entire regional communities.

● Digital Promotion Office

The Office’s mission is to realize sustainable regional communities from the digital side. In fact, the Office is responsible for supporting the digitalization of regional communities and customers.

Specifically, the Office will proactively provide customers with the know-how acquired through digitalization of the Bank, mainly in the form of “IT business support,” which is aimed at resolving customers’ management issues in the context of digitalization, and will promote digital transformation (DX) of regional communities in collaboration with a variety of outside companies.

Paving the way to resolving customers’ issues from the viewpoint of digitalization

We offer “IT business support” as a means of contributing to resolving the issues of the regional communities and our customers and realizing sustainable regional communities in the context of digitalization.

Specifically, we first share customers’ management issues and decide on a course of action on the introduction of digital tools. We then provide support to customers until they actually complete the introduction and deployment of the tools. The objective of our support is to “resolve customers’ management issues” rather than drive their digitalization. To that end, we have sought to understand customers’ management issues and explore solutions to these issues from the digital side.

Going forward, we will address increasingly diversified and sophisticated management issues faced by our customers based on a policy of expanding alliances with outside companies that offer a broad range of digital services.

STAKEHOLDERS’ VOICE



Mr. Tetsuya Furukawa, President and Representative Director of Sanki Kogyo Co., Ltd. ———

The company is headquartered in Maibara and is engaged in the track construction business and the civil engineering work business. It also operates an auto-repair garage. In the face of the COVID-19 epidemic, we were aware of the need to go digital and better utilize IT. But to be honest, we had no idea where to start. We therefore consulted Shiga Bank in our neighborhood and they kindly offered to support our digitalization efforts. Thanks to the support of the bank, we have boldly transformed our traditional business practices, which involved paper, seals and white boards, into a new style using cloud services and other advanced technologies. We tend to think that digitalization is challenging, but as the bank supported us from the standpoint of a user. Just like us, we were able to tackle digitalization with peace of mind.



CHALLENGES FOR FUTURE INNOVATION

Evolving into a problem-solution type financial information services provider

We will launch the solution-type financial information services business, sharing and resolving the issues of regional communities and customers, which goes beyond the conventional scope of banking operations. The region has various issues. We will contribute to sustainable development of the region by carefully responding to and resolving these issues one by one. To this end, we will work to enhance the sophistication of the lineup of our consulting services, and improve the consulting capabilities of each of our employees.

Revitalizing regional economies

Need to revitalize regional economies

The COVID-19 crisis has renewed our awareness of the need for regional regeneration. Revitalization of regional economies is a challenge essential to regional regeneration. Revitalization of regional economies will lead to an increase in the population who work and live in the region, and as a result, will contribute to overall population growth/stabilization. This will also help enhance the life infrastructure, improve the level of administrative services, and boost the vitality of Japan as a whole.

Revitalization of regional economies is an important task that regional banks should tackle. We will understand the issues of the region and our customers and will pave the way to realizing sustainable regional communities through tailored consulting services.

Creating new businesses in the region

We have made various efforts to create new industries and revitalize the economy in the region.

Saturday School for Entrepreneurship / Shigagin Nonohana Prize

Nonohana Support Group

New Business Support Loan

Crowdfunding

Shigagin Regional Revitalization SD Fund



Support for creation of new businesses

■ Saturday School for Entrepreneurship

We have held lectures since fiscal 2000 with the aim of supporting those with strong entrepreneurship spirit. The school has provided lectures by high-profile corporate executives in each industry on topics including SDGs, local resources, and human resources. Through these lectures, we provide new business tips and support customers in starting new businesses/relaunching businesses.

■ Shigagin Nonohana Prize

The prize is awarded to the students of Saturday School for Entrepreneurship in appreciation for their efforts in starting new businesses. We collaborate with candidate businesses in planning, designing and implementing their business plans. We also provide tailored support to the winners from their start-up to growth phase.



A winner of the Shigagin Nonohana Prize: BIOAPATITE, Inc. (second from the left)

■ Shigagin Regional Revitalization SD Fund

In July 2020, we established Shigagin Regional Revitalization SD Fund Investment Limited Partnership, a fund supporting the creation of new businesses that have new growth potential. In December of the same year, we invested in T-ICU Co., Ltd., a company remotely providing intensive care support services.

We will continue to support the companies developing new businesses in growth areas or aiming for growth in existing areas with an innovative business model.

**Value to be
provided**

- Contribute to sustainable development of the region and customers by resolving their issues
- Provide appropriate financial information services catered to each of the issues by leveraging a variety of networks

Tapping into attractive local resources

■ Regional trading company project

In May 2019, the Bank launched a regional trading company project to create new businesses with business operators by making use of the region's abundant and attractive products, sophisticated technologies, and historic cultural heritage.

Projects currently underway include the development of new products using Omi tea, the development of overseas sales channels for *sake*, and the revitalization of the lake fish aquaculture business. As part of these projects, we have worked to expand sales channels for local resources and activate tourism resources by utilizing a broad network and accumulated know-how.

Through these projects, we are contributing to resolving regional issues, achieving customers' dreams, and realizing a sustainable society.

<Details of major initiatives>

- Discovery of local products and other resources, marketing and sales support
- Discovery of tourism resources, development of tourism products, and tourism promotion support
- Support for securing human resources, bringing human resources back to the region

■ Crowdfunding

Through crowdfunding, we support business operators who are working to make local brands more appealing and to provide new products/services by leveraging local resources.

Benefits of crowdfunding are wide-ranging, including leeway in funding, acquisition of new customers for products/services, and trial marketing. Amid the COVID-19 crisis, the demand for crowdfunding has been growing more than ever.

<Crowdfunding Example 1>

Morimura Shokai

The company set up the fund hoping to deliver meat that has nowhere to go amid the COVID-19 pandemic to households so they can enjoy the meat at home.



<Crowdfunding Example 2>

NANGA INC.

The company sought to produce sleeping bags and air mattresses as emergency goods. These products recorded remarkable sales, having attracted demand not only in the disaster prevention market but also in the camping market.



Cooperation with the community

We have collaborated with various stakeholders in the region, including industry, academia, and government agencies, to resolve the issues facing the region, and create a virtuous cycle for the revitalization of the regional economy. As a result, a variety of collaborations have been taking place. For example, based on a comprehensive partnership

agreement with a university, we worked on customer data analyses and e-commerce strategies to resolve customers' issues and provide university students with opportunities to learn about regional agriculture and food culture through fieldwork in a Japanese restaurant run by our customer.

Evolving into a problem-solution type financial information services provider

Support tailored to each customer's issues

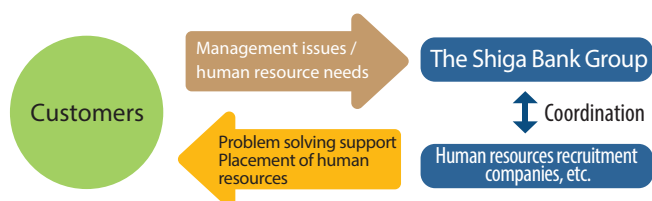
We have been striving to better understand our customers and their issues through dialogue. We have a broad assortment of solutions and provide appropriate and meticulous support catered to the issues of each customer.

■ Resolving management issues related to human resources

Many business operators have issues related to human resources. To resolve customers' management issues related to human resources, The Shigagin Economic & Cultural Center Co., Ltd., one of the Bank's group companies, has obtained a license to operate in the fee-charging employment placement business, and has operated a human resource placement business since April 2020.

In addition, the Shiga Bank Group was selected as an indirectly subsidized business of the Pioneering Human Resource Matching Project* by the Japanese Cabinet Office, and has launched a matching business for our customers in the region in collaboration with a human resources placement company, supporting customers in securing high-level executives and specialized human resources, which are required for resolving business issues.

*Pioneering Human Resource Matching Project: a project designed to share management issues with customers, assess the type of human resources needed to resolve the issues, and introduce matching high-level executive personnel and human resources wishing to work on a part-time/sideline basis.



■ Overseas consulting

To revitalize regional economies, we need to expand regional business globally, even amid the COVID-19 crisis. In fact, we have provided our customers with sophisticated solutions for overseas business expansion by strengthening ties with our overseas sites, including the Hong Kong Branch, Shanghai Representative Office, and Bangkok Representative Office.

These days, the issues faced by customers in connection with overseas business expansion are diversifying. We have strengthened ties with municipal governments, public institutions, and companies in the private sector to upgrade our overseas consulting functions. For instance, we have provided a service to match the development needs of developing countries with customers' products and technologies through "Transactions in Collaboration with Regional Financial Institutions," a project supporting SMEs in their overseas business expansion that is administered by the Japan International Cooperation Agency ("JICA").

We have also been striving to expand our overseas consulting network by dispatching trainees to the Japan Bank for International Cooperation (JBIC), for instance.

We have also proactively supported overseas companies that are working to solve issues in the international community. In February 2021, the Bank provided funding to Thai Union, a major canned foods manufacturer based in Thailand, by participating in the provision of a syndicated sustainability linked loan. Thai Union has worked to ensure the sustainability of fishery resources and the protection of human rights, and we expect this sustainability linked loan to further drive the company's ESG and SDGs initiatives.

■ BCP support

We support our customers in the development of business continuity plans (BCP), which are necessary in order to continue operations even in the event of unexpected disasters, such as an earthquake or a pandemic. Specifically, we have proposed risk hedging solutions, including consulting on disaster risks and emergency solutions, in cooperation with non-life insurers and partner companies.

In addition, we provide immediate and flexible financing by activating our BCP support loans (disaster countermeasure plans) in the event of a disaster.

■ Business succession / M&A

For an operator of business, business succession is a once in lifetime event. For customers that have candidate successors, we provide a range of succession services for ensuring smooth business succession, including the systematic training of successors, transfer of treasury shares, and acquisition of dispersed shares. For customers with no candidate successors, we assist them with third-party succession via M&A in collaboration with external specialized institutions.

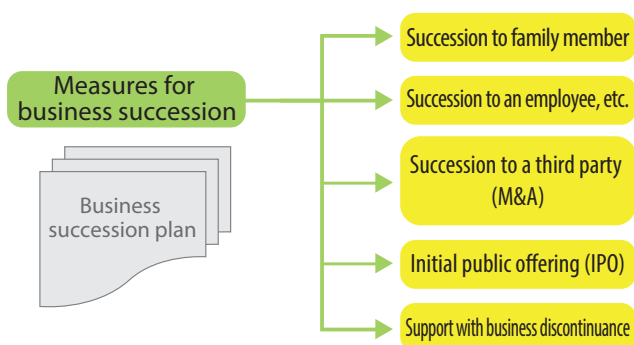
A successor takes on not only treasury shares but also intangible assets, such as technologies, know-how, customers, and reputation, and this needs to be considered when planning a business succession. Also, it is important that successors are trained in a systematic manner, as things will not just progress naturally. The Bank has supported customers in training successors by consulting with the successors.

Inheritance by individual owners is one of the major issues in business succession. The transfer of treasury shares also needs to be carried out in a systematic manner as it often results in unexpectedly large amounts of expenditures being incurred. For family-owned companies, the Bank has provided inheritance related solutions through consulting, such as countermeasures against disputes among family members, will trusts, and inheritance tax measures, through consulting.

M&A is increasingly being employed not only as a solution to business succession issues but also as a growth strategy option. To appropriately address the growing needs of customers, we have worked to develop specialized human resources and build strategic ties with outside organizations.

Specialized knowledge is essential for M&A. However, knowledge accumulated through hands-on experiences and the ability to deal with problems are also important. The Bank therefore has regularly dispatched its employees, as trainees, to a partner company that specializes in M&A. After these trainees return to the Bank from the partner M&A company, we additionally train them through OJT to produce human resources with a wealth of skills and experience.

The Bank also has enhanced its ability to deliver value to customers by complementing its professional expertise and networking skills, which cannot be obtained on its own, through alliances with external specialized institutions and participation in the TSUBASA Alliance.



Establishment of Solution Sales Office and Finance Office

On June 25, 2021, the Bank set up the Solution Sales Office within the Business Promotion Department and the Finance Office within the Financial Markets & International Department for the purpose of resolving increasingly diversified and sophisticated customer issues and increasing customers' corporate value.

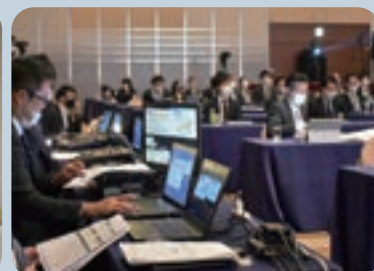
The Solution Sales Office is designed to provide consulting services to corporate customers and retail customers, as well as solutions to revitalize regional communities in a unified manner, and has strengthened customer support operations including digitalization, aiming to contribute to sustainable development of regional communities.

The Finance Office caters to various financing needs of customers by working on new financing methods and strengthening finance operations for corporate customers.

TOPICS

SDGs Business Succession and M&A Conference 2020 held

In November 2020, we held the "SDGs Business Succession and M&A Conference 2020" jointly with Nihon M&A Center Inc., a leading M&A player in Japan. At the conference, we provided the most up-to-date information on 21 topics, including the latest M&A trends by sector, methods of addressing business succession issues, introduction to TOKYO PRO Market, and joint growth strategies involving funds. The content was prepared so that the information would be helpful in tackling a wide range of issues for our customers. The conference was live-streamed and viewed by more than 8,200 persons from 5,400 companies in prefectures such as Shiga, Kyoto and Osaka.



Asset formation for an era of 100-year lifespans

Need for asset formation

In an era of the 100-year lifespans, asset formation planning and asset management after retirement have become increasingly important. To prepare for rises in prices and secure sufficient post-retirement assets, we need to accelerate the shift from savings to asset formation.

Systematic asset formation helps people live comfortably and with peace of mind, and eventually helps revitalize regional communities. As a Sustainability Design Company, the Bank is striving to realize a society such that all people in the region can live happily.

Education for financial literacy Driving a shift from saving to asset formation"

By providing education about money, we are working to create an environment in which the younger generation can develop knowledge and powers of judgment regarding asset formation.

In fiscal 2020, we held seminars for students of Shiga University, Shiga University of Medical Science, and Ritsumeikan University. The seminars were live-streamed online, a new distribution format that has become popular amid the COVID-19 crisis, but attracted a high level of attention from students. In fact, these seminars saw a lot of questions being received from the audience.

By promoting financial literacy, we will raise people's awareness of the need for earlier asset formation and thus help them to live in comfort and with peace of mind. We will also contribute to achieving the following SDGs: 1. No poverty, and 4. Quality education.

Supporting growth of assets

In order to enhance the financial literacy of customers in the region, we are stepping up our activities for raising awareness of the need for asset management through seminars and consultation at workplaces.

We have recommended long-term, diversified and cumulative investments to customers so that they can start building up their assets earlier and more easily. We have proactively recommended customers to invest in tax-exempt products that are effective in asset formation over the long term, such as investment trusts, defined contribution plans (iDeCo) and NISA. We are also improving customer convenience by expanding non-face-to-face channels such as apps and online banking.

In July 2020, the Bank newly opened "Personal," an asset management consultation counter, which are also open on holidays at four branches. In branches with both "Personal" and Shigagin Plaza, a loan consultation counter, the functions of the latter have been integrated into Personal. At all seven branches, we are providing consultation services concerning matters such as asset management, insurance policy reviews, and housing loans, on holidays, thereby establishing a system to address broad customer needs in a one-stop fashion and providing a meticulous level of service catered to the needs of each customer.

Support customers in protecting against asset impairment

The Bank of Japan has set an inflation target of 2% a year, and has implemented financial policies towards achieving that target. To prevent the impairment of assets due to inflation, we will help customers in better managing their assets. The Bank offers a diverse lineup of products, including investment trusts, life insurance, and financial intermediary services, and this allows us to make proposals concerning asset management that reflect the life plans and ideas of each of our customers.



Support customers in taking over assets

By deliberating about and deciding how to transfer assets to descendants earlier, you can prevent future troubles. The Bank has provided consulting services on various issues, such as asset management, inheritance, asset succession, and effective use of real estate properties, to cater to the various needs of our customers.

Since April 2020, the Bank itself has been offering trust services. We offer multiple services, such as money trusts (testamentary substitute trusts), testamentary trusts, and clearing out the belongings of the departed so as to sincerely address customers' concerns about inheritance and asset succession, and provide responsible proposals and services in one-stop responsible.

Strengthening consulting capabilities

To cater to increasingly diversified and sophisticated customer needs, an SD (Sustainable Development) Team consisting of AFCs (area financial consultants), securities advisors, and insurance advisors, has provided back-up support for the consulting services offered by branches. We have been striving to further strengthen our consulting capabilities and provide sophisticated financial information services through consultation with each customer, primarily about asset management, and by running training sessions for branch employees.

Policy for customer-first business operation

The Bank has developed and implemented a "policy for customer-first business operation" which is aimed at helping facilitate asset formation by customers. This policy was established to realize "customer-first business operations" in the provision of financial products and services. Based on the policy, we will publicly disclose our progress against the policy at regular intervals, and strive to achieve ever better operations.

1. Best act in the interests of customer
2. Appropriately manage conflicts of interest
3. Clarify fees and commissions
4. Provide important information in an easy-to-understand manner
5. Provide products and services appropriate to each customer
6. Appropriate framework to motivate all employees

STAKEHOLDERS' VOICE



Mr. Koichi Nakamura, CEO, Representative Director, BIOAPATITE, Inc.

The company was established in 2017 and its head office was relocated to Shiga Prefecture in 2019. The company found great value in eggshells, which are food waste we see every day, and has succeeded in manufacturing BIOAPATITE derived from eggshells.

This time we joined the competition for the Shigagin Nonohana Prize, an incentive system for entrepreneurs, and enhanced our management innovation plan jointly with Shiga Bank. As a result, we were awarded the Nonohana Grand Prize. We will strive to spread the great benefits of eggshells to every corner of the world under the business principle that we will "contribute to the development of healthcare and life support with eggshells as the ultimate in recycled resources." Your support will be greatly appreciated.

STAKEHOLDERS' VOICE



Research Strategy Promotion Office, Academia-Industry Collaboration Section, Shiga University of Medical Science Mr. Masahiro Matsuura, Special Contract Professor

We have received lectures on financial literacy from Shiga Bank staff as part of our "Basis for Healthcare Innovation" program since 2019. We find it quite worthwhile as students have little chance to learn about money.

As many of our students will be engaged in healthcare in the future, we believe it is very important that they think about insurance, asset formation and cash management. We have entered into a comprehensive partnership agreement with Shiga Bank, and have collaborated with each other in industry-academia-government-finance partnerships. We will continue to take on various challenges and collaborate with the bank in the future.



CHALLENGES FOR FUTURE INNOVATION

Shifting to sustainable earnings structure

To ensure efficient branch operation, we will consolidate branches, drive a shift to branches with specific functions in line with characteristics and demographic trends in each region, and appropriately allocate personnel to branches. Besides rebuilding our branch network, we will improve customer convenience and reduce administrative workload at branches through operational overhaul. Through these efforts, we will deepen dialogues with the regional communities and our customers and shift to a sustainable earnings structure.

Channel strategy

Methods of branch operations that suit each region

To cater to diversifying customer needs, the Bank is revising the functions and defining the roles of each branch. The Bank is also aiming to strengthen its operating structure and optimize its management resources.

In branch initiatives within Shiga Prefecture, the Bank has taken measures to further improve services by creating an operating structure that better meets customer needs, while duly noting changing demographics, regional characteristics, and growth potential. This means a shift from branches offering full banking services to branches with specific functions, including sub-branches and agents.

In branch initiatives outside the prefecture, the Bank opened the Kyoto Branch in 1938, the Osaka Branch in 1941, and the Tokyo Branch in 1946, and thus has operated as one of the first “wide-area regional banks.” As to new branch openings outside the prefecture in recent years, the Bank has adopted a strategy of opening new branches after securing a certain volume of business through sales activities that make maximum use of local and interpersonal connections and knowledge. The Bank has also opened branches specializing in corporate customers, mainly SMEs.

While adhering to these basic policies, we are rebuilding our branch network to match it to a new era so as to both further improve customer convenience and provide sustainable services.

Since February 2020, we have been integrating branches within branches to improve the efficiency of our branch network and to build a framework that enables the provision of higher added-value services.

The branch-in-branch method refers to a location format in which multiple branches and other facilities coexist within one location. This

method helps build an efficient branch network, while limiting any decline in customer convenience, as the method allows customers to continue to use the same passbooks and ATM cards even after the branches are integrated.

In addition, we have launched in-store agents operated by our consolidated subsidiary, The Shigagin Agency Co., Ltd., which handles over-the-counter operations (deposits, transfers, etc.) for large-scale branches.

The launch of the in-store agents has enabled our employees to focus on activities, such as making proposals, and respond to customer needs and resolve their issues more carefully than ever before. The launch has thus helped the Bank to provide higher value-added services to its customers.

Through these efforts, we will rebuild our branch network to optimize it, and further enhance our services to our customers.

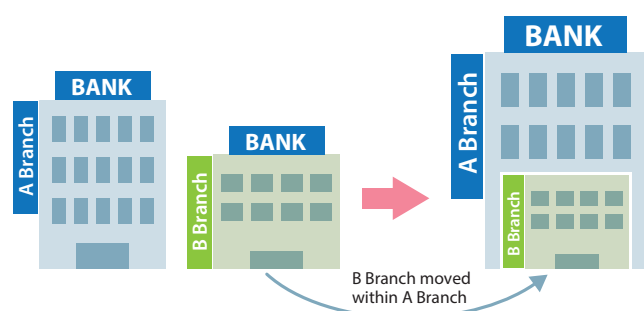
Enhancement of non-face-to-face channels

In addition to the strategy for physical branches, we have been striving to enhance our non-face-to-face channels to drive a shift to online channels using digital technologies.

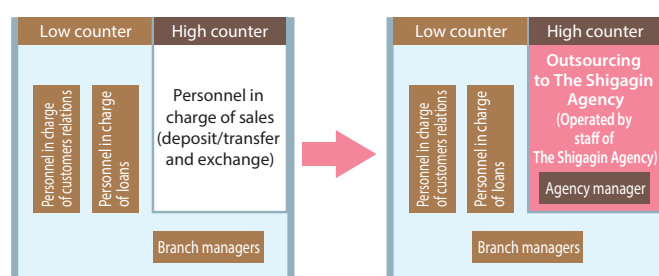
Specifically, we offer an account opening app and have been striving to enhance online banking, while working to make the functions of our ATMs more sophisticated and promote partnerships with other financial institutions.

In addition, we will achieve convenience for our customers and improve productivity by reducing workload through expanding API cooperation with FinTech companies and building next-generation core systems.

● Integration via the branch-in-branch method



● In-store agent



*Low counter: Consultation about financing, asset management, etc.

High counter: Acceptance of deposits/withdrawals/transfers (general bank counter operations)

**Value to be
provided**

- We will efficiently operate our branches, make utmost efforts to resolve the issues of the region and our customers, and contribute to sustainable development of the regional communities.
- We will promote the “Operational Overhaul Project” and improve customer convenience.

Operational overhaul of branches

Measures to reform branches

To provide services that cater to increasingly diversifying customer needs, we must understand accurately the functions expected of our branches and switch our paperwork, facilities and systems to ones that are better adapted to the needs of the times.

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

Measures of operational overhaul

We have been implementing initiatives for the Operational Overhaul Project sequentially in all branches since April 2019.

With the Project, we are drastically overhauling overall administrative operations, including deposits, transfer and exchange, handled by branches, and significantly reducing the amount of administrative workload and its cost by improving productivity, to ultimately achieve even deeper relations with customers and enhance the level of customer service, including a shorter time for customers to wait at branches and increased time for employees to spend on making proposals to customers at counters.

Specifically, we have introduced the “purpose-specific counters system” assigning counters according to the purpose of customers' visits, and also have commenced operation of a centralized administrative base (support office) that handles back-office operations

and a range of paperwork for such as inheritance. In addition, we have launched a service that allows customers to use a tablet to open new accounts or perform other procedures, as well as purchase financial instruments including investment trusts and life insurance policies, to further improve our productivity with ICT.

New branch format under the Operational Overhaul Project

Layout change

Staff at the general information counter ask customers what the purpose of their visits is and assign them a counter according to the purpose.

Support office

Administrative operations, conventionally handled by branches, are consolidated into the support office.



Service counter
(for complicated transactions)



Introduction of tablet-based transactions

The Bank has introduced tablets at its branches to allow customers to open new accounts or perform other procedures, such as making changes to their registered information, using the tablets.



Expansion of non-face-to-face transactions

Non-face-to-face transactions allow customers to complete transactions using ATMs or smartphones without the need to visit branches.



Reduced
paperwork

Shorter
time
to wait

Improved
convenience

Increased
interactions
with
customers

STAKEHOLDERS' VOICE



Kunio Murase, Manager, Administration Dept.

The support office is now centrally handling “high-mix low volume” paperwork, which was traditionally considered difficult to centralize, and thus, has significantly reduced the volume of paperwork and related risk at each branch. In this way, the support office has helped the branches to spend more time on communication with customers. The support office, as a “skill center,” also contributes to providing customers with a sense of security and safety. As a mission-critical center expected to support back-office operations after the upcoming implementation of the next-generation core systems, the support office will also strive to ensure the sustainability of the Bank's operations, while emphasizing employee satisfaction.



CHALLENGES FOR FUTURE INNOVATION

Mindset-Work Reforms (Mindset Reform and Work Style Reform)

We will work on mindset and work style reform, in a manner that goes beyond the conventional way of thinking and framework for a bank, to realize sustainable regional communities. We have been shifting from the conventional perspective centered on the Bank to one centered on customers and the overall regional communities, and also have been fostering the type of personnel who can think and act on their own to help achieve our customers' dreams. Also, we have been striving to build a work environment where every one of our employees can unlock their potential while feeling that their job is both fulfilling and meaningful.

Reforming the ways of thinking and working

To remain sustainable itself, the Bank has taken on the challenge of reforming its ways of thinking and working. Specifically, the Bank has aimed to foster the type of personnel who can think on their own and realize an organization where every one of our employees can work in a lively fashion and with a sense of fulfillment.

Fostering the type of personnel who can think and work on their own

To appropriately respond to increasingly diversified and sophisticated customer needs and provide services beyond customers' expectations, we need to have the most updated knowledge and skills and work in a flexible and speedy manner. To this end, we have been training our employees so that they understand the essence of matters and think and work on their own. "Mindset-Work" reform should be centered on customers. At many training sessions including onboarding and rank-based training programs, we have held group work sessions and active discussions to produce the type of employees who can take matters into their own hands.

In the current era, in which workstyles and values are diversifying, we also believe it important to build a work environment that allows employees to define and realize their career paths by themselves. To build such a work environment, we have continuously supported our employees in designing and realizing their career paths, including supporting their career formation through rank-based training programs and the "System for Discussion."

To support their career formation, we provide various learning opportunities, including seminars for branch and section managers and "pressure-free plan seminars," which employees can participate in on their days off, and online seminars called "e-JINZAI for Finance." In addition, we have proactively dispatched our employees to external specialized institutions, and have encouraged them to participate in training programs of external educational institutions, such as SME Support Japan, the Graduate School of Shiga University, and the Graduate School of Management of GLOBIS University.

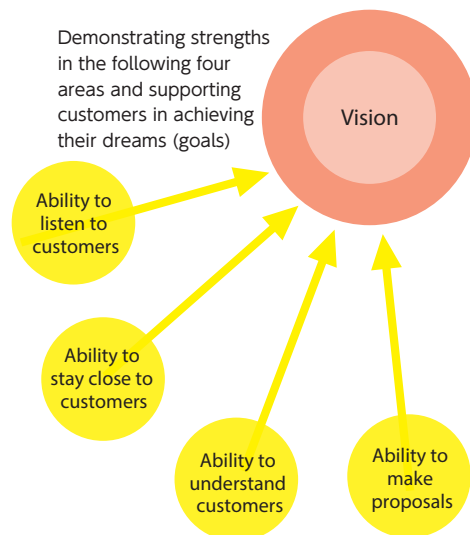


Scene at a training session

With future-oriented perspective at the core

■ Shift from a Bank-oriented to a customers and society-oriented perspective

We have worked to transform our mindset and behaviors, from product-out to market-in, by thoroughly leveraging the "Goal-based Support" which caters to the needs of the region and our customers and resolves their issues to help them achieve their dreams.



"Four abilities" required to realize the vision

● Guidelines for action and thinking

Stance	Staying close to customers
Goal	Customers' dreams
What is a main bank?	The bank that customers consult first and that cares most about customers
What it takes to achieve the goal	Staying close to and thinking together with customers

**Value to be
provided**

- We will see things from the perspectives of customers and the regional communities and provide customers with high-quality services catered to their needs.
- We will build a work environment in which diverse personnel can fulfill their potential and feel that their job is meaningful.

■ Introducing a performance evaluation system that gives due credit to those who think and work on their own

We believe that fostering the employees who can voluntarily think and work on their own, rather than passively, in order to resolve the issues of the region and customers will contribute to sustainable development of the regional communities, as well as of our customers and the Bank. We have incorporated a performance evaluation system that gives due credit to those who voluntarily think and work into the 7th Medium-Term Business Plan. The Bank will improve the literacy of its employees so that they can think and work on their own from the perspective of the region and customers, and will also implement the customer-oriented (market-in) "Goal-based Support" to ultimately evolve into a sustainable organization.

Evolving into a company where employees are encouraged to act voluntarily and take on challenges

■ Human resources recruitment system

We believe that for every one of our employees to work while feeling their job is fulfilling and meaningful, we need to build a work environment in which they are highly motivated to take on challenges and fully display their capabilities.

To respond to increasingly diversified and sophisticated customer needs and to resolve various issues in the region, we have put in place an internal recruiting system, which is aimed at developing highly specialized human resources. By encouraging employees to voluntarily and proactively take on challenges through this system, we have been paving the way for a work environment in which our employees are able to get on their envisioned career path and the Bank can unlock the potential of diverse talent.

Departments having recruited personnel through the system (selected)
Corporate Business, Personnel Planning,
Regional Promotion Office, Digital Promotion Office,
Consulting Division, Finance Division, Global Human Resources,
and System (Next-Generation) Division

*Number of employees actually recruited through the system in fiscal 2020: 38

Evolving Into a company supportive of diverse mindsets and workstyles

■ Enhanced System for Discussion

Since this fiscal year, we have added one-on-one meetings to the System for Discussion so that our employees can consult their supervisors on various topics, including their envisioned careers, jobs, and personal problems. The one-on-one meetings provide "time for employees" to think on their own and talk with their supervisors on a regular, person-to-person basis. The supervisors confirm the physical and mental condition, concerns, problems, and interests of their subordinates through such subordinate-oriented dialogues and help them address their challenges and issues and achieve their goals and growth.

■ Work-life balance

We have enhanced welfare benefits and implemented a work environment supportive of diverse and flexible workstyles so our employees can achieve a balance between work and private life while working with a sense of satisfaction and fulfillment, and choose their lifestyle from a variety of alternatives.

Since fiscal 2021, we have operated an hour-based annual paid leave system in addition to the legally required paid leave systems that were already in place. In addition, we are working to help our employees realize flexible workstyles that are not limited by work locations, such as working from home using tablets.



Mindset-Work Reforms (Mindset Reform and Work Style Reform)

■ Support for childcare and nursing care

We have enhanced our system to support our employees in balancing childcare/nursing care and work.

The period of our childcare leave is up to three years, which exceeds the legally-required period. We have supported continuous career formation by providing various types of information during childcare leave, organizing meetings for a smooth return before going back to work from childcare leave, and holding support seminars after returning from childcare leave.

We also provide a range of nursing care support, including family-care leave for employees with a family member who needs constant nursing care for up to one year as well as paid nursing leave available for 10 days per year.

■ Business casual

As part of our efforts towards achieving gender equality, we have officially adopted a business casual dress code since April 2021. Specifically, we have worked to foster a flat organizational culture that rejects the stereotype that men should wear suits and women uniforms and encourages employees to think more flexibly at work.

■ Diversity Promotion Committee

The Diversity Promotion Committee has further developed the concept of active participation by women, and has endeavored to create workplaces in which everyone can demonstrate their abilities and can feel their job and life is fulfilling so that the Bank can ultimately evolve into a company that is sustainable and essential for the growth of the regional communities.

To incorporate diverse opinions into the activities of the Committee, we established the Diversity Promotion Team in July 2020. The members of the team, who are recruited from branches as volunteers, have actively exchanged opinions.

In fiscal 2020, the team members led a series of discussions with employees about issues with and improvement measures for the System for Discussion. In fact, the team played a significant role in the introduction of the one-on-one meetings in June 2021.

STAKEHOLDERS' VOICE



Kazuma Tsuji, Assets & Liabilities Managing Dept.

As a mature student, I studied AI and Big Data at the graduate school of Shiga University, and realized how huge the potential of data is and started to wonder what would be the unique value that only humans can deliver. Shiga Bank has significant advantages as a regional bank in that the bank has diverse human resources and has gathered the largest volume of data in the region. As a bank having an accurate understanding of its advantages in human resources and data, the Bank will seek to provide unique services that can inspire customers by leveraging the optimum combination of human resources and data.

STAKEHOLDERS' VOICE



Mariko Kokuryo, Ishibe Branch

The Diversity Promotion Team conducts activities to reflect the real opinions of employees in human resources development and awareness-raising initiatives. In recent years, employees who are not satisfied with their jobs have tended to leave the Bank. Believing that passiveness is one of the main reasons for this high turnover, we discussed the introduction of one-on-one meetings, for example. We believe that we can raise their motivation by encouraging them to express opinions on their own.

We will continue to discuss the issues and work to realize a fulfilling work environment.



TOP MESSAGE



SPECIAL FEATURE



ABOUT SHIGA BANK



CHALLENGES FOR
VALUE CREATION



CHALLENGES FOR
FUTURE INNOVATION



POWER THAT SUPPORTS
VALUE CREATION

POWERS SUPPORTING VALUE CREATION

POWERS SUPPORTING VALUE CREATION

- 64 Corporate Governance
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Corporate Governance

Basic views on corporate governance

As a regional bank headquartered in Shiga Prefecture, the Bank has a motto which carries on “Sampo yoshi” philosophy, a management philosophy embraced by Merchants in the Omi region of central Japan, which means to bring happiness to three sides: being good for the seller, the buyer, and society. The Bank made the motto “Be tough on ourselves, kind to others and serve society” the starting point for corporate social responsibility (CSR), making effort to realize mutual prosperity with the regional communities, all employees, and the environment as in the Bank’s Management Principles. For the purposes of ensuring sustainable growth and improvement in corporate value for the Bank over the mid- and long-term, we will expand and

constantly upgrade our corporate governance standards based on the following basic views.

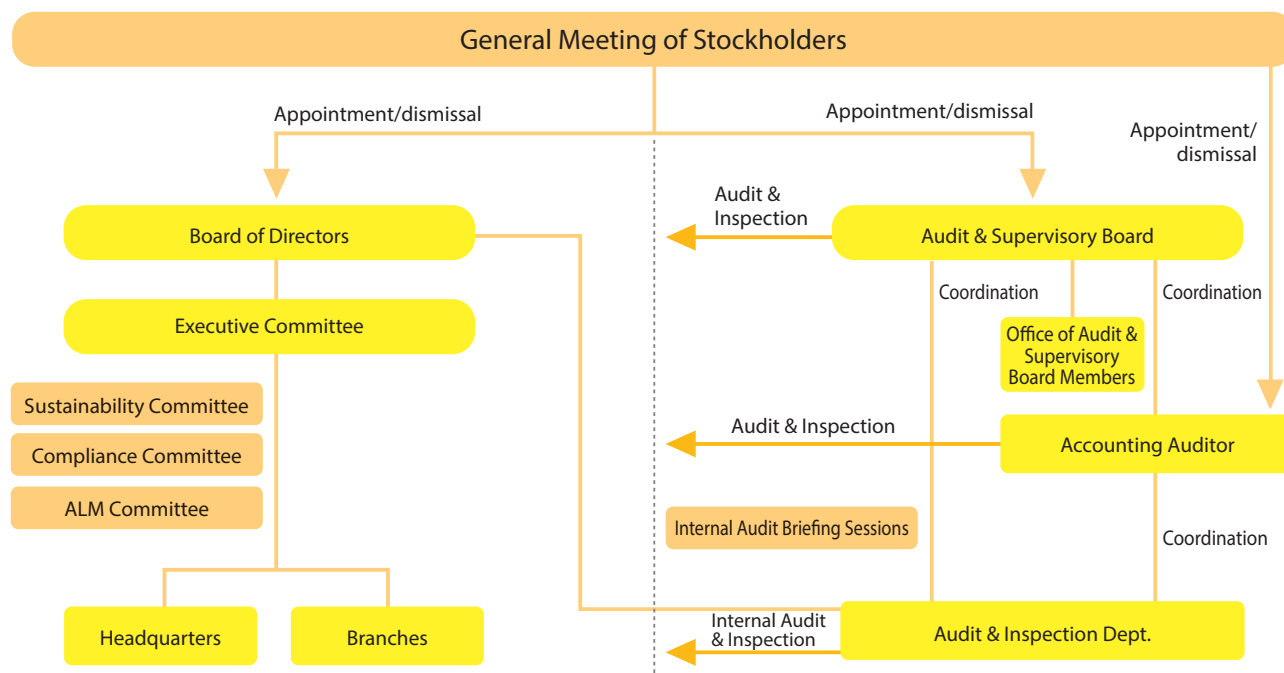
- Respect shareholder rights and safeguard shareholder equality
- Cooperate appropriately with stakeholders
- Duly disclose information, including non-financial data, and ensure transparency and fairness of decision-making
- Create an environment for allowing appropriate levels of risk-taking by management team members
- Contribute to sustainable growth and the mid- and long-term improvement in corporate value, by prioritizing dialogue with shareholders

Overview of corporate governance system

The Bank has adopted the Audit & Supervisory Board system, under which the Board of Directors including Outside Directors supervise management and the Audit & Supervisory Board including Outside Audit & Supervisory Board Members checks the Board of Directors.

In terms of business operations, centered on the Executive Committee that is a decision-making body for business execution, the Compliance Committee and the ALM Committee have been established and the Audit & Supervisory Board Members monitor their operational status.

● Shiga Bank’s corporate governance system (as of June 30, 2021) is shown in the chart below.



Organizational structure

1. Board of Directors

The Board of Directors, with nine members, including three from outside the Bank, meets once a month in principle. At the meetings, decisions are made on important business matters to conduct business. Audit & Supervisory Board Members attend all such meetings to monitor the performance of Directors.

2. Audit & Supervisory Board

The Audit & Supervisory Board, composed of four Audit & Supervisory Board Members including two from outside of the Bank, holds a meeting monthly in principle to resolve, discuss and report the important audit matters such as audit policies, audit plans, audit methods and division of audit duties.

3. Executive Committee

The Executive Committee consists of the Chairman, President, Deputy President, Senior Managing Directors, and Managing Directors. It meets as necessary to make swift decisions about overall operations, including investment plans, new product development, business structural changes, and monitoring the risk environment. Important items related to the execution of business are submitted to the Board of Directors.

*The positions of Chairman and Deputy President are currently vacant.

4. Internal Audit System

Seeking to conduct its business in a sound and appropriate manner, the Bank established the Audit & Inspection Department to undertake internal audits. The Department performs audits of the Bank's branches to ensure that their internal control systems are functioning properly, in accordance with annual internal audit plans approved each year by the Board of Directors.

The internal Audit briefings are held as a rule once a month with the attendance of the management team including the President of the Bank, and hold discussions on reported audit findings and on the

status, problem points and issues of departments and branches subject to auditing. This ensures that risk is minimized, administrative duties are carried out reliably and business management is appropriate. In addition to continuous internal quality evaluations, the Audit & Inspection Department also receives external quality evaluations from third-party organizations to maintain and enhance the quality of internal audits.

5. Sustainability Committee

Chaired by the President, the Sustainability Committee discusses ESG (environment, social, governance) priorities and addresses social challenges for Shiga Bank Group from the medium to long term perspective to design the program to enhance sustainability of our communities, customers and the Group.

6. Compliance Committee

The Compliance Committee chaired by a Senior Managing Director and including the Audit & Supervisory Board Members as counselors considers various issues concerning compliance to social norms, laws and regulations, and the Bank's internal rules comprehensively for the purpose of contributing to execution of sincere and fair corporate activities.

7. ALM Committee

The ALM Committee chaired by the President conducts reporting, analysis and discussion on risks and promotes response to comprehensive asset liability management (ALM) for the purpose of contributing to an increase in stable earnings through the improvement of risk management.

8. Accounting Auditor

Deloitte Touche Tohmatsu LLC, with which the Bank concluded an audit agreement conducts audit as an accounting auditor.

Policies on executive compensation, etc.

The compensation of the Bank's officers is determined in accordance with the following policies and procedures.

Basic policy

The basic policy on executive compensation of the Bank is to function as an incentive to improve the corporate value consistently. When determining each executive compensation, it shall be appropriate level based on the individual responsibilities.

More specifically, Director compensation (excluding Outside Directors) comprises of Fixed-amount compensation, basic remuneration; Performance-linked compensation, which is linked to company's financial results; Stock acquisition rights as share-based compensation stock options, non-monetary compensation.

Compensation for Outside Directors and Audit & Supervisory Board Members responsibilities of which are to supervise the management is composed of Fixed-amount compensation only. Fixed-amount compensation for Audit & Supervisory Board Members are determined based on the deliberation among the Members in reference to the actual payment.

The above basic policy has been prepared, referring to Outside Directors and Outside Audit & Supervisory Board Members, and then resolved at the Board of Directors meeting.

Please refer to the securities report for the details including the policy for determining executive compensation.



1. Compensation for Directors

(1) Directors (excluding Outside Directors)

The compensation for Directors consists of the following three components:

1. Fixed-amount compensation

Paid according to the role and responsibility based on the position.

Compensation limit: Up to 225 million yen per year

2. Performance-linked compensation

Paid based on net income attributable to owners of parent in order to increase the incentive to improve performance.

Compensation limit: Up to 0.45% of net income attributable to owners of parent for the relevant fiscal year, with an annual limit of 75 million yen

3. Stock options as share-based compensation

Paid to increase the incentive to enhance the mid- to long-term corporate value and share price growth.

Compensation limit: Up to 100 million yen per year

(2) Outside Directors

Fixed-amount compensation is paid in light of the management supervisory function.

Compensation limit: Up to 35 million yen per year

2. Compensation for Audit & Supervisory Board Members

Fixed-amount compensation is paid to ensure neutrality and independence.

Compensation limit: Up to 84 million yen per year

3. Procedure for determining compensation

(1) Directors

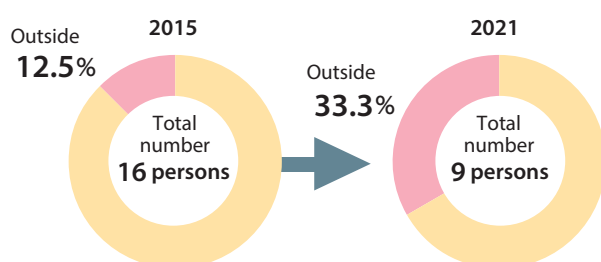
Determined by resolution of the Board of Directors, within the limits of the amount of compensation set by the General Meeting of Stockholders.

(2) Audit & Supervisory Board Members

Determined by discussions by Audit & Supervisory Board Members, within the limits of the amount of compensation set by the General Meeting of Stockholders.

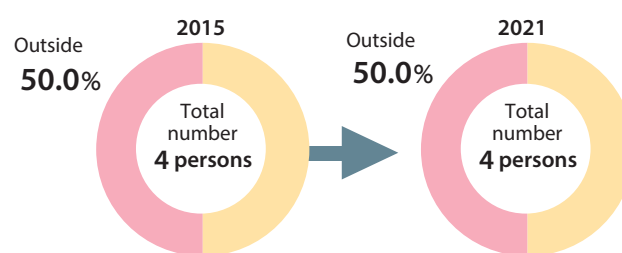
Changes in Number of Officers and Ratio of Outside Officers

Directors



Increased ratio of Outside Directors

Audit & Supervisory Board Member



Independent Outside Officers

Name	Position	Reason for appointment	The rate of attendance at meetings of Board of Directors in fiscal 2020
Minako Takeuchi	Outside Director	She has a wealth of experience and a wide range of insight into overall management as a Representative Director at TM Future Corporation and an Outside Director at Nihon M&A Center Inc. The Bank expects that she will utilize her experience and insight to supervise the management of the Bank from the independent viewpoint, while contributing to the sustainable growth of the Bank and higher corporate value.	● 12 out of 12 regular meetings of the Board of Directors (attendance ratio: 100%)
Rikiya Hattori	Outside Director	He has a wealth of experience and a wide range of insight into finance and corporate management as a Deputy President and a Deputy Chairman at Sumitomo Mitsui Trust Bank, Limited. The Bank expects that he will utilize his experience and insight to supervise the management of the Bank from the independent viewpoint, while contributing to the sustainable growth of the Bank and higher corporate value.	● 10 out of 10 regular meetings of the Board of Directors (attendance ratio: 100%)
Sawaichiro Kamata	Outside Director	He has a wealth of experience and a wide range of insight into finance accumulated at the Bank of Japan and the Japan Securities Dealers Association. The Bank expects that he will utilize his experience and insight to supervise the management of the Bank from the independent viewpoint, while contributing to the sustainable growth of the Bank and higher corporate value.	● Newly elected in June 2021
Yasuhito Matsui	Outside Audit & Supervisory Board Member	The Bank expects that he will reflect in auditing the Bank his professional expertise and a wealth of experience as a lawyer involved in corporate legal affairs.	● 12 out of 12 regular meetings of the Board of Directors (attendance ratio: 100%)
Kazukiyo Onishi	Outside Audit & Supervisory Board Member	The Bank expects that he will reflect in auditing the Bank a wealth of experience at the Ministry of Finance and other corporations, as well as high insight gained through public finance and administration.	● 10 out of 10 regular meetings of the Board of Directors (attendance ratio: 100%)

Directors and Executive Officers

(as of June 25, 2021)

Directors

President & CEO Shojiro Takahashi

April 1979 Joined the Bank
June 2006 General Manager of Business Promotion Dept.
June 2008 Director and General Manager of Business Promotion Dept.
June 2009 Director and General Manager of Kyoto Branch
June 2011 Managing Director
June 2014 Senior Managing Director
June 2015 Deputy President
April 2016 President (current position)



Senior Managing Director Motohiro Nishi

April 1982 Joined the Bank
June 2011 General Manager of Business Promotion Dept.
June 2013 Director and General Manager of Osaka Branch
April 2016 Director and General Manager of Kyoto Branch
June 2016 Managing Director and General Manager of Kyoto Branch
June 2019 Managing Director
June 2020 Senior Managing Director (current position)



Senior Managing Director & CIO Shinya Kubota

April 1986 Joined the Bank
June 2015 General Manager of General Planning Dept.
June 2017 Director and General Manager of General Planning Dept.
June 2018 Managing Director
June 2020 Senior Managing Director (current position)



Managing Director & CFO Takahiro Saito

April 1983 Joined the Bank
February 2014 General Manager of Credit Supervision Dept.
June 2014 Director and General Manager of Credit Supervision Dept.
June 2017 Managing Director (current position)



Managing Director and General Manager of Financial Markets & International Dept. Katsuyoshi Horiuchi

April 1987 Joined the Bank
June 2014 General Manager of Assets & Liabilities Managing Dept.
June 2017 Executive Officer, General Manager of Business Promotion Dept.
June 2019 Director and General Manager of Kyoto Branch
June 2021 Managing Director and General Manager of Financial Markets & International Dept. (current position)



Director and General Manager of Audit & Inspection Dept. Katsuyuki Nishikawa

April 1987 Joined the Bank
June 2016 General Manager of Audit & Inspection Dept.
June 2018 Executive Officer and General Manager of Audit & Inspection Dept.
June 2020 Director and General Manager of Audit & Inspection Dept. (current position)



Outside Director Minako Takeuchi

April 1983 Joined NEC Corporation
December 2002 Retired from NEC Corporation
January 2003 Joined STANTON CHASE INTERNATIONAL
June 2013 Retired from STANTON CHASE INTERNATIONAL
August 2013 Representative Director, TM Future Corporation (current position)
June 2019 Outside Director, the Bank (current position)
June 2020 Outside Director, Nihon M&A Center Inc. (current position)



Outside Director Rikiya Hattori

April 1978 Joined Sumitomo Trust & Banking Co. Ltd. (currently Sumitomo Mitsui Trust Bank, Limited)
April 2012 Director, Senior Managing Executive Officer, Sumitomo Mitsui Trust Bank, Limited
April 2013 Deputy President Executive Officer, Sumitomo Mitsui Trust Holdings, Inc.
Deputy President, Sumitomo Mitsui Trust Bank, Limited
June 2015 Deputy President, Sumitomo Mitsui Trust Holdings, Inc.
April 2017 Director, Sumitomo Mitsui Trust Bank, Limited
Deputy Chairman, Sumitomo Mitsui Trust Bank, Limited
June 2017 Retired as Director, Sumitomo Mitsui Trust Holdings, Inc.
April 2018 Executive Advisor, Sumitomo Mitsui Trust Bank, Limited
Chairman, Sumitomo Mitsui Trust Panasonic Finance Co., Ltd.
June 2018 Corporate Auditor, SUMITOMO DENSETSU CO., LTD. (current position)
March 2020 Retired as Executive Advisor, Sumitomo Mitsui Trust Bank, Limited
June 2020 Outside Director, the Bank (current position)
February 2021 Retired as Chairman, Sumitomo Mitsui Trust Panasonic Finance Co., Ltd.



Outside Director Sawaichiro Kamata

April 1984 Joined Bank of Japan
July 2012 General Manager of Kyoto Branch, Bank of Japan
June 2015 Retired from Bank of Japan
July 2015 Senior Advisor of Policy Making Headquarters, Japan Securities Dealers Association
July 2017 Joint General Manager of Administration Headquarters (Chief Information Officer and Chief Risk Officer), Japan Securities Dealers Association
June 2021 Retired from Japan Securities Dealers Association
June 2021 Outside Director, the Bank (current position)



Audit & Supervisory Board Member

Audit & Supervisory Board Member Kazuyoshi Hayashi

April 1980 Joined the Bank
June 2010 General Manager of Assets & Liabilities Managing Dept.
June 2011 Director and General Manager of Assets & Liabilities Managing Dept.
June 2014 Managing Director
June 2018 Audit & Supervisory Board Member (current position)



Audit & Supervisory Board Member Yasunaga Ono

April 1983 Joined the Bank
June 2013 General Manager of Business Promotion Dept.
June 2014 Director and General Manager of Business Promotion Dept.
June 2015 Managing Director
June 2020 Audit & Supervisory Board Member (current position)



Outside Audit & Supervisory Board Member Yasuhiro Matsui

April 2000 Registered as a Lawyer
April 2000 Joined Karasuma Law Office
January 2005 Registered as a lawyer in New York State
April 2005 Resigned from Karasuma Law Office
May 2005 Joined Miyake & Partners
May 2009 Appointed Partner, Miyake & Partners
May 2012 Registered as a Patent Attorney
June 2017 Outside Audit & Supervisory Board Member, the Bank (current position)
January 2019 Retired from Miyake & Partners
February 2019 Partner, NISHIKIBASHI PARTNERS LPC (current position)



Outside Audit & Supervisory Board Member Kazukiyo Onishi

April 1980 Joined the Ministry of Finance
July 2014 Director-General of Yokohama Customs, Ministry of Finance
July 2015 Retired from the Ministry of Finance
October 2015 Advisor, Aioi Nissay Dowa Insurance Co., Ltd.
June 2016 Retired as Advisor, Aioi Nissay Dowa Insurance Co., Ltd.
June 2016 Audit & Supervisory Board Member, TAKASAGO INTERNATIONAL CORPORATION
June 2020 Retired as Audit & Supervisory Board Member, TAKASAGO INTERNATIONAL CORPORATION
June 2020 Outside Audit & Supervisory Board Member, the Bank (current position)



Executive Officers

Nobuyuki Tanaka

Managing Executive Officer and General Manager of Credit Supervision Dept.



Hidekazu Toda

Managing Executive Officer and General Manager of Administration Dept.



Akihisa Hida

Managing Executive Officer and General Manager of General Planning Dept.



Yoshinori Endo

Managing Executive Officer and General Manager of Kyoto Branch



Toshihiro Fukuda

Executive Officer and General Manager of Personnel Affairs Dept.



Hiroyoshi Inoue

Executive Officer and General Manager of Head Office Business Dept.



Yasuhiko Nakamura

Executive Officer, General Manager of Tokyo Branch and Advisor to Financial Markets & International Dept.



Kazuaki Kataoka

Executive Officer and General Manager of General Affairs Dept.



Isokazu Yamamoto

Executive Officer, General Manager of Osaka Branch and General Manager of Umeda Branch



Message from Outside Directors



Outside Director

Minako Takeuchi

Evaluation of the effectiveness of the Bank's Board of Directors and my roles and challenges

(Establishment of a governance system to enhance corporate value)

The Bank's Board of Director has taken various measures to deepen discussions about important management topics and medium to long term strategies. Last year, we introduced third-party evaluation to assess the effectiveness of the Board of Directors. Against this backdrop, I recognize that my role is to: (1) make suggestions to improve the effectiveness of the Board of Directors through monitoring; (2) provide external expertise, information, and different perspectives that enable benchmarking against peers from a broader viewpoint; and (3) make members of the Board of Directors realize the potential problems behind the apparent problems related to human resources and organization or corporate culture issues inherent in the agenda items raised at the Board of Directors meetings.

Through this, I want to contribute to developing a flexible and solid corporate culture in the true sense of the word that will create the Bank's future, and to the improvement of corporate value as a company that continues to be an indispensable partner to our customers where diverse human resources take active part in operations.

Assessment of the Bank's sustainability and digitalization initiatives

Impact of climate change and other environmental issues on management and our response

Fulfilling our purpose as a company and achieving sustainability both internally and externally through ESG management and our commitment to the SDGs is our key mission. Decarbonization is not the only environmental issue. We, as a company rooted in Shiga, deem it important to protect water resources and biodiversity; therefore, we are working on this issue in a progressive and comprehensive manner. I think that the essence of sustainability isn't just about the environment (E); it is to do with the "Sampo yoshi" corporate approach as described in our CSR Charter.

That is why this also involves governance (G) and social (S) aspects such as the promotion of diversity and inclusion, including the empowerment of female workers. Led by the Sustainability Strategy Office established last year, we are working to implement the Sustainability Policy, which is the Bank's DNA, with a sense of mission. We hope to continue to be a company that has the support of various stakeholders and improve our corporate value as a result of our sincere management efforts in these endeavors.

Promoting the digitalization of the regional communities

I believe that digital transformation (DX) is not about digitizing information and business processes, but rather about how we transform our business model into what we seek to be by using the potential of digital technology. We should accumulate our own experience before accelerating the digitalization of the communities and our customers. The spread of COVID-19 has drastically changed our communication style and how we connect with each other internally and externally including our customers. Amid such environment, we have put new creative ideas into practice by trial and error. We will make maximum use of DX to reconstruct the business model, the way of using information and how we work, irrespective of the precedent. It is also important to constantly accumulate experience through the challenge each of us faces, making it our own knowledge, and then quickly structuring and abstracting it into organizational knowledge. The Digital Strategy Group and the Digital Promotion Office were established and put into operation as the pillar of the activities. In today's uncertain world where there is no single right answer, we believe that those who try before others, learn from their successes and failures, and quickly turn them into value which we can offer to our customers will be able to take the lead. We, thus, work to make such behavior pervasive among the first-line employees.

Evaluation and advice on human resource development to ensure diversity (Increase and use of human capital)

The human resource strategy should be changed and evolved constantly. Recently, people appear to be more motivated to work at a company which contributes to society, and they think more highly of whether they can empathize with the purpose of the company, in short, they can have intrinsic motivation. People have various motivations, and their skills and careers are diverse as well. Creating a place where diverse people can exhibit each ability is crucial. The idea forms the base of purpose-driven management and wellbeing driven management. I believe that 60-70% of the role of middle management is to motivate young employees to work enthusiastically with eagerness to grow while developing such young people and creating the place to allow it.

To do so, communication with juniors is key; therefore, we implemented a "system for discussion" across the board. Moreover, a goal-setting ability is required for middle management so that they, together with their subordinates, can establish a goal worthy of challenge. The process of moving toward a goal will lead to the growth of people, which in turn will result in the performance and growth of the organization collectively. Then, transparent and compelling evaluations and feedback are required to help the growth of employees. Middle management and human resource department are required to improve such PDCA cycle where the growth of employees leads to a better company.

Such process brings about a corporate culture where employees are incentivized to try and the management itself backs them up and praises a good try. In addition, we urgently need to create an environment which truly welcomes the active participation of women and people with diverse background.

What Shiga Bank should do for a sustainable community growth

We can play various roles for the local customers to protect our community environment and vitalize the local economy. Not only the provision of the products and services such as Sustainability Linked Loan (SLL), we need to listen to the opinions from the local stakeholders to provide advisory services catering to our customers in light of the desirable sustainable future. For example, we can arrange a partnership between our customers and counterparts with whom they can co-create value or structure the co-working scheme for them. We also hope to think together with our customers about what is the most appropriate DX for them, and offer quality advice for DX and management from the viewpoint of the customer's business to facilitate co-creating and co-working.

To do so, promoting a corporate culture that encourages each employee to learn from external sources, "Mindset-Work reforms," and "go for it" mindset to support them is all the more important.



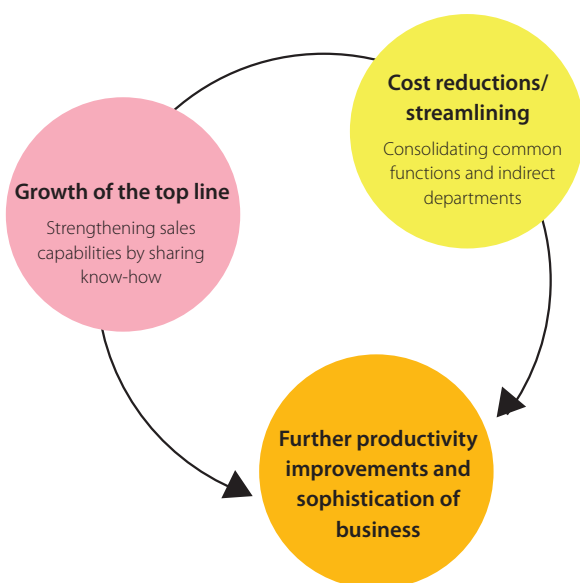
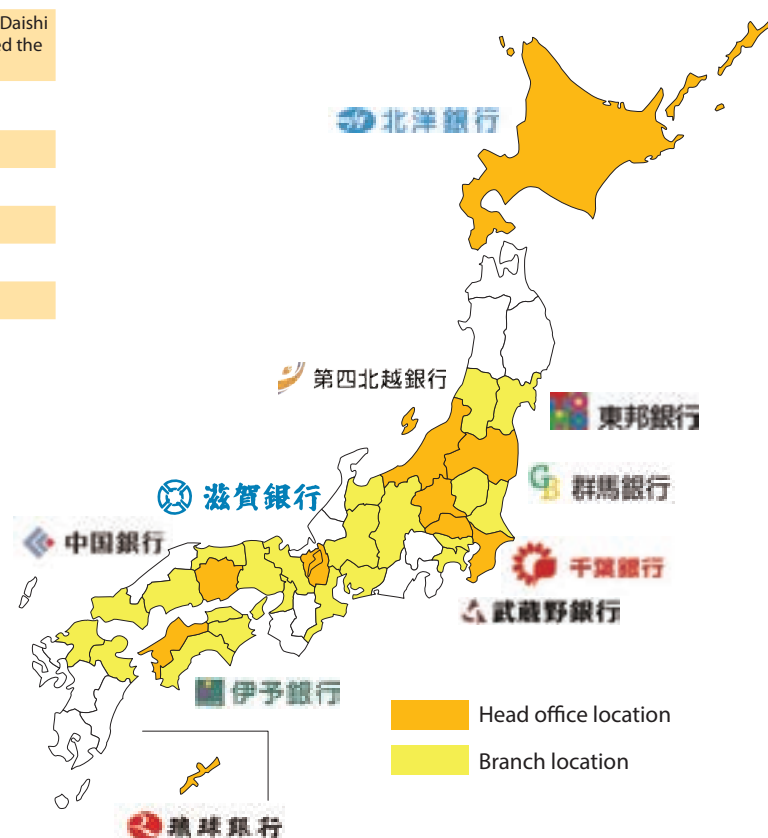
TSUBASA Alliance

Business development that leverages economies of scale through widespread and large-scale collaborations

The Shiga Bank joined the “TSUBASA Alliance” in May 2019. The purposes are: sustainable growth of the region and improvement of the financial system; alliance contributing to enhancement of corporate value of the participant bank groups; growth of the top line; and planning and promotion of cost-cutting measures. In December 2020, with the addition of Gunma Bank, the Alliance covers all areas Japan from Hokkaido, the northernmost prefecture to Okinawa, the southernmost one. Leveraging the insights from the participants and economies of scale, we continue to offer cutting edge financial services including future-oriented digitalization.

Expanding the network nationwide

October 2015	The Chiba Bank, Ltd., the Daishi Bank, Ltd (currently the Daishi Hokuetsu Bank., Ltd), and the Chugoku Bank, Ltd. formed the alliance.
March 2016	The Iyo Bank, Ltd., the Toho Bank, Ltd. and North Pacific Bank, Ltd. joined the alliance.
April 2018	The Hokuetsu Bank, Ltd. joined the alliance.
March 2019	The Musashino Bank, Ltd. joined the alliance.
May 2019	The Shiga Bank, Ltd. Joined the alliance.
April 2020	Bank of The Ryukyus, Ltd. joined the alliance.
December 2020	The Gunma Bank, Ltd. joined the alliance.



Establishment of the joint venture, “TSUBASA Alliance Corporation”

In July 2020, the TSUBASA Alliance Corporation was established through joint investment by the participating banks, with the aim of serving as a platform for the consolidation of common operations and functions among each bank. In October 2020, the ALM center, which engages in the business related to anti-money laundering and prevention of the provision of funds for terrorism was opened within the company. Concentrating the insights and expertise from each bank, the ALM center is reinforcing the system in line with requests from the international society while consolidating redundant operations.

Corporate Profile

Head office location	1-5-5 Nihonbashi Muromachi, Chuo-ku, Tokyo Muromachi Chibagin Mitsui Building
Common stock	10 million yen
Stockholders	10% each (The Chiba Bank, Ltd., The Daishi Hokuetsu Bank, Ltd., The Chugoku Bank, Ltd., The Iyo Bank, Ltd., The Toho Bank, Ltd., North Pacific Bank, Ltd., The Musashino Bank, Ltd., The Shiga Bank, Ltd., Bank of The Ryukyus, Ltd., The Gunma Bank, Ltd.)
Officers	10 Directors (president of each bank takes a seat on the Board)
Date of establishment	July 2020

Stakeholder Communication

The Shiga Bank strives to build trust and offer better value by recognizing the social issues through continuous communication with many stakeholders, including our customers, communities, shareholders, and the officers and employees. We aim for sustainable development of the local community and enhancement of corporate value by valuing transparent and speedy disclosure of information, as well as utilizing opinions and requests from stakeholders for better management.

Communication with customers

We improve the quality of products and services by evaluating the opinions and requests from our customers via communication card or other types of questionnaire. Meanwhile, the deep dialogue through our consulting service helps to solve the customer's issues. We hold local gatherings semi-annually to facilitate interactive dialogue.

Communication channel

Via communication cards, questionnaires, Customer Consultation Office, and local gatherings

Communication with communities

We contribute to a more vibrant region by solving social issues through engagement with local communities, responding to potential needs and promoting regional branding toward the achievement of a sustainable society.

Communication channel

Dialogue toward a Regional Circular and Ecological Sphere, Shigagin Welfare Fund, Kakehashi, a general information magazine for the region, culture business and sports promotion

Communication with administrative and educational bodies, NPO/NGO, etc.

We realize high-quality solutions by linking new research ideas with local needs through our partnerships with administrative agencies and experts. In addition, we actively carry out cooperation with educational institutions for improving literacy of finance and SDGs.

Communication channel

Relationship with regulatory authorities; Joint projects and dialogues among industry, academia, government and finance; Education of literacy regarding SDGs and finance

Communication with employees

We respect human rights, support diverse work styles and put in place a support system toward self-realization so that each and every officer and employee can display their maximum capabilities feeling high job satisfaction.

Communication channel

System for discussion; Diversity Promotion Committee; Human resources recruitment system; Internal reporting system

Communication with shareholders and investors

We work to conduct constructive dialogues with shareholders and investors and disclose corporation and management information transparently for sustainable growth and corporate value enhancement.

Communication channel

Announcement of financial results; General Meeting of Stockholders; Financial results briefings for the investors; Integrated Report/Annual Report; Report on the business, etc.

Communication with industrial associations and peer companies

We aim to grow together while improving convenience and addressing issues peculiar to the industry by utilizing respective strengths and through partnerships.

Communication channel

Alliances with other domestic banks; Business tie-ups with overseas financial institutions; ATM alliance; FinTech alliance, etc.



Risk Management

Basic views

The risks faced by the Bank in the performance of its operations have been growing more complex and diversified.

We are building Internal Rating System and Comprehensive Risk Management System in order to accurately assess and control risk using rational criteria without undue reliance on personal intuition or experience. We have also introduced a “risk appetite framework” that will incorporate business strategy in an integrated risk management model in order to ensure continuous profitability based on reasonable risk-taking.

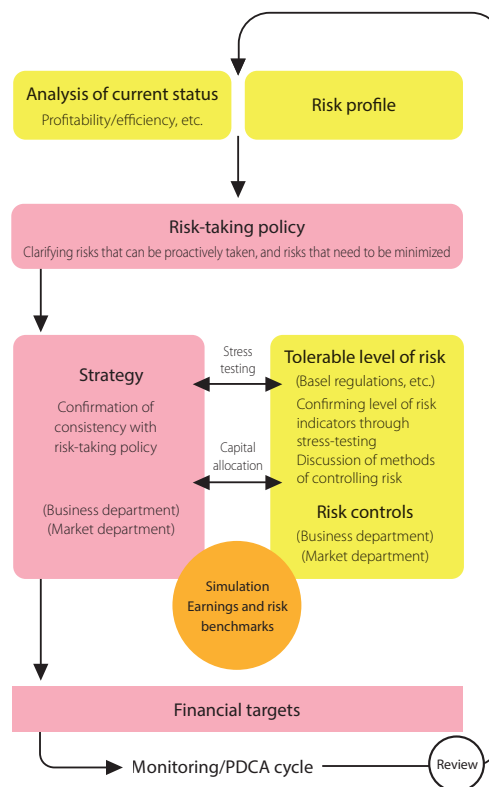
Risk Appetite Framework

The risk appetite framework refers to frameworks for business and risk management that enable clarification of risk by type and level that the Bank is prepared to take on, as well as sharing and monitoring of it for the purposes of accomplishing business strategy and financial targets.

Regarding the formulation of financial targets, the Bank identifies a risk-taking policy based on current-status analysis and risk profiling, and confirms the consistency of strategy in the sales and market departments. Then we carry out various simulations to test the strategy, and sets target earnings and risk benchmarks. After confirming through stress testing that the plan will remain reasonably sound under a certain amount of stress, we allocate capital accordingly and seek out the best balance among earnings, risk, and capital. Stress testing is also used to originate countermeasures in the event of strategy failure.

We monitor financial targets that have been prepared, and every six months consider revisions to the risk-taking policy and financial targets. This enables us to clarify the relationship between analysis of current status and risk profile; risk-taking policy; strategy; and financial targets. We ensure the effective functioning of the PDCA cycle for achievement of appropriate risk management and strategy attainment that can quickly respond to changes in the financial environment.

Process of developing financial targets



Outline of Risk Management System

The Shiga Bank's Board of Directors have established Risk Management Rules, specified the types of risk that should be managed, and defined the roles and responsibilities of the sections responsible for those risks. At the same time, Risk Management Rules prescribe risk management methods.

Furthermore, “Risk Management Policies” integrated with the financial plan are instituted semiannually at the Board of Directors’ meeting after clarifying “risk appetite” in light of the Bank’s strategic goals and risk status.

These statuses of risk and return are properly managed by having it reported to management through the ALM Committee, the Meeting of Managing Directors, and the Board of Directors.

Glossary

Capital allocation

The Bank uses VaR, etc. to quantify the various risks it faces. Amounts of capital corresponding to risk amounts (economic capital) are allocated for individual categories of risk and for individual departments and other units, within the scope of own capital. At Shiga Bank, business department and market department are subject to capital allocation measures.

Comprehensive Risk Management

Comprehensive risk management means to appropriately manage risks by looking at various types of risk as a whole, and comparing them to capital adequacy which represents the strength of the financial institution.

Based on the above, the Bank's Assets & Liabilities Managing Department comprehensively identifies and manages all risks. Additionally, the Bank conducts its business operations so as to control risk within the scope of own capital with an integrative risk management system (the capital allocation system and internal capital adequacy assessment process) which measures and manages various types of risk using such integrated yardsticks as the (maximum) Value at Risk (VaR) formula.

■ Capital allocation system

The Bank allocates its own capital to risk generated by holding financial products such as loans, securities and deposits (credit risk, market risk, etc.) and risk generated from operational execution (operational risk, etc.) by business division and risk category.

Specifically, the Bank controls risk by keeping it within the specified ratio to both regulatory capital (own capital needed to satisfy capital adequacy regulations) and economic capital (risk amounts calculated using VaR, etc.). In addition, the Bank has created a system that appropriately complements the capital allocation system by controlling price change risk in investments in securities by keeping it within a specified range.

■ Internal capital adequacy assessment process (stress test)

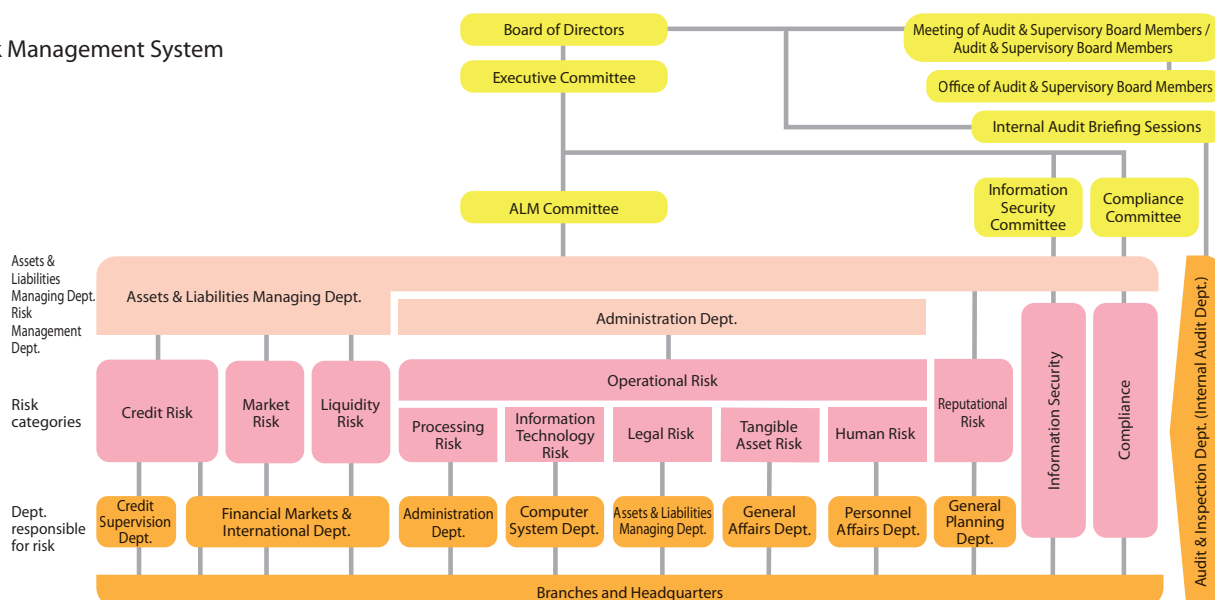
To ensure the present and future soundness of the Bank, we assess its own capital adequacy under stress events such as deterioration in gain or loss on valuation of securities due to an increase in credit costs in a recession period and a rapid change in the financial market, in light of changes in the external environment and the risk profile of the Bank.

Glossary

VaR (Value at risk)

VaR uses a statistical technique to measure the losses that could potentially be incurred in a fixed period of time (for example one year). The Bank uses risk amounts measured with a confidence interval of 99% and a holding period of one year in its internal management.

■ Risk Management System



Credit Risk Management System

Credit risk is the risk that the Bank will suffer losses due to the worsening financial conditions of clients, etc.

Recognizing credit risk as the most important risk to business management from the standpoint of its degree of impact, the Bank believes that establishing a management system for credit risk, which accounts for the majority of risk, and rationally controlling the risk are essential for mutual prosperity with regional communities. Based on this view, the Bank introduced its own "corporate credit ratings system" and has endeavored to improve its credit risk management.

■ Outline of the Corporate Credit Rating System

The Bank implements financial analyses (quantitative evaluations) using statistical rating models based on the financial statements of the customers, and decides the corporate credit rating taking into account qualitative evaluations using the unique screening know-how, and the condition of the company. Based on this Corporate Credit Rating System, the Bank conducts "Shigagin Ratings Communication Service" which discloses the ratings of customers and "Shigagin Ratings Simulation Service" as rational communication tools that connect our customers to the Bank. A shared recognition is reached regarding issues and risks faced by a business customer, and the Bank provides proposals to strengthen the management foundation of customers for sustainable growth and support for compilation of plans for management improvement.

■ Outline of Credit Risk Management

Changes in the financial status of the customers are reflected as changes in the credit risk of the Bank through the credit rating system.

In recent years, linkage between the economy and the financial capital market has deepened on a worldwide scale. Using compilations of multiple economic scenarios on a global basis, the Bank predicts the extent of impact of such scenarios on the regional economy and on our business customers. Specifically, we forecast rates of sales growth or decline for individual business customers under these different economic scenarios, and possible changes in credit rating after a trial calculation of financial impact. This enables us to manage credit risk and capital ratio status for the whole Bank. Also, we control the credit portfolio appropriately to avoid excess credit concentration on large customers and specific sectors and are working to achieve a level of pricing (setting of loan rates) duly corresponding to credit risk to ensure an appropriate level of returns in relation to the risk.

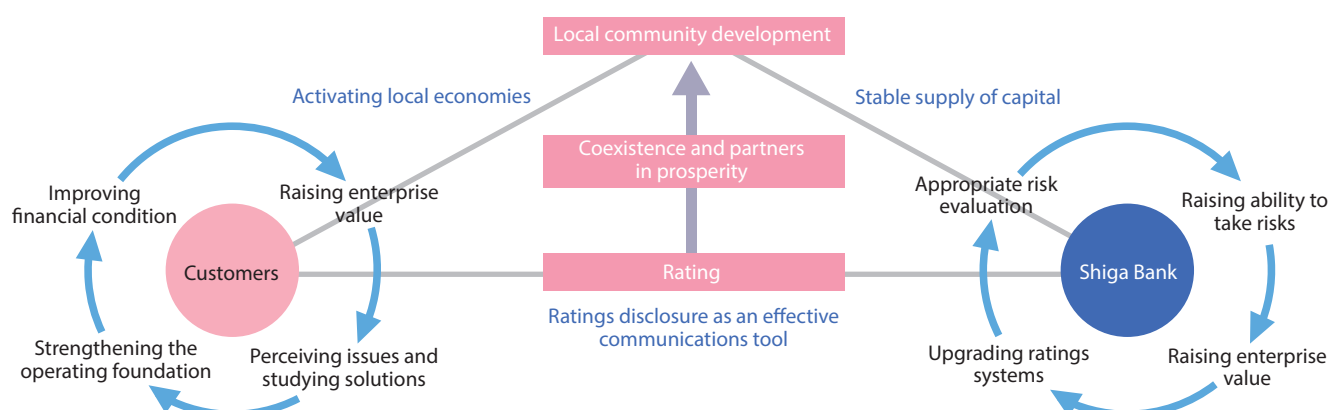
For organizational aspects, the credit risk control unit independent of the business promotion and credit supervision units has designed a self-assessment system of credit ratings and conducted various verification to check the operations of the others and build a solid operation system.

The Significance and Purpose of the Corporate Credit Rating System

Based on its conviction to adhere to our "responsible management" system, and with the aim of sophisticating credit risk management, the Bank introduced its own corporate credit ratings system in December 1998 as a rational communication tool for the Bank and its customers to use together to raise enterprise value.

Based on its belief that internal ratings system is ultimately a tool for pursuing mutual prosperity with the regional communities, the Bank recognizes that the building of a solid internal ratings system is essential for consistent implementation of the responsible management model.

From this viewpoint, the Bank, in adopting Basel II in March 2007, has selected the Foundation Internal Ratings Based-Approach (FIRB). Under an environment where financial transactions are increasingly diversified and sophisticated, the Bank has proactively committed itself to a credit-based business and its own credit ratings system and wants to contribute on a broad basis to the further development of the regional communities, through its main business.



Market Risk Management System

Market risk refers to the risk that the Bank will incur a loss because the value of the assets and liabilities it holds changes due to fluctuations in a variety of risk factors in the market, including interest rates, prices of securities and currency exchange rates.

The Bank strives to secure stable revenues by controlling market risks within a certain range.

Regarding market risk for overall banking operations, adjustments are made to financial targets every six months concerning all assets and liabilities including deposits, loans, and securities, and capital is allocated after consideration of the expected earnings and risk balance. The amount of interest rate risk is controlled based on the "interest rate risk in the banking book" (IRRBB). Furthermore, in risk measurement the Bank takes into account the type, size, and characteristics of the positions held, and uses VaR and sensitivity (duration, BPV) and other factors for multiple management.

For the market risks arising from fluctuations in the prices of securities and other financial instruments, the Bank sets risk tolerance amounts and other limits so as to ensure that such risks do not have an effect on the operation of the regulated capital base. For items for which limits are set using risk amount measurement methods such as VaR, the Bank performs back-testing in order to verify that the risk amounts are being ascertained appropriately, and reports the results of the verifications to the ALM Committee.

As a general rule, the organizational system related to market risk management is divided into the market transaction sector (front office), business management sector (back office), and risk management sector (middle office), each of which checks the operations of the other. Furthermore, the internal audit department performs audits of the state of compliance with related laws, related regulations, the operational plan, and other requirements and reports the audit results to the Internal Audit Briefing Sessions and the Board of Directors.

Liquidity Risk Management System

Liquidity risk is the risk of losses arising due to the necessity of trading at significantly adverse prices compared with usual levels, due to upheaval in markets causing inability to secure sufficient funding and hindering fund-raising.

Liquidity risk is viewed as a fundamental risk faced by the Bank. We take measures to ensure accurate understanding of fund-raising and stable fund procurement and investment, and have a basic policy in place for rigorous risk management that fully emphasizes market liquidity.

In managing the flows of funds, the fund-raising management department monitors fund-raising factors including the financial environment, balance of liquid assets, expected cash outflows, and events that are expected to have an impact on fund-raising on a daily basis, and acts as appropriate. In addition, the Assets & Liabilities Managing Department keeps track of day-to-day risk management by the fund-raising management department, and ensures appropriate management of liquidity risk through regular reporting to the ALM Committee regarding the status of fund-raising. For the liquidity coverage ratio regulation which is the standard for judging soundness of the liquidity, the Bank takes appropriate action.

Operational Risk Management System

Operational risk refers to the risk that the Bank will incur a loss due to a work-related accident at the bank, a flaw in the systems of the Bank, or external factors such as earthquakes or other disasters.

The Bank has formulated the Operational Risk Management Regulations, divided operational risk into five kinds of risk: (i) processing risk, (ii) information technology risk, (iii) legal risk, (iv) tangible asset risk, and (v) human risk, and is carrying out integrated management of these risks in the Administration Dept.

In response to cyber-attacks, which are a growing concern in the digital society, we have created a cross-departmental team in the Bank (the Shigagin CSIRT*) and are also utilizing external expertise as we focus on adopting a stronger stance, taking an approach based on multilayered defense with countermeasures at entrance points, inside, and exit points.

※CSIRT: Computer Security Incident Response Team

Reputational Risk Management System

Reputational risk is the risk of unexpected tangible or intangible losses arising for damage to the Bank's good name due to rumors or slanders spreading in abnormal circumstances.

The Bank has formulated the "Reputational Risk Management Rules" and is committed to prior prevention of abnormal situations that could lead to reputational risk arising.



Enhancing Legal Compliance

Led by the Legal Affairs Office of the Assets and Liabilities Managing Department, the Bank is building systems for maintaining compliance with laws and regulations and proper bank management, and is making efforts to foster employees with a heightened awareness of expectations placed by the public in banks, and with a strong sense of ethics.

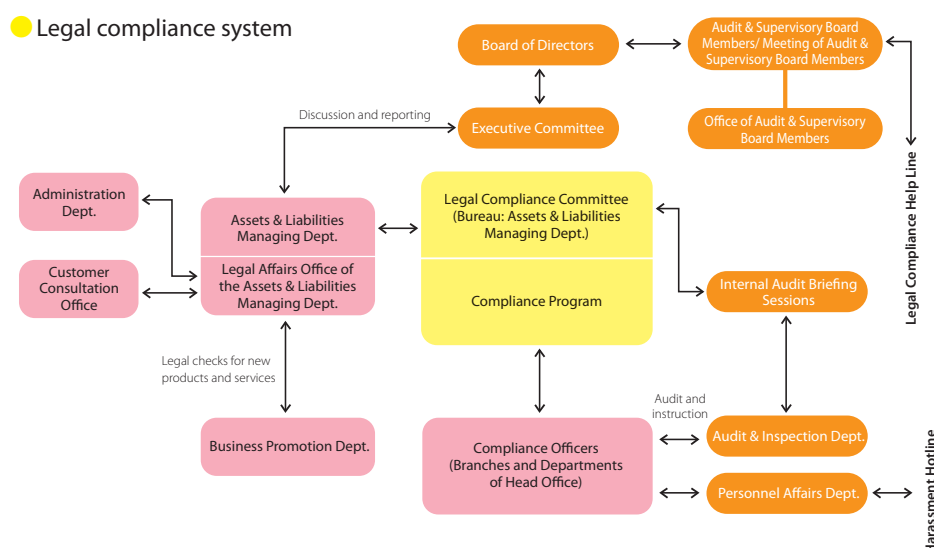
Legal compliance system

The Bank has stipulated the Code of Conduct based on the CSR Charter, our management principles. In order to comply with them and to thoroughly comply with laws and regulations, the Board of Directors formulates a Compliance Program every fiscal year, after deliberation by the Legal Compliance Committee. In addition, we strive to raise the awareness of employees by conducting training at all departments, branches and affiliates, as well as implementing monitoring to prevent recurrence of misconduct. Moreover, the PDCA cycle is continuously implemented through monitoring of the implementation status of the above program by the Legal Affairs Office of the Assets & Liabilities

Managing Department, and reporting to the Legal Compliance Committee and the Board of Directors.

Whistle-blowing system established

In order to promote compliance management, we have established internal and external whistle-blowing hotlines (the Legal Compliance Help Line and the Harassment Hotline) for employees to contact when they have discovered a violation of laws, regulations, or rules in the workplace and cannot discuss their concerns with their superiors or colleagues.



Measures against money laundering

In recent years, measures against money laundering and terrorism funding (hereinafter referred to as the "unlawful financing") are becoming increasingly important. The Bank is taking measures to effectively prevent more complex and sophisticated form of unlawful financing by cooperating with related authorities.

In February 2018, the Financial Services Agency developed and announced the "Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism" that clarify basic approaches of effective measures against the unlawful financing taken by financial institutions. Under the guidelines, banks and other financial institutions are required to additionally confirm more items than required by the Act on Prevention of Transfer of Criminal Proceeds, depending on details and conditions of customer transactions, in addition to items required by the said Act and other laws.

Major initiatives of the Bank

- Launched the "project team for measures against money laundering and the financing of terrorism" for promoting cross-departmental efforts in July 2018

- Put in place the Money Laundering Countermeasures Office as an expert supervising organization in the Assets & Liabilities Managing Department to strengthen a structure for preventing the unlawful financing in January 2019.
- Revised the "risk evaluation report concerning money laundering" (hereinafter referred to as the "risk evaluation report") in March 2020
- Introduced an illegal transaction detection system related to unlawful financing in April 2020
- Introduced a system to evaluate and judge the degree of risks of unlawful financing based on the Bank's standards, a system to extract information that meets specific conditions, and a system to record the status of measures and information collected during transactions in October 2020
- Commenced regular updating of customer information using the Customer Information Confirmation Form in January 2021

We are proceeding with measures in sequence to reduce the Bank's risks from the unlawful financing based on the risk evaluation report, in addition to improvement of various training systems and encouragement of acquisition of related qualification.

Special fraud prevention system

The Bank is taking various measures to protect important deposits of customers from “special fraud” that has become a social problem and offer safe services.

■ Major examples of initiatives

- The Bank’s employees speaking to customers at bank counters and ATM areas and observing their facial expressions and behavior carefully.
- Posting notice on the webpage
- Conducting internal training programs
- Conducting lectures at each branch
- Internally commending recipients of a certification of appreciation for special fraud prevention and sharing good examples of preventive measures among all branches on a timely manner
- Strengthening cooperation with the police and related organizations (study meetings, distribution of fraud alert flyers, use of automated calls, etc.)
- Adopting the “cashier’s check” plan
- Limiting part of the ATM transfer function

Thanks to these measures, we received seven certifications of appreciation for special fraud prevention from police stations in Shiga Prefecture during one year from January to December 2020.

Measures to eliminate anti-social forces

The Bank takes active measures to eliminate anti-social forces, introducing an “anti-social forces elimination clause” to the Ordinary Deposit Regulations and other rules together with establishing the “Shiga Bank Anti-social Forces Elimination Regulations.”

System for managing conflict of interest

“Managing conflict of interest” refers to appropriately managing transactions that may cause a conflict of interest in order not to harm interests of customers unfairly as increasingly sophisticated financial transactions more likely lead to a conflict of interest between customers and financial institutions.

The Bank executes its business not to harm interests of customers unfairly, concerning transactions that may cause a conflict of interest “between a customer and the Bank or its affiliate” and “between customers of the Bank and its affiliates,” in accordance with laws and regulations.

Personal information protection and management

While advanced information and communication technology represented by the Internet, social media, cloud services and FinTech has brought more convenient services, it has also been pointing to growing importance of appropriate protection and management of personal information.

We established the “Personal Information Protection Policy” and the “Basic Policy on Handling of Specific Personal Information, etc.” as basic policies for appropriate and strict handling of personal information. (These policies are available in Japanese on the Bank’s website.)

Based on these policies, we only use the personal information within the scope informed through our website and leaflet in advance. In addition, to prevent leakage of information, we put various safety management measures in place for administrative procedures and system technologies, and regularly review these measures for improvement.

System for listening to the voice of customers

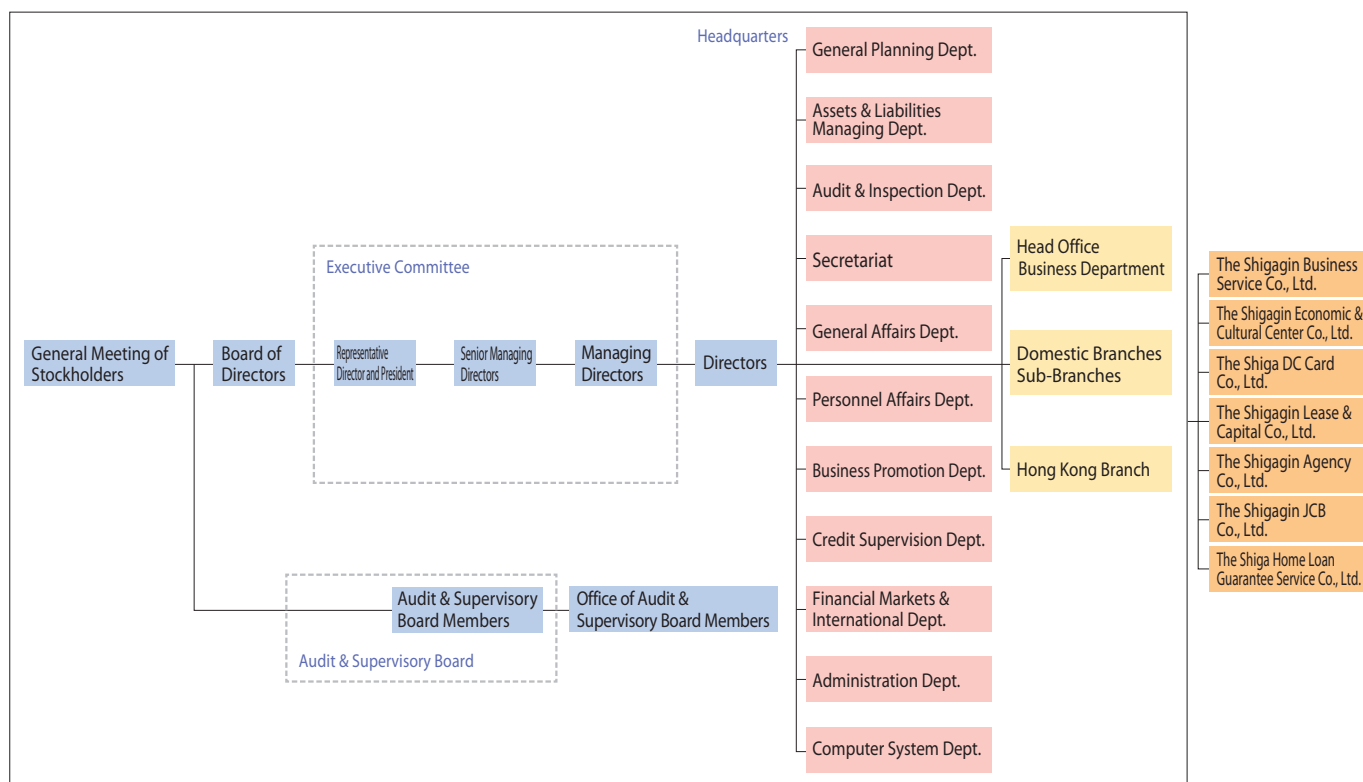
The Bank as a whole is striving to offer and improve customer-oriented products and services by listening to the various “voice” of customers.



FINANCIAL SECTION

Organization Chart

As of July 1, 2021



Consolidated Subsidiary

Company Name

The Shigagin Business Service Co., Ltd.
 The Shigagin Economic & Cultural Center Co., Ltd.
 The Shiga DC Card Co., Ltd.
 The Shigagin Lease & Capital Co., Ltd.

The Shigagin Agency Co., Ltd.
 The Shigagin JCB Co., Ltd.
 The Shiga Home Loan Guarantee Service Co., Ltd.

Profile

(As of March 31, 2021)

Corporate Name : THE SHIGA BANK, LTD.
 Head Office : 1-38, Hamamachi, Otsu, Shiga 520-8686, Japan
 Established : October 1, 1933
 Total Assets : ¥7,769.4 billion
 Deposits (including negotiable certificates of deposits) : ¥5,467.4 billion
 Loans : ¥4,020.2 billion
 Common Stock : ¥33.0 billion
 Employees : 1,983
 Offices and Branches : 133 (including 25 agents)

Financial Section

The Shiga Bank, Ltd. and Consolidated Subsidiaries

Consolidated Five-year Summary

	Millions of yen				
	2021	2020	2019	2018	2017
As of March 31					
Total assets	¥7,793,748	¥6,285,002	¥6,115,271	¥5,875,040	¥5,539,561
Investment securities	1,586,506	1,307,107	1,352,017	1,346,672	1,467,592
Loans and bills discounted	4,001,698	3,859,363	3,779,056	3,618,866	3,461,905
Deposits	5,398,851	4,886,433	4,849,187	4,685,466	4,516,648
Total equity	495,469	375,801	402,227	407,905	374,246
Years ended March 31					
Total income	88,496	93,873	98,586	90,537	90,162
Total expenses	75,444	76,084	77,587	70,644	69,412
Income before income taxes	13,051	17,788	20,998	19,892	20,749
Net income attributable to owners of the parent	11,448	12,412	14,681	13,884	14,895
Per share data (in yen)					
Cash dividends	¥ 40.00	¥ 40.00	¥ 42.50	¥ 40.00	¥ 8.00
Net income	228.12	243.05	282.24	266.68	57.21
Net equity	9,958.46	7,482.34	7,863.37	7,832.18	1,425.41
Ratio					
Capital ratio	17.19%	14.12%	15.68%	16.98%	16.67%
ROE	2.62%	3.19%	3.62%	3.56%	4.18%

Financial review (Consolidated basis)

The Japanese economy in the fiscal year ended March 31, 2021 struggled with adversity caused by the COVID-19 pandemic both inside and outside the country. However, the economy was basically on a recovery track thanks to the government's active economic measures and ongoing monetary easing, and in February 2021, the Nikkei Stock Average surged to a historical high in thirty and a half years. Economic trends showed extreme opposite outcomes depending on the business sector. Economic sentiment in the manufacturing sector, which is highly dependent on external demand, significantly improved as overseas economies such as in the US and China recovered in the summer and thereafter. Meanwhile, the non-manufacturing sector saw a pronounced slowdown in recovery, weighed down by self-restraint on outings and shortened store business hours under the state of emergency re-declared in metropolitan areas across Japan.

Production in Shiga Prefecture's manufacturing industry is turning to recovery. On the demand front, while personal spending remains sluggish for some sectors and products, overall, it is performing steadily with ongoing recovery. On the other hand, despite signs of improvement in housing investments, private capital expenditures and public investment continue to deteriorate.

Balance sheets

Total assets at fiscal year-end stood at ¥7,793,748 million, a year-on-year increase of ¥1,508,746 million. With regards to the main account balance of assets, securities stood at ¥1,586,506 million (an increase of ¥279,398 million from the end of the previous fiscal year), and loans and bills discounted totaled ¥4,001,698 million (an increase of ¥142,335 million from the end of the previous fiscal year).

In liabilities, total liabilities increased by ¥1,389,078 million from the end of the previous fiscal year to ¥7,298,278 million.

With regards to the main account balance of liabilities, deposits totaled ¥5,398,851 million (an increase of ¥512,417 million from the end of the previous fiscal year), negotiable certificates of deposit ¥49,560 million (a decrease of ¥17,123 million from the end of the previous fiscal year), call money ¥516,077 million (an increase of ¥379,691 million from the end of the previous fiscal year), payables under securities lending transactions ¥272,654 million (an increase of ¥37,116 million from the end of the previous fiscal year), and borrowed money ¥899,055 million (an increase of ¥447,975 million from the end of the previous fiscal year).

Total equity amounted to ¥495,469 million, an increase of ¥119,667 million from the end of the previous fiscal year.

This is mainly due to year-on-year increases of ¥12,006 million in retained earnings and ¥92,863 million in net unrealized gains on available-for-sale securities.

Statements of operations

Regarding income, total income posted a year-on-year decrease of ¥2,786 million to ¥86,084 million, mainly due to a decrease in interest income primarily resulting from a decrease in interest on loans and discounts. Meanwhile, total expenses increased by ¥18 million from the previous fiscal year to ¥75,014 million, mainly due to an increase in other expenses primarily resulting from an increase in provision of allowance for possible loan losses, offsetting a decrease in fund procurement costs primarily resulting from decreases in interest on deposits, interest expenses on securities lending transactions as well as interest on borrowing and rediscounts.

As a result, the Bank posted income before income taxes for the fiscal year under review of ¥11,070 million, down ¥2,804 million year-on-year. Net income attributable to owners of parent was ¥11,448 million, down ¥964 million year-on-year.

Furthermore, comprehensive income increased by ¥144,777 million from the previous fiscal year to ¥122,660 million, primarily

resulting from an increase in net unrealized gains on available-for-sale securities.

Additionally, as the Group consists of a single segment in the banking business, business results by segment are not provided.

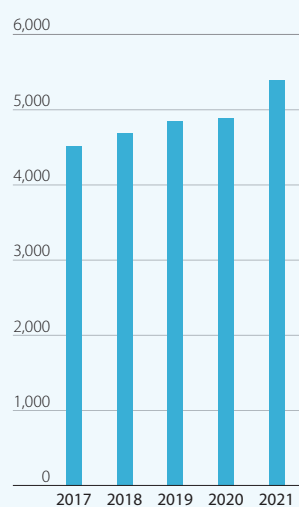
Cash flows

The Group's status of cash flows for the fiscal year under review is as follows.

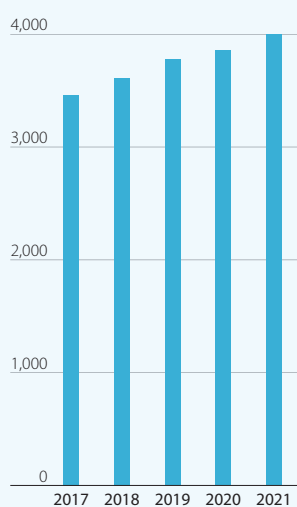
Net cash provided by operating activities was ¥1,239,206 million, an increase in inflow of ¥1,107,945 million year-on-year, mainly due to increases in deposits, borrowed money and call money, which are the sources of fund procurement. Net cash used in investing activities was ¥126,663 million, an increase in outflow of ¥133,390 million year-on-year, mainly due to an increase in purchases of securities resulting from efforts to efficiently manage investment. Net cash used in financing activities was ¥34,337 million, an increase in outflow of ¥20,026 million year-on-year, primarily due to redemption of bonds with stock acquisition rights (¥21,392 million) and repayment of subordinated loans (¥10,000 million).

As a result, cash and cash equivalents as of the end of the fiscal year under review amounted to ¥2,012,295 million, an increase of ¥1,078,207 million year-on-year.

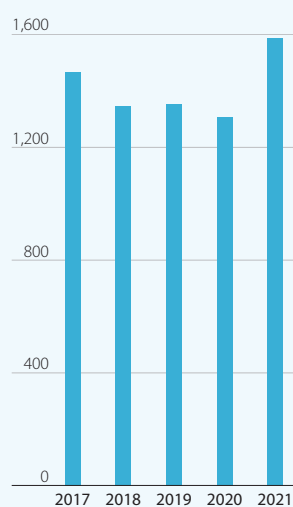
Deposits
(Billions of yen)



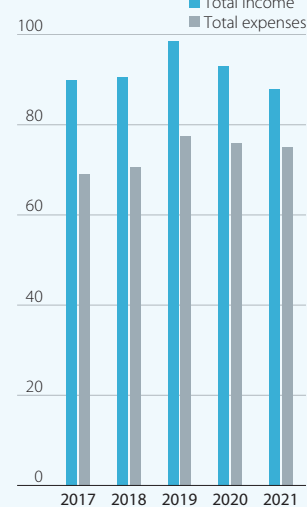
Loans and bills discounted
(Billions of yen)



Investment securities
(Billions of yen)



Total income and expenses
(Billions of yen)



Consolidated Balance Sheet

As of March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Assets			
Cash and due from banks (Notes 3 and 32)	¥2,013,251	¥ 934,834	\$18,184,906
Call loans and bills bought.....	10,000	4,679	90,326
Debt purchased.....	4,218	3,805	38,099
Trading securities (Note 4).....	567	298	5,121
Money held in trust (Note 5).....	14,476	14,424	130,756
Investment securities (Notes 4, 12, 20 and 32)	1,586,506	1,307,107	14,330,286
Loans and bills discounted (Notes 7, 12, 13, 32 and 38)	4,001,698	3,859,363	36,145,768
Foreign exchange assets (Note 8).....	8,334	7,909	75,277
Other assets (Notes 9, 12 and 38).....	98,021	97,636	885,385
Tangible fixed assets (Notes 10, 11, and 14)	47,667	52,843	430,557
Intangible fixed assets.....	1,855	1,960	16,755
Asset for retirement benefits (Note 30).....	12,969	—	117,143
Deferred tax assets (Note 31).....	626	614	5,654
Customers' liabilities for acceptances and guarantees (Notes 20 and 38).....	27,246	27,475	246,102
Allowance for loan losses.....	(33,692)	(27,952)	(304,326)
Total assets	7,793,748	6,285,002	70,397,868
Liabilities			
Deposits (Notes 12, 15 and 32)	5,398,851	4,886,433	48,765,703
Negotiable certificates of deposit (Note 32)	49,560	66,683	447,656
Call money and bills sold (Notes 12 and 32).....	516,077	136,386	4,661,521
Payables under securities lending transactions (Notes 12 and 32).....	272,654	235,538	2,462,776
Borrowed money (Notes 12, 16 and 32)	899,055	451,079	8,120,811
Foreign exchange liabilities (Note 8).....	303	40	2,736
Bonds with stock acquisition rights (Note 17)	—	21,766	—
Borrowed money from trust account (Note 18)	166	—	1,499
Other liabilities (Notes 19 and 38).....	53,645	45,988	484,554
Liability for retirement benefits (Note 30).....	143	1,841	1,291
Liability for retirement benefits of directors and Audit & Supervisory Board Members.....	5	5	45
Liability for reimbursement of deposits.....	267	379	2,411
Allowance for repayment of excess interest	20	25	180
Reserve for other contingent losses.....	156	182	1,409
Deferred tax liabilities (Note 31).....	74,522	28,627	673,127
Deferred tax liabilities for land revaluation (Note 14).....	5,602	6,747	50,600
Acceptances and guarantees (Notes 20 and 38).....	27,246	27,475	246,102
Total liabilities	7,298,278	5,909,200	65,922,482
Equity (Notes 21, 22 and 36)			
Common stock, authorized, 100,000,000 shares; issued, 53,090,081 shares as of March 31, 2021 and 2020.....	33,076	33,076	298,762
Capital surplus.....	24,536	24,536	221,624
Stock acquisition rights.....	84	131	758
Retained earnings.....	232,289	220,282	2,098,175
Treasury stock – at cost 3,345,006 shares and 2,882,579 shares as of March 31, 2021 and 2020, respectively	(9,116)	(8,184)	(82,341)
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities (Notes 4 and 6).....	195,174	102,311	1,762,930
Deferred gains (losses) on derivatives under hedge accounting	1,634	(8,351)	14,759
Land revaluation surplus (Note 14).....	8,532	11,103	77,066
Defined retirement benefit plans.....	9,257	894	83,614
Total equity	495,469	375,801	4,475,377
Total liabilities and equity	¥7,793,748	¥6,285,002	\$70,397,868

See Notes to Consolidated Financial Statements.

Consolidated Statement of Income

Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Income (Note 37)			
Interest income:			
Interest on loans and discounts.....	¥34,569	¥36,958	\$312,248
Interest and dividends on securities	12,154	13,152	109,782
Other interest income.....	312	236	2,818
Trust fees.....	2	—	18
Fees and commissions.....	16,539	15,621	149,390
Other operating income (Note 23)	15,210	19,099	137,385
Other income (Note 24)	9,707	8,804	87,679
Total income	88,496	93,873	799,349
Expenses			
Interest expenses:			
Interest on deposits.....	917	2,135	8,282
Interest on borrowing and rediscounts	1,023	3,237	9,240
Other interest expenses.....	1,343	2,144	12,130
Fees and commissions.....	4,563	4,574	41,215
Other operating expenses (Note 25)	14,257	16,424	128,777
General and administrative expenses	41,670	41,449	376,388
Other expenses (Note 26)	11,668	6,119	105,392
Total expenses	75,444	76,084	681,456
Income before income taxes	13,051	17,788	117,884
Income taxes (Note 31)			
Current	6,390	5,018	57,718
Deferred	(4,787)	357	(43,239)
Net income	11,448	12,412	103,405
Net income attributable to owners of the parent	¥11,448	¥12,412	\$103,405
	Yen		U.S. dollars
	2021	2020	2021
Per share information (Note 35)			
Basic net income.....	¥228.12	¥243.05	\$ 2.061
Diluted net income	220.43	214.19	1.991
Cash dividends applicable to the year	40.00	40.00	0.361

See Notes to Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Net income	¥ 11,448	¥ 12,412	\$ 103,405
Other comprehensive income (Note 34):			
Net unrealized gains (losses) on available-for-sale securities	92,863	(28,302)	838,795
Deferred gains (losses) on derivatives under hedge accounting	9,985	(4,455)	90,190
Defined retirement benefit plans.....	8,362	(1,771)	75,530
Total other comprehensive income	111,212	(34,529)	1,004,534
Comprehensive income	¥ 122,660	¥ (22,117)	\$ 1,107,939
Attributable to			
Owners of the parent.....	¥ 122,660	¥ (22,117)	\$ 1,107,939

See Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

Years ended March 31, 2021 and 2020

	Thousands	Millions of yen									
		<div>Accumulated Other Comprehensive Income</div>									
	Outstanding number of shares of common stock	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Net unrealized gains on available- for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Land revaluation surplus	Defined retirement benefit plans	Total equity
Balance as of April 1, 2019	51,135	¥33,076	¥24,536	¥129	¥209,664	¥(5,921)	¥130,613	¥(3,895)	¥11,357	¥2,665	¥402,227
Changes during the year:											
Net income attributable to owners of the parent					12,412						12,412
Cash dividends, ¥40.00 per share					(2,045)						(2,045)
Purchase of treasury stock	(936)					(2,287)					(2,287)
Sales of treasury stock					(2)	24					22
Reversal of land revaluation surplus					254						254
Other changes	8			2			(28,302)	(4,455)	(254)	(1,771)	(34,781)
Net change in the year		—	—	2	10,618	(2,262)	(28,302)	(4,455)	(254)	(1,771)	(26,426)
Balance as of March 31, 2020	50,207	33,076	24,536	131	220,282	(8,184)	102,311	(8,351)	11,103	894	375,801
Changes during the year:											
Net income attributable to owners of the parent					11,448						11,448
Cash dividends, ¥40.00 per share					(2,008)						(2,008)
Purchase of treasury stock	(487)					(1,003)					(1,003)
Sales of treasury stock					(4)	71					67
Reversal of land revaluation surplus					2,571						2,571
Other changes	25			(47)			92,863	9,985	(2,571)	8,362	108,593
Net change in the year		—	—	(47)	12,006	(932)	92,863	9,985	(2,571)	8,362	119,667
Balance as of March 31, 2021	49,745	¥33,076	¥24,536	¥ 84	¥232,289	¥(9,116)	¥195,174	¥1,634	¥8,532	¥9,257	¥495,469

Thousands of U.S. dollars (Note 1)

	Thousands of U.S. dollars (Note 1)									
	Accumulated Other Comprehensive Income									
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Net unrealized gains on available- for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Land revaluation surplus	Defined retirement benefit plans	Total equity
Balance as of March 31, 2020.....	\$298,762	\$221,624	\$1,183	\$1,989,720	\$(73,922)	\$ 924,135	\$(75,431)	\$100,289	\$8,075	\$3,394,463
Changes during the year:										
Net income attributable to owners of the parent				103,405						103,405
Cash dividends, \$0.36 per share				(18,137)						(18,137)
Purchase of treasury stock					(9,059)					(9,059)
Sales of treasury stock				(36)	641					605
Reversal of land revaluation surplus				23,222						23,222
Other changes.....			(424)			838,795	90,190	(23,222)	75,530	980,877
Net change in the year.....	—	—	(424)	108,445	(8,418)	838,795	90,190	(23,222)	75,530	1,080,905
Balance as of March 31, 2021	\$298,762	\$221,624	\$ 758	\$2,098,175	\$(82,341)	\$1,762,930	\$14,759	\$ 77,066	\$83,614	\$4,475,377

See Notes to Consolidated Financial Statements..

Consolidated Statement of Cash Flows

Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Operating activities:			
Income before income taxes	¥ 13,051	¥ 17,788	\$ 117,884
Depreciation	2,445	2,829	22,084
Losses on impairment of long-lived assets	316	949	2,854
Increase in allowance for loan losses	5,739	777	51,838
Decrease in reserve for other contingent losses	(25)	(13)	(225)
Increase in asset for retirement benefits	(12,969)	—	(117,143)
Increase (decrease) in liability for retirement benefits	(1,698)	30	(15,337)
Decrease in liability for retirement benefits of directors and Audit & Supervisory Board Members	(0)	(3)	(0)
Decrease in liability for reimbursement of deposits	(111)	(123)	(1,002)
Decrease in allowance for repayment of excess interest	(4)	(4)	(36)
Interest income	(47,036)	(50,347)	(424,857)
Interest expense	3,284	7,516	29,663
Gains on sales and write-down of investment securities	(2,174)	(4,348)	(19,636)
Gains on money held in trust	(82)	(167)	(740)
Foreign exchange losses (gains)	(1)	1	(9)
Gains on disposals of fixed assets – net	(2,297)	(4,862)	(20,747)
Net increase in loans and bills discounted	(142,335)	(80,306)	(1,285,656)
Net increase in deposits	512,417	37,246	4,628,461
Net decrease in negotiable certificate of deposits	(17,123)	(18,272)	(154,665)
Net increase in borrowed money (excluding subordinated loans)	457,975	93,599	4,136,708
Net increase in due from banks (excluding deposits in Bank of Japan)	(209)	(128)	(1,887)
Net decrease (increase) in call loans and others	(5,733)	161	(51,783)
Net increase in call money and bills sold	379,691	86,397	3,429,599
Net increase in payables under securities lending transactions	37,116	16,542	335,254
Net decrease (increase) in foreign exchange assets	(424)	715	(3,829)
Net increase (decrease) in foreign exchange liabilities	263	(53)	2,375
Net increase in borrowed money from trust account	166	—	1,499
Interest received (cash basis)	47,017	51,653	424,686
Interest paid (cash basis)	(3,785)	(7,109)	(34,188)
Other	20,371	(12,647)	184,003
Subtotal	1,243,843	137,824	11,235,145
Income taxes – paid	(4,637)	(6,564)	(41,884)
Net cash provided by operating activities	1,239,206	131,260	11,193,261
Investing activities:			
Purchases of securities	(866,123)	(486,914)	(7,823,349)
Proceeds from sales of securities	586,382	259,858	5,296,558
Proceeds from redemptions of securities	148,908	228,043	1,345,027
Decrease in money held in trust	—	1,014	—
Purchases of tangible fixed assets	(1,094)	(1,270)	(9,881)
Proceeds from sales of tangible fixed assets	5,927	6,463	53,536
Purchases of intangible fixed assets	(663)	(468)	(5,988)
Net cash provided by (used in) investing activities	(126,663)	6,726	(1,144,097)
Financing activities:			
Repayment of subordinated loans	(10,000)	(10,000)	(90,326)
Redemption of bonds with stock acquisition rights	(21,392)	—	(193,225)
Purchases of treasury stock	(1,003)	(2,287)	(9,059)
Proceeds from sales of treasury stock	67	22	605
Dividends paid	(2,008)	(2,045)	(18,137)
Net cash used in financing activities	(34,337)	(14,310)	(310,152)
Foreign currency translation adjustments on cash and cash equivalents	1	(1)	9
Net increase in cash and cash equivalents	1,078,207	123,674	9,739,020
Cash and cash equivalents, beginning of year	934,088	810,413	8,437,250
Cash and cash equivalents, end of year (Note 3)	¥ 2,012,295	¥ 934,088	\$ 18,176,271

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Years ended March 31, 2021 and 2020

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by THE SHIGA BANK, LTD. (the "Bank") and its significant subsidiaries (together the "Group") in accordance with the provisions set forth in the Companies Act of Japan, the Japanese Financial Instruments and Exchange Act, and the Japanese Banking Act and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

Certain items presented in the consolidated financial statements submitted to the Director of the Kanto Finance Bureau in Japan have been reclassified in these accounts for the convenience of readers outside Japan.

Amounts in yen of respective accounts included in the accompanying consolidated financial statements and notes thereto are stated in millions of yen by discarding fractional amounts less than ¥1 million. Therefore, total or subtotal amounts do not necessarily tie in with the aggregation of such account balances.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥110.71 to U.S.\$1, the rate of exchange at March 31, 2021, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen amounts have been or could be readily converted, realized or settled in U.S. dollar amounts at this rate or any other rates.

2. Summary of significant accounting policies

(a) Principles of consolidation

The accompanying consolidated financial statements for the years ended March 31, 2021 and 2020 include the accounts of the Bank and seven consolidated subsidiaries and the Bank and nine consolidated subsidiaries, respectively.

The consolidated subsidiaries' respective fiscal periods end March 31 for the years ended March 31, 2021 and 2020.

The Bank has four other nonconsolidated subsidiaries in 2021 and 2020, in which investments are not accounted for by the equity method because their net income (the portion corresponding to the Bank's equity), retained earnings (as above) and accumulated other comprehensive income (as above) have no material impact on the Group's financial position or business performance.

All significant intercompany transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

(b) Cash equivalents

For the purpose of reporting cash flows, cash and cash equivalents are defined as cash and due from the Bank of Japan.

(c) Trading securities

Trading securities held by the Bank are stated at fair value at the fiscal year end (cost of sales, in principle, is computed by the moving-average method).

(d) Investment securities

i. Marketable securities held for trading purposes are stated at fair value (cost of sales, in principle, is computed by the moving-average method).

Securities held to maturity are stated at amortized cost (straight-line method) using the moving-average method. Securities available-for-sale for which current value can be estimated are stated at fair value at the fiscal year end. Securities whose fair value cannot be reliably determined are stated at cost using the moving-average method. Valuation gains/losses on securities available for sale are included in net assets, net of income taxes (cost of sales, in principle, is computed by the moving-average method).

ii. Marketable securities included in money held in trust by the Bank are treated as trust assets and are stated at fair value at the fiscal year-end.

iii. Beneficiary rights included in "debt purchased" are stated using the same methods described in (i) above.

(e) Derivatives and hedging activities

Under the Accounting Standards for Financial Instruments, derivatives are stated at fair value unless they are used for hedging purposes.

i. Interest rate risk hedges

The Bank applies deferred hedge accounting to hedge transactions against interest rate risk arising from financial assets and liabilities which includes the method of designating hedging instruments to hedged items as well as the method stipulated in "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Committee Practical Guidelines No. 24, October 8, 2020).

With regard to the assessment of hedge effectiveness, for the hedges that offset the fluctuations in the fair value of fixed interest rates classified as available-for-sale securities, interest rate swaps are assigned to hedged items collectively by bond type as the hedging instrument. The Bank designates the hedges so as to ensure that the important conditions related to the hedged items and hedging instruments are largely identical; therefore the hedges are considered to be highly effective, and the assessment of the effectiveness is based on the similarity of the conditions.

With regard to the effectiveness of cash flow hedges, hedge effectiveness is assessed by verifying the relationship of the interest rate fluctuation factors of the hedged items and the hedging instruments.

ii. Currency exchange risk hedges

Regarding the hedge accounting method applied to hedging transactions against currency exchange risk arising from assets and liabilities in foreign currencies, the Bank applies deferred hedge accounting stipulated in "Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Committee Practical Guidelines No. 25, October 8, 2020).

The Bank assesses the effectiveness of exchange swaps executed to reduce the risk of changes in currency exchange rates with fund swap transactions by verifying that there exist foreign currency positions of the hedging instruments corresponding to the foreign currency monetary claims and debts to be hedged.

Fund swap transactions are foreign exchange transactions that are contracted for the purpose of lending or borrowing funds in different currencies. These transactions consist of spot foreign exchange either bought or sold and forward foreign exchange either bought or sold.

(f) Bills discounted

Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Committee Practical Guidelines No. 24. The Bank has rights to sell or pledge bank acceptances bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions.

(g) Tangible fixed assets (except for lease assets)

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation for buildings and equipment of the Bank is computed using the declining-balance method at a rate principally based on the estimated useful lives of the assets. However, buildings purchased on or after April 1, 1998 (excluding fittings and equipment), and fittings and equipment and structures purchased on or after April 1, 2016, are depreciated using the straight-line method.

The range of useful lives is principally from 3 to 50 years for buildings and from 3 to 20 years for equipment.

Depreciation of tangible fixed assets owned by subsidiaries is computed principally using the declining-balance method over the estimated useful lives of the assets.

Under certain conditions such as exchanges of fixed assets of similar kinds and sales and purchases resulting from expropriation, Japanese tax acts permit companies to defer the profit arising from such transactions by reducing the cost of the assets acquired or by providing a special reserve in the equity section. The Bank adopted the former treatment and reduced the cost of the assets acquired by ¥3,538 million (\$31,957 thousand) and ¥3,538 million at March 31, 2021 and 2020, respectively.

(h) Long-lived assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

Accumulated impairment losses are directly deducted from the respective fixed assets.

(i) Intangible fixed assets (except for lease assets)

Depreciation for intangible fixed assets is computed under the straight-line method. Development costs for internally used software are capitalized and depreciated using the straight-line method over the estimated useful lives of 5 years.

(j) Lease assets

Lease assets in "Tangible fixed assets" or "Intangible fixed assets" of the finance leases other than those that were deemed to transfer the ownership of the leased property to the lessee are computed under the straight-line method over the lease term with zero residual value unless residual value is guaranteed by the corresponding lease contracts.

(k) Allowance for loan losses

Allowance for loan losses of the Bank is provided as detailed below, pursuant to internal rules for write-offs and allowances.

For debtors who are legally bankrupt (bankrupt, under special liquidation, or subject to legal bankruptcy proceedings) or virtually bankrupt (in a similar situation), an allowance is provided based on the amount of claims, after the write-off stated below, net of amounts expected to be collected through disposal of collateral or execution of guarantees. For loans to debtors who are likely to go bankrupt, an allowance is provided for the amount considered to be necessary based on an overall solvency assessment performed for the amount of such loans, net of amounts deemed collectible through disposal of collateral or execution of guarantees, using the following methods.

- (i) For large debtors with credit exposure above a certain amount, an allowance is provided for the non-protected amount, net of an estimate of the amount collectible through cash flow based on a comprehensive assessment of the debtor's situation (cash flow deduction method).
- (ii) For loans to debtors other than (i), an allowance is provided for the expected losses for the subsequent three years. Expected losses are determined based on the average loan loss ratio over a certain period of time calculated using historical loan loss experience over three years, with required adjustments for future forecasts and others.

For loans to other debtors, with regard to debtors who are recognized as having good business conditions and no particular problems with their financial conditions (hereinafter, "normal debtors") and debtors who require careful management (hereinafter, "debtors on close watch") such as debtors that have problems with loan terms, debtors with performance issues, debtors with weak or unstable business conditions, and debtors that have problems with their financial conditions, an allowance is provided for the expected losses for subsequent one year. Among the debtors on close watch, for debtors whose loans are in need of management (restructured loans and loans that are delinquent for three months or more), an allowance is provided for the expected losses for the subsequent three years. Expected losses are determined based on the average loan loss ratio over a certain period of time calculated using historical loan loss experience over one year or three years, with required adjustments for future forecasts and others.

*Necessary revision and determination method of the expected loss ratio due to future forecasts, etc.

The expected loss ratio used in the calculation of the allowance is determined by comparing the average value of the most recent three calculation periods with the long-term average value that takes into account the business cycle. The average of the three most recent

calculation periods is calculated after reviewing the current situation, future forecasts, and other necessary adjustments.

All loans are assessed by the branches and the operating divisions based on the Bank's internal rules for self-assessment of assets. The Asset Assessment Division, which is independent from the branches and the operating divisions, subsequently conducts audits of their assessments, and an allowance is provided based on the audit results.

For collateralized or guaranteed claims to debtors who are legally bankrupt or virtually bankrupt, the amount deemed unrecoverable, which is the amount of claims exceeding the estimated value of collateral or guarantees, has been written off and amounted to ¥9,584 million (\$86,568 thousand) and ¥10,906 million as of March 31, 2021 and 2020, respectively.

Allowance for loan losses of the Bank's consolidated subsidiaries is provided based on historical loan loss experience in addition to amounts deemed necessary based on estimation of the collectability of specific claims.

(l) Retirement and Pension Plans

The Bank has a contributory funded pension plan and lump-sum severance payment plan. Consolidated subsidiaries have unfunded lump-sum severance payment plans.

The projected benefit obligations are attributed to periods on a benefit formula basis. Past service costs are amortized on a straight-line basis over 10 years within the average remaining service period.

Actuarial gains and losses are amortized on a straight-line basis over 10 years within the average remaining service period from the fiscal year following the respective fiscal year in which the difference is recognized.

Consolidated subsidiaries adopt a simplified method where the amount to be required for voluntary termination at the fiscal year end is recorded as projected benefit obligations in the calculation of their liability for retirement benefits and retirement benefit costs.

(m) Liability for retirement of directors and Audit & Supervisory Board Members

Consolidated subsidiaries provide Liability for retirement benefits of directors and Audit & Supervisory Board Members at the amount required if they all retired at the fiscal yearend, calculated based on the internal rules of the Group.

(n) Liability for reimbursement of deposits

Liability for reimbursement of deposits that were derecognized as liabilities under certain conditions is provided for losses on the future claims of withdrawal based on historical reimbursement experience.

(o) Allowance for repayment of excess interest

Allowance for repayment of excess interest is provided at the estimated amount based on payment experience that the Bank's consolidated subsidiaries may be required to refund upon customers' claims.

(p) Reserve for other contingent losses

The Bank provides reserves for contingent liabilities not covered by other reserves in an amount deemed necessary based on estimated losses in the future.

(q) Foreign currency transactions

Receivables and payables in foreign currencies and foreign branch accounts are translated into Japanese yen principally at the rates prevailing at the balance sheet dates.

(r) Accounting for leases

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions.

i. As lessee

Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the balance sheet.

ii. As lessor

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were to be treated

as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information is disclosed in the notes to the lessor's financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee should be recognized as lease receivables and all finance leases that are deemed not to transfer ownership of the leased property to the lessee should be recognized as investments in leases.

Lease revenue and lease costs are recognized over the lease period.

(s) Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax rates to the temporary differences.

(t) Appropriations of retained earnings

The consolidated statements of changes in equity reflect the appropriation resolved by the general shareholders' meeting when duly resolved and paid.

(u) Per share information

Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the fiscal year.

(v) Significant accounting estimates

Items for which the amount was recorded in the consolidated financial statements for the current fiscal year based on accounting estimates, and which may have a significant impact on the consolidated financial statements for the following fiscal year, are as follows.

Allowance for loan losses

(1) Amounts recorded in the consolidated financial statements for the year ended March 31, 2021

Allowance for loan losses ¥33,692 million (\$304,326 thousand)

(2) Information that contributes to an understanding of the content of significant accounting estimates for identified items

i. Calculation method

The method of calculating the allowance for loan losses is described in "(k) Allowance for loan losses" in "2. Summary of significant accounting policies." In addition, based on the following assumptions, in order to prepare for expected losses due to such impacts, the Bank has recorded an allowance for loan losses by revising the debtor classifications based on the current deterioration in business performance and estimates related to impacts that are not yet reflected in financial information.

ii. Major assumptions

The major assumption is the "future forecasts of business environments of the borrower in determining the debtor classifications." It is set based on the individual evaluation of each debtor's ability to earn income. In addition, assumptions regarding the impact of the novel coronavirus infection that may have a significant impact on the "future forecasts of business environments of the borrower in determining the debtor classifications" are as follows.

Assumptions regarding the impact of novel coronavirus infections
Since the end of September 2020, the Group has been making accounting estimates for the allowance for loan losses, etc. based on the assumption

that the spread of the novel coronavirus infection would continue to be a constraint on various economic activities and that the economy would only enter a full-scale recovery phase in April 2021 or later.

However, based on the recognition that the spread of the novel coronavirus infection was not yet under control as of the end of March 2021, the Group has revised its assumptions regarding the impact of the novel coronavirus infection as follows.

Assumptions regarding the impact of novel coronavirus infections as of the end of March 2021

The spread of the novel coronavirus infection continues to be a constraint on various economic activities, and the economy will only enter a full-scale recovery phase in April 2022 or later.

iii. Impacts on the consolidated financial statements for the following fiscal year

The Group conducts strict self-assessment and takes measures such as setting aside an allowance for loan losses as deemed necessary. However, due to the high degree of uncertainty in the above assumptions, changes in the assumptions used for the initial estimates due to changes in the performance of individual borrowers or other factors, as well as the future spread of the novel coronavirus infection and its impact on the economy, may have a significant impact on the allowance for loan losses in the consolidated financial statements for the following fiscal year (ending March 31, 2022) and thereafter.

In addition, the uncertainty may grow even greater when the determination of the debtor classifications depends on future forecasts of business environments, such as the business improvement plan of the borrower.

(w) New accounting pronouncements

"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 issued in March 2020)

"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30 issued in March 2021)

(1) Summary

ASBJ developed a comprehensive accounting standard for revenue recognition. Revenue is recognized by applying the following five steps:

Step 1: Identify the contract with the customer

Step 2: Identify the performance obligations under the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the separate performance obligations under the contract

Step 5: Recognize revenue when performance obligations are satisfied or as they are satisfied

(2) Effective date

The Group expects to apply the new standard and guidance effective from the beginning of the year ending March 31, 2022.

(3) Effects of application of the standard and guidance

The effects of the application of the standard and guidance are immaterial.

"Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30 issued in July 2019)

"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31 issued in July 2019)

"Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 issued in July 2019)

"Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 issued in March 2020)

(1) Summary

ASBJ developed and issued "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (hereinafter, "Fair Value Measurement Standard etc.") to enhance comparability of the requirements between the Japanese accounting standards and international accounting standards.

Fair Value Measurement Standard etc. is applied to the fair value of financial instruments as defined in the "Accounting Standard for Financial Instruments."

In addition, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" was revised to include a note on the breakdown of the fair value of financial instruments by level.

(2) Effective date

The Group expects to apply the new standards and guidance effective from the beginning of the year ending March 31, 2022.

(3) Effects of application of the standards and guidance

The impact of the application of the standard and guidance is immaterial.

(x) Changes in presentation

Changes in accordance with the application of the "Accounting Standard for Disclosure of Accounting Estimates"

The "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31 issued in March 2020) has been applied to the consolidated financial statements for the current fiscal year, and notes regarding significant accounting estimates have been included in the "2. Summary of significant accounting policies."

However, in accordance with the transitional treatment set forth in the provision of Paragraph 11 of the said accounting standard, the content related to the previous consolidated fiscal year is not disclosed.

3. Cash and cash equivalents

The reconciliation of "Cash and cash equivalents" and "Cash and due from banks" in the consolidated balance sheets at March 31, 2021 and 2020, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash and due from banks	¥2,013,251	¥934,834	\$18,184,906
Other due from banks	(956)	(746)	(8,635)
Cash and cash equivalents.....	¥2,012,295	¥934,088	\$18,176,271

4. Securities

Securities at March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Japanese government bonds.....	¥ 319,781	¥ 255,059	\$ 2,888,456
Japanese local government bonds	255,705	215,571	2,309,682
Japanese corporate bonds.....	348,263	360,114	3,145,723
Corporate stocks.....	350,016	202,949	3,161,557
Other securities.....	312,738	273,412	2,824,839
Total.....	¥1,586,506	¥1,307,107	\$14,330,286

Securities lent under unsecured loan (bond lending transactions) amounted to ¥16,159 million (\$145,957 thousand) are included in Japanese government bonds of securities at March 31, 2021.

Fair value and other information on securities at March 31, 2021 and 2020 were as follows. Securities include "Trading securities" and trust beneficiary right under "Debt purchased," in addition to "Investment securities," which are presented on the consolidated balance sheet.

Securities

(1) Trading securities

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Losses included in loss during the fiscal year			
Trading securities.....	¥(0)	¥0	\$(0)

(2) Held-to-maturity securities

Held-to-maturity securities as of March 31, 2021 were as follows:

	Millions of yen		
	2021		
	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeding consolidated balance sheet amount:			
Japanese government bonds.....	¥ 6,000	¥ 6,027	¥ 26
Japanese local government bonds	—	—	—
Japanese corporate bonds.....	—	—	—
Others.....	—	—	—
Subtotal	¥ 6,000	¥ 6,027	¥ 26
Fair value not exceeding consolidated balance sheet amount:			
Japanese government bonds.....	¥14,011	¥13,815	¥(195)
Japanese local government bonds	—	—	—
Japanese corporate bonds.....	—	—	—
Others.....	—	—	—
Subtotal	14,011	13,815	(195)
Total	¥20,011	¥19,842	¥(168)

	Thousands of U.S. dollars		
	2021		
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)
Fair value exceeding consolidated balance sheet amount:			
Japanese government bonds.....	\$ 54,195	\$ 54,439	\$ 234
Japanese local government bonds	—	—	—
Japanese corporate bonds.....	—	—	—
Others.....	—	—	—
Subtotal	\$ 54,195	\$ 54,439	\$ 234
Fair value not exceeding consolidated balance sheet amount:			
Japanese government bonds.....	\$126,555	\$124,785	\$(1,761)
Japanese local government bonds	—	—	—
Japanese corporate bonds.....	—	—	—
Others.....	—	—	—
Subtotal	126,555	124,785	(1,761)
Total	\$180,751	\$179,225	\$(1,517)

No securities were classified as held to maturity as of March 31, 2020.

(3) Available-for-sale securities

Available-for-sale securities as of March 31, 2021 and 2020 were as follows:

	Millions of yen		
	2021		
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)
Consolidated balance sheet amount exceeding cost:			
Stocks.....	¥ 337,422	¥ 62,427	¥274,994
Bonds:.....	534,519	527,462	7,056
Japanese government bonds...	155,255	151,698	3,556
Japanese local government bonds	142,816	141,823	993
Japanese corporate bonds.....	236,447	233,940	2,507
Others.....	171,664	166,305	5,359
Subtotal.....	¥1,043,606	¥ 756,195	¥287,410
Consolidated balance sheet amount not exceeding cost:			
Stocks.....	¥ 8,830	¥ 9,372	¥ (541)
Bonds:.....	369,220	373,157	(3,937)
Japanese government bonds...	144,515	147,430	(2,915)
Japanese local government bonds	112,889	113,326	(437)
Japanese corporate bonds.....	111,815	112,399	(584)
Others.....	137,330	143,974	(6,644)
Subtotal.....	515,381	526,504	(11,123)
Total.....	¥1,558,987	¥1,282,700	¥276,287

	Millions of yen		
	2020		
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)
Consolidated balance sheet amount exceeding cost:			
Stocks.....	¥ 184,305	¥ 43,671	¥140,633
Bonds:.....	599,935	589,374	10,560
Japanese government bonds...	192,935	186,981	5,954
Japanese local government bonds	156,305	154,967	1,338
Japanese corporate bonds.....	250,693	247,425	3,268
Others.....	125,837	121,462	4,375
Subtotal.....	¥ 910,077	¥ 754,508	¥155,569

Consolidated balance sheet amount not exceeding cost:			
Stocks.....	¥ 14,790	¥ 18,486	¥ (3,695)
Bonds:.....	230,810	233,457	(2,646)
Japanese government bonds...	62,124	63,534	(1,409)
Japanese local government bonds	59,266	59,583	(317)
Japanese corporate bonds.....	109,420	110,339	(919)
Others.....	143,935	151,230	(7,295)
Subtotal.....	389,536	403,174	(13,637)
Total.....	¥1,299,614	¥1,157,682	¥141,931

	Thousands of U.S. dollars		
	2021		
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)
Consolidated balance sheet amount exceeding cost:			
Stocks.....	\$ 3,047,800	\$ 563,878	\$2,483,912
Bonds:.....	4,828,100	4,764,357	63,734
Japanese government bonds...	1,402,357	1,370,228	32,119
Japanese local government bonds	1,290,000	1,281,031	8,969
Japanese corporate bonds.....	2,135,732	2,113,088	22,644
Others.....	1,550,573	1,502,167	48,405
Subtotal.....	\$ 9,426,483	\$ 6,830,412	\$2,596,061
Consolidated balance sheet amount not exceeding cost:			
Stocks.....	\$ 79,757	\$ 84,653	\$ (4,886)
Bonds:.....	3,335,019	3,370,580	(35,561)
Japanese government bonds...	1,305,347	1,331,677	(26,330)
Japanese local government bonds	1,019,682	1,023,629	(3,947)
Japanese corporate bonds.....	1,009,981	1,015,256	(5,275)
Others.....	1,240,448	1,300,460	(60,012)
Subtotal.....	4,655,234	4,755,704	(100,469)
Total.....	\$14,081,718	\$11,586,125	\$2,495,592

(4) Bonds classified as held to maturity were not sold for the years ended March 31, 2021 and 2020.

(5) Available-for-sale securities sold

	Millions of yen		
	2021		
	Sales amount	Gains on sales	Losses on sales
Stocks.....	¥ 21,189	¥5,375	¥ 277
Bonds:.....	383,233	536	460
Japanese government bonds.....	365,295	338	364
Japanese local government bonds	10,024	25	—
Japanese corporate bonds.....	7,913	172	95
Others.....	126,636	2,213	3,671
Total.....	¥531,059	¥8,125	¥4,409

	Millions of yen		
	2020		
	Sales amount	Gains on sales	Losses on sales
Stocks.....	¥ 6,484	¥2,161	¥ 834
Bonds:.....	44,266	322	—
Japanese government bonds.....	43,159	301	—
Japanese local government bonds	—	—	—
Japanese corporate bonds.....	1,106	20	—
Others.....	139,775	4,143	1,160
Total.....	¥190,526	¥6,627	¥1,995

	Thousands of U.S. dollars		
	2021		
	Sales amount	Gains on sales	Losses on sales
Stocks.....	\$ 191,391	\$48,550	\$ 2,502
Bonds:.....	3,461,593	4,841	4,154
Japanese government bonds.....	3,299,566	3,053	3,287
Japanese local government bonds.....	90,542	225	—
Japanese corporate bonds.....	71,475	1,553	858
Others.....	1,143,853	19,989	33,158
Total.....	\$4,796,847	\$73,389	\$39,824

(6) Reclassification of investment securities due to change in intent of holding

There were no reclassifications of investment securities due to change in intent of holding for the years ended March 31, 2021 and 2020.

(7) Impairment losses on securities

For available-for-sale securities with market quotations (other than securities whose fair value cannot be reliably determined), in cases where the fair value has fallen substantially from the acquisition cost and there is believed to be little likelihood of a recovery in the acquisition cost level, said securities are shown on the balance sheets at fair value and the difference between the fair value and the acquisition cost is posted as a loss (hereinafter "impairment loss").

Impairment losses amounted to ¥1,580 million (\$14,271 thousand) which consisted of stocks of ¥1,574 million (\$14,217 thousand) and bonds of ¥5 million (\$45 thousand); and ¥277 million which consisted of stocks of ¥227 million and bonds of ¥50 million; as of March 31, 2021 and 2020, respectively.

In addition, the Bank recognizes that fair value has fallen significantly based on standards that have been set out in the self-assessment standards for assets by the issuing companies of securities. The details are as follows:

The Bank recognizes that the fair value of available-for-sale securities of legally bankrupt debtors, virtually bankrupt debtors, or debtors who are likely to go bankrupt, has fallen significantly when the fair value of such instruments as of the consolidated balance sheet date has decreased from the acquisition cost. For debtors on close watch, the Bank recognizes that the fair value has fallen significantly when the fair value as of the consolidated balance sheet date has decreased 30% or more from the acquisition cost. For normal debtors, it recognizes this when the fair value as of the consolidated balance sheet date has fallen 50% or more from the acquisition cost or when the fair value as of the consolidated balance sheet date has fallen 30% or more from the acquisition cost and the market prices remain below certain levels.

Debtors on close watch are defined as those who will require close monitoring in the future and normal debtors are defined as those other than legally bankrupt debtors, virtually bankrupt debtors, debtors who are likely to go bankrupt, or debtors on close watch.

5. Money held in trust

(1) Money held in trust classified as trading

	Millions of yen			
	2021		2020	
	Consolidated balance sheet amount	Gains (losses) included in profit (loss) during the fiscal year	Consolidated balance sheet amount	Gains (losses) included in profit (loss) during the fiscal year
Money held in trust classified as trading.....	¥14,476	¥(78)	¥14,424	¥116

	Thousands of U.S. dollars	
	2021	
	Consolidated balance sheet amount	Gains (losses) included in profit (loss) during the fiscal year
Money held in trust classified as trading.....	\$130,756	\$(704)

(2) No money held in trust was classified as held to maturity.

(3) No other money held in trust (other than money held in trust for trading purposes and money in trust held to maturity).

6. Net unrealized gains/losses on available-for-sale securities

Available-for-sale securities were valued at market and net unrealized gains/losses on valuation were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net unrealized gains on investment securities.....	¥275,998	¥141,643	\$2,492,981
Deferred tax liabilities.....	(80,824)	(39,331)	(730,051)
Noncontrolling interests.....	—	—	—
Net unrealized gains on available-for-sale securities.....	¥195,174	¥102,311	\$1,762,930

7. Loans and bills discounted

Loans and bills discounted at March 31, 2021 and 2020, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Bills discounted.....	¥ 6,689	¥ 9,462	\$ 60,419
Loans on bills.....	80,025	93,026	722,834
Loans on deeds.....	3,570,766	3,362,284	32,253,328
Overdrafts.....	344,217	394,589	3,109,177
Total.....	¥4,001,698	¥3,859,363	\$36,145,768

Loans in legal bankruptcy totaled ¥259 million (\$2,339 thousand) and ¥213 million as of March 31, 2021 and 2020, respectively. Nonaccrual loans totaled ¥45,486 million (\$410,857 thousand) and ¥37,196 million as of March 31, 2021 and 2020, respectively. Loans in legal bankruptcy are loans in which the interest accrual is discontinued (excluding the portion recognized as bad debts) based on management's judgment of the collectability of principal or interest resulting from the delay in payments of interest or principal for a considerable period of time and other factors. Nonaccrual loans are loans in which the interest accrual is discontinued, other than loans in legal bankruptcy and loans granting deferral of interest payment to the debtors in financial difficulties to assist them in their recovery.

Past due loans (three months or more) as to principal or interest payments totaled ¥136 million (\$1,228 thousand) and ¥177 million as of March 31, 2021 and 2020, respectively. Loans classified as loans in legal bankruptcy and nonaccrual loans are excluded.

Restructured loans totaled ¥25,563 million (\$230,900 thousand) and ¥16,000 million as of March 31, 2021 and 2020, respectively. Such restructured loans are loans on which creditors grant concessions (e.g., reduction of the stated interest rate, deferral of interest payments, extension of maturity dates, waiver of the face amount, or other concessive measures) to the debtors to assist them in recovering from financial difficulties and eventually being able to pay creditors. Loans classified as loans in legal bankruptcy, nonaccrual loans and past due three months or more are excluded.

The total face value of bills discounted at March 31, 2021 and 2020 was ¥6,750 million (\$60,970 thousand) and ¥9,523 million, respectively.

12. Assets pledged

Assets pledged as collateral and related liabilities at March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Investment securities.....	¥696,661	¥616,236	\$6,292,665
Loans and bills discounted.....	889,093	231,307	8,030,828
Other assets (investments in leases)	412	629	3,721

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Related liabilities			
Deposits.....	¥ 25,048	¥ 25,049	\$ 226,248
Call money and bills sold.....	—	18,501	—
Payables under securities lending transactions	272,654	235,538	2,462,776
Borrowed money.....	893,235	437,738	8,068,241

In addition, other assets (deposits to central counterparty) of ¥34,332 million (\$310,107 thousand) and ¥41,071 million at March 31, 2021 and 2020, respectively.

Other assets include guarantee deposits of ¥394 million (\$3,558 thousand) and ¥461 million at March 31, 2021 and 2020, respectively.

13. Overdrafts and commitment lines

Overdraft agreements and commitment line agreements are agreements that oblige the Group to lend funds up to a certain limit agreed in advance. The Group makes the loans upon the request of an obligor to draw down funds under such loan agreements as long as there is no breach of the various terms and conditions stipulated in the relevant loan agreements. The unused commitment balance relating to these loan agreements at March 31, 2021 and 2020 amounted to ¥1,069,313 million (\$9,658,684 thousand) and ¥959,236 million, respectively, and the amounts of unused commitments whose original contract terms are within one year or unconditionally cancelable at any time were ¥973,892 million (\$8,796,784 thousand) and ¥896,110 million at March 31, 2021 and 2020, respectively. In many cases, the term of the agreement expires without the loan ever being drawn down. Therefore, the unused loan commitment will not necessarily affect future cash flows. Conditions are included in certain loan agreements that allow the Group to decline the request for a loan draw down or to reduce the agreed limit amount where there is due cause to do so, such as when there is a change in financial conditions or when it is necessary to do so in order to protect the Group's credit. The Group takes various measures to protect its credit. Such measures include having the obligor pledge collateral to the Group in the form of real estate, securities, etc. on signing the loan agreements or, in accordance with the Group's established internal procedures, confirming the obligor's financial condition, etc. at regular intervals.

14. Land revaluation

Under the "Act of Land Revaluation," promulgated on March 31, 1998 (final revision on May 30, 2003), the Bank elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 2002. The resulting land revaluation surplus represented unrealized appreciation of land and was stated, net of income taxes, as a component of equity. There was no effect on the consolidated statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation surplus account and related deferred tax liabilities. At March 31, 2021 and 2020, the carrying amount of the land after the above one-time revaluation exceeded the fair value by ¥8,242 million (\$74,446 thousand) and ¥9,898 million, respectively.

Method of revaluation

The fair values were determined by applying appropriate adjustments for land shape and analysis on the appraisal specified in Article 2-3 of the Enforcement Ordinance of the Act of Land Revaluation effective March 31, 1998.

15. Deposits

Deposits at March 31, 2021 and 2020, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Current deposits.....	¥ 230,158	¥ 196,966	\$ 2,078,926
Ordinary deposits.....	2,966,522	2,521,215	26,795,429
Deposits at notice.....	68,359	35,606	617,460
Time deposits.....	2,016,827	2,021,652	18,217,207
Other deposits.....	116,984	110,993	1,056,670
Total.....	¥5,398,851	¥4,886,433	\$48,765,703

16. Borrowed money

At March 31, 2021 and 2020, the weighted-average interest rates applicable to borrowed money were 0.03% and 0.43%, respectively.

Borrowed money at March 31, 2021 and 2020, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Subordinated loans.....	¥ —	¥ 10,000	\$ —
Borrowing from banks and other....	899,055	441,079	8,120,811
Total.....	¥899,055	¥451,079	\$8,120,811

Annual maturities of borrowed money at March 31, 2021 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2022	¥786,116	\$7,100,677
2023	41,639	376,108
2024	35,403	319,781
2025	32,271	291,491
2026	89	803
2027 and thereafter.....	3,534	31,921
Total.....	¥899,055	\$8,120,811

17. Bonds

Bonds at March 31, 2021 and 2020, consisted of the following:

	Millions of yen		Thousands of U.S. dollars	Interest rate	Due
	2021	2020	2021		
Convertible bonds with stock acquisition rights (*)	¥—	¥21,766	\$—	—	June 23, 2020

(*) The above convertible bonds with stock acquisition rights were redeemed on June 23, 2020. The description of the said bonds was as follows:

Description of bonds	Unsecured convertible bonds with stock acquisition rights, payable in Euro/U.S. dollars, due June 23, 2020 (subordinated bonds with non-viability write-off clause)
Class of shares to be issued	Ordinary shares of common stock
Issue price for stock acquisition rights	—
Exercise price of shares	\$29.159
Total amount of debt securities issued	\$200,000 thousand
Total amount of shares issued by exercising stock acquisition rights	—
Percentage of shares with stock acquisition rights	100%
Exercise period of stock acquisition rights	From April 7, 2015 to June 9, 2020
Content and amount of assets in case stock acquisition rights are exercised by contributions of non-cash assets	At the time of exercise of the respective stock acquisition rights, the bonds pertaining to the stock acquisition rights shall be contributed, and the price of such bonds shall be the same amount as their face value.

18. Borrowed money from trust account

Principal amounts of trusts with a principal compensation agreement at March 31, 2021 were ¥166 million (\$1,499 thousand).

19. Other liabilities

Other liabilities at March 31, 2021 and 2020, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Accrued income taxes	¥ 3,677	¥ 1,876	\$ 33,212
Accrued expenses	3,519	4,688	31,785
Unearned income	8,881	8,893	80,218
Derivatives	10,561	15,107	95,393
Other	27,005	15,421	243,925
Total	¥53,645	¥45,988	\$484,554

20. Acceptances and guarantees

All contingent liabilities arising from acceptances and guarantees are reflected in "Acceptances and guarantees." As a contra account, "Customers' liabilities for acceptances and guarantees," is shown as an asset representing the Bank's right of indemnity from the applicants.

The amounts of "Acceptances and guarantees" and "Customers' liabilities for acceptances and guarantees" amounting to ¥23,516 million (\$212,410 thousand) and ¥27,537 million as of March 31, 2021 and 2020, respectively, were set off because those which were relevant to corporate bonds and the guaranteed bonds were held by the Bank itself.

21. Equity

(1) Capital stock and capital surplus

The Bank implemented a 1-for-5 reverse stock split on October 1, 2018. As a result, the number of shares of common stock issued decreased from 265,450 thousand shares to 53,090 thousand shares. The numbers of shares in the consolidated statement of changes in equity are calculated on the assumption that the reverse stock split was implemented on April 1, 2017.

(2) Companies Act

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as: (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Bank cannot do so because it does not meet all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% (20% for banks pursuant to the Banking Act) of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the total of the aggregate amount of legal reserve and additional paid-in capital equals 25% (100% for banks pursuant to the Banking Act) of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders that is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

(3) Appropriations of retained earnings

The following appropriation of retained earnings at March 31, 2021 will be proposed at the Bank's ordinary general shareholders' meeting held on June 25, 2021.

	Millions of yen	Thousands of U.S. dollars
Cash dividends (dividend amount per share: ¥22.5 (\$0.203))	¥1,119	\$10,107

22. Stock options

The stock options outstanding as of March 31, 2021, are as follows:

Description	Persons granted	Number of options granted (*)	Date of grant	Exercise price	Exercise period
2013 Stock Option	2 directors	1,980 shares	August 20, 2013	¥ 1 (\$ 0.01)	From August 21, 2013 to August 20, 2043
2014 Stock Option	3 directors	2,660 shares	August 20, 2014	¥ 1 (\$ 0.01)	From August 21, 2014 to August 20, 2044
2015 Stock Option	3 directors	2,620 shares	August 20, 2015	¥ 1 (\$ 0.01)	From August 21, 2015 to August 20, 2045
2016 Stock Option	3 directors	4,240 shares	August 19, 2016	¥ 1 (\$ 0.01)	From August 20, 2016 to August 19, 2046
2017 Stock Option	4 directors	4,460 shares	August 18, 2017	¥ 1 (\$ 0.01)	From August 19, 2017 to August 18, 2047
2018 Stock Option	4 directors	4,580 shares	August 20, 2018	¥ 1 (\$ 0.01)	From August 21, 2018 to August 20, 2048
2019 Stock Option	5 directors	6,400 shares	August 20, 2019	¥ 1 (\$ 0.01)	From August 21, 2019 to August 20, 2049
2020 Stock Option	6 directors	7,900 shares	August 20, 2020	¥ 1 (\$ 0.01)	From August 21, 2020 to August 20, 2050

(*) The number of options granted has been restated, as appropriate, to reflect a 1-for-5 reverse stock split on October 1, 2018.

The stock option activity is as follows:

	2013 Stock Option	2014 Stock Option	2015 Stock Option
Year Ended March 31, 2021			
<u>Non-vested</u>			
April 1, 2020—Outstanding	—	—	—
Granted	—	—	—
Canceled	—	—	—
Vested	—	—	—
March 31, 2021—Outstanding	—	—	—
<u>Vested</u>			
April 1, 2020—Outstanding	4,780	5,860	5,760
Vested	—	—	—
Exercised	(2,800)	(3,200)	(3,140)
Canceled	—	—	—
March 31, 2021—Outstanding	1,980	2,660	2,620

	2016 Stock Option	2017 Stock Option	2018 Stock Option
Year Ended March 31, 2021			
<u>Non-vested</u>			
April 1, 2020—Outstanding	—	—	—
Granted	—	—	—
Canceled	—	—	—
Vested	—	—	—
March 31, 2021—Outstanding	—	—	—
<u>Vested</u>			
April 1, 2020—Outstanding	8,680	8,140	8,200
Vested	—	—	—
Exercised	(4,440)	(3,680)	(3,620)
Canceled	—	—	—
March 31, 2021—Outstanding	4,240	4,460	4,580
	2019 Stock Option	2020 Stock Option	
Year Ended March 31, 2021			
<u>Non-vested</u>			
April 1, 2020—Outstanding	2,670	—	
Granted	—	7,900	
Canceled	—	—	
Vested	(2,670)	(5,925)	
March 31, 2021—Outstanding	—	1,975	
<u>Vested</u>			
April 1, 2020—Outstanding	8,010	—	
Vested	2,670	5,925	
Exercised	(4,280)	—	
Canceled	—	—	
March 31, 2021—Outstanding	6,400	5,925	

	2013 Stock Option	2014 Stock Option	2015 Stock Option
Exercise price	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)
Average stock price at exercise (*)	¥2,460 (\$22.22)	¥2,460 (\$22.22)	¥2,460 (\$22.22)
Fair value price at grant date (*)	¥2,640 (\$23.85)	¥2,945 (\$26.60)	¥3,170 (\$28.63)
	2016 Stock Option	2017 Stock Option	2018 Stock Option
Exercise price	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$0.01)
Average stock price at exercise (*)	¥2,460 (\$22.22)	¥2,460 (\$22.22)	¥2,460 (\$22.22)
Fair value price at grant date (*)	¥2,365 (\$21.36)	¥2,785 (\$25.16)	¥2,800 (\$25.29)

	2019 Stock Option	2020 Stock Option
Exercise price	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)
Average stock price at exercise (*)	¥2,460 (\$22.22)	¥ — (\$ —)
Fair value price at grant date (*)	¥2,204 (\$19.91)	¥2,359 (\$21.31)

(*) Average stock price at exercise and fair value price at grant date have been restated, as appropriate, to reflect a 1-for-5 reverse stock split on October 1, 2018.

The Assumptions Used to Measure the Fair Value of the 2020 Stock Option

Estimate method:	Black-Scholes option-pricing model
Volatility of stock price:	27.250%
Estimated remaining outstanding period:	3 years and 0 months
Estimated dividend:	¥40.00 (\$0.36) per share
Risk free interest rate:	0.122% negative

23. Other operating income

Other operating income for the years ended March 31, 2021 and 2020, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Gains on foreign exchange transactions-net.....	¥ 701	¥ 532	\$ 6,331
Gains on sales of bonds.....	2,603	4,611	23,511
Gains on redemption of bonds.....	50	—	451
Gains on derivative financial instruments.....	250	—	2,258
Other.....	11,604	13,955	104,814
Total.....	¥15,210	¥19,099	\$137,385

24. Other income

Other income for the years ended March 31, 2021 and 2020, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Gains on sales of stocks and other securities.....	¥5,542	¥2,381	\$50,058
Recovery of claims previously charged-off.....	366	395	3,305
Other.....	3,798	6,027	34,305
Total.....	¥9,707	¥8,804	\$87,679

25. Other operating expenses

Other operating expenses for the years ended March 31, 2021 and 2020, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Losses on sales of government bonds.....	¥ 3,617	¥ 1,354	\$ 32,670
Amortization of bonds.....	5	—	45
Expenses on derivatives other than for hedging.....	—	2,137	—
Other.....	10,634	12,932	96,052
Total.....	¥14,257	¥16,424	\$128,777

26. Other expenses

Other expenses for the years ended March 31, 2021 and 2020, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Provision of allowance for loan losses.....	¥ 7,459	¥2,172	\$ 67,374
Losses on sales of stocks and other securities.....	823	998	7,433
Charge-off of loans and bills discounted.....	660	1,052	5,961
Losses on devaluation of stocks and other securities.....	1,575	243	14,226
Losses on disposal of fixed assets....	113	139	1,020
Losses on impairment of long-lived assets.....	316	949	2,854
Other.....	720	563	6,503
Total.....	¥11,668	¥6,119	\$105,392

27. Gains (losses) related to bonds

Gains (losses) related to bonds for the years ended March 31, 2021 and 2020, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Gains (losses) related to bonds including Japanese government bonds:			
Gains on sales of bonds.....	¥ 2,603	¥ 4,611	\$ 23,511
Gains on redemption of bonds.....	50	—	451
Losses on sales of bonds.....	(3,617)	(1,354)	(32,670)
Losses on devaluation of bonds.....	(5)	(50)	(45)
Total.....	¥ (968)	¥ 3,207	\$ (8,743)
Gains (losses) on derivatives:	¥ 250	¥(2,137)	\$ 2,258
Gains (losses) related to bonds.....	¥ (718)	¥ 1,069	\$ (6,485)

28. Gains (losses) related to stocks and other securities

Gains (losses) related to stocks and other securities for the years ended March 31, 2021 and 2020, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Gains (losses) related to stocks and other securities:			
Gains on sales of stocks and other securities.....	¥ 5,542	¥2,381	\$ 50,058
Losses on sales of stocks and other securities.....	(823)	(998)	(7,433)
Losses on devaluation of stocks and other securities.....	(1,575)	(243)	(14,226)
Gains related to stocks and other securities.....	¥ 3,143	¥1,140	\$ 28,389

29. Leases

Lessor

One subsidiary leases certain equipment and other assets.

As stated in Note 2 (r) ii, finance lease transactions other than those in which ownership is fully transferred to the lessee are accounted for in a similar manner to ordinary sales and transactions, effective from the year ended March 31, 2009.

Investments in leases included in other assets on the balance sheets as of March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Gross lease receivables	¥15,936	¥17,388	\$143,943
Unguaranteed residual values	428	463	3,865
Unearned interest income	(1,355)	(1,557)	(12,239)
Investments in leases	¥15,008	¥16,294	\$135,561

Maturities of lease receivables for finance leases that are deemed to transfer ownership of the leased property to the lessee are as of March 31, 2021 are as follows:

	Millions of yen	Thousands of U.S. dollars
2022	¥413	\$3,730
2023	390	3,522
2024	278	2,511
2025	84	758
2026	62	560
2027 and thereafter	0	0

Maturities of gross lease receivables related to investments in leases as of March 31, 2021 are as follows:

	Millions of yen	Thousands of U.S. dollars
2022	¥5,141	\$46,436
2023	4,100	37,033
2024	3,065	27,684
2025	2,033	18,363
2026	982	8,870
2027 and thereafter	612	5,527

The minimum rental commitments under noncancelable operating leases as of March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Due within one year	¥3	¥3	\$27
Due after one year	6	5	54
Total	¥9	¥9	\$81

30. Retirement benefit plans

The Bank and consolidated subsidiaries have either funded or unfunded defined benefit plans. The Bank's funded defined benefit corporate pension plan (contract type) provides lump-sum or annuity payments, the amounts of which are determined based on the length of service and certain other factors. The Bank's lump-sum severance payment plan, which became a funded plan as a result of setting a retirement benefits trust, provides lump-sum payments determined based on the length of service, position, and certain other factors. As of October 1, 2017, the Bank has transferred a part of its funded defined benefit corporate pension plan to a defined contribution plan. The consolidated subsidiaries' unfunded lump-sum severance payment plans are based on a simplified method in the calculation of their liability for retirement benefits and retirement benefit costs.

1. Defined benefit plan (except for the plan adopting the simplified method)

(1) The changes in defined benefit obligation for the years ended March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Balance at beginning of year	¥47,358	¥47,549	\$427,766
Current service cost	1,720	1,727	15,536
Interest cost	203	204	1,833
Actuarial losses	1,268	374	11,453
Benefits paid	(2,945)	(2,497)	(26,601)
Prior service cost	—	—	—
Balance at end of year	¥47,605	¥47,358	\$429,997

(2) The changes in plan assets for the years ended March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Balance at beginning of year	¥45,648	¥45,861	\$412,320
Expected return on plan assets	737	890	6,657
Actuarial gains (losses)	13,782	(1,540)	124,487
Contribution from the employer	1,750	1,773	15,807
Benefits paid	(1,342)	(1,336)	(12,121)
Balance at end of year	¥60,575	¥45,648	\$547,150

(3) Reconciliation between the liability (asset) recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Funded defined benefit obligation	¥ 47,605	¥ 47,358	\$ 429,997
Plan assets	(60,575)	(45,648)	(547,150)
Net liability (asset) arising from the balance sheet	¥(12,969)	¥ 1,710	\$(117,143)

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Liability for retirement benefits	¥ —	¥1,710	\$ —
Asset for retirement benefits	12,969	—	117,143
Net liability (asset) arising from the balance sheet	¥(12,969)	¥1,710	\$(117,143)

(4) The components of net periodic benefit costs for the years ended March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Service cost	¥1,720	¥1,727	\$15,536
Interest cost	203	204	1,833
Expected return on plan assets	(737)	(890)	(6,657)
Recognized actuarial gains	(488)	(632)	(4,407)
Amortization of prior service cost	—	—	—
Net periodic benefit costs	¥ 697	¥ 408	\$ 6,295

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Prior service cost	¥ —	¥ —	\$ —
Actuarial losses (gains)	(12,024)	2,547	(108,608)
Total	¥(12,024)	¥2,547	\$(108,608)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unrecognized prior service cost	¥ —	¥ —	\$ —
Unrecognized actuarial gains	(13,310)	(1,285)	(120,224)
Total	¥(13,310)	¥(1,285)	\$(120,224)

(7) Plan assets:

a. Components of plan assets

	2021	2020
Bonds	13%	16%
Stocks	62	53
Cash and cash equivalents	8	10
General accounts	17	21
Total	100%	100%

(Note) Total plan assets included retirement benefits trust of 53% and 45%, for the years ended March 31, 2021 and 2020, respectively, mainly consisting of 5 stocks, which were set for a corporate pension plan and a lump-sum payment plan.

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the allocation of plan assets and the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2021 and 2020, were set forth as follows:

	2021	2020
Discount rate	0.43%	0.43%
Expected rate of return on plan assets		
Plan assets (except for retirement benefits trust)	2.96%	3.58%
Plan assets (retirement benefits trust)	0.00%	0.00%
Estimated rate of salary increase	4.10%	4.10%

2. Defined benefit plan adopting the simplified method

(1) The changes in defined benefit obligation adopting the simplified method for the years ended March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Balance at beginning of year	¥130	¥121	\$1,174
Net periodic benefit costs	21	21	189
Benefits paid	(8)	(12)	(72)
Contribution to the plan	—	—	—
Balance at end of year	¥143	¥130	\$1,291

(2) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unfunded defined benefit obligation	¥143	¥130	\$1,291
Net liability arising from the balance sheet	¥143	¥130	\$1,291

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Liability for retirement benefits	¥143	¥130	\$1,291
Net liability arising from the balance sheet	¥143	¥130	\$1,291

(3) Net periodic benefit costs recognized in the simplified method for the years ended March 31, 2021 and 2020, were ¥21 million (\$189 thousand) and ¥22 million, respectively.

3. Defined contribution plan

The Bank's required contribution to the defined contribution plan for the years ended March 31, 2021 and 2020 were ¥329 million (\$2,971 thousand) and ¥326 million, respectively.

31. Income taxes

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities at March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax assets:			
Allowance for loan losses	¥ 11,763	¥ 10,201	\$ 106,250
Devaluation of stocks and other securities	5,178	4,979	46,770
Liability for retirement benefits	2,495	3,222	22,536
Depreciation	1,837	1,496	16,592
Accrued enterprise tax	272	179	2,456
Deferred losses on derivatives under hedge accounting	—	3,656	—
Other	1,984	1,934	17,920
Less valuation allowance (Note)	(11,659)	(13,785)	(105,311)
Total	¥ 11,871	¥ 11,885	\$ 107,226
Deferred tax liabilities:			
Reserve for advance depreciation of fixed assets	(175)	(175)	(1,580)
Net unrealized gains on available-for-sale securities	(80,824)	(39,331)	(730,051)
Defined retirement benefit plans	(4,052)	(391)	(36,600)
Deferred gains on derivatives under hedge accounting	(715)	—	(6,458)
Total	(85,767)	(39,898)	(774,699)
Net deferred tax liabilities	¥(73,896)	¥(28,013)	\$(667,473)

Note: The valuation allowance decreased by ¥2,125 million (\$19,194 thousand). This decrease was mainly due to the fact that the Bank recognized tax losses on a portion of valuation allowances related to loans and impaired securities that were written off or reserved for in prior years, following sales etc. of such assets.

A reconciliation of the effective income tax rate reflected in the accompanying consolidated statement of income to the statutory tax rate for the years ended March 31, 2021 and 2020, were as follows:

	2021	2020
Statutory tax rate	30.4%	—
(Reconciliation)		
Permanent differences excluded from taxable income such as dividend income	(1.9)%	—
Changes in valuation allowance	(16.2)%	—
Others	(0.1)%	—
Effective income tax rate	12.2%	—

The information for the year ended March 31, 2020 was not presented because the difference was less than or equal to 5% of the statutory tax rate.

32. Financial instruments and related disclosures

1. Overall situation concerning financial instruments

(1) Basic policy for financial instruments

As a regional financial institution with its main business base in Shiga Prefecture, the Group provides financial services centered on banking operations.

The Group's main operations are to extend loans to customers in its business area, and make investments in securities by mainly using funds that are received as deposits from customers and those that are obtained through the financial market.

To carry out these operations, the Group has financial assets and financial liabilities that are largely subject to interest rate volatility. To prevent adverse effects from such interest rate volatility, the Group conducts Asset Liability Management (ALM), the comprehensive management of assets and liabilities.

(2) Nature and extent of risks arising from financial instruments

The financial assets held by the Group are primarily loans to customers within its business area and are subject to credit risk of incurring losses when the value of such assets declines or disappears due to deterioration in the financial condition of its customers. The Group's domestic loan portfolio attempts to distribute risk by industry sector to eliminate its exposure to credit risk caused by changes in the business environment in certain industries.

The Group holds investment securities, primarily comprised of bonds, corporate stocks and investment trusts, for the following purposes: to sell them to customers, for purely investment purposes, and for strategic investment. These are subject to market risk of incurring potential losses due to fluctuations of interest rates, foreign exchange rates, stock markets and others, and the credit risk of the issuers.

Foreign currency-denominated loans and bonds are subject to foreign exchange risk in addition to the risks as described above. They are managed to reduce foreign exchange risk by procuring foreign currency funds through currency swaps, repurchase transactions, or call transactions.

Financial liabilities are primarily deposits from customers and borrowed money. Borrowed money is — under certain conditions, such as when the Group is unable to access the market — subject to risks that losses are incurred due to an inability to secure required funds or being forced to raise funds at significantly higher than normal interest rates. Moreover, some of the Group's borrowings are made at variable interest rates and are subject to risks of losses from increasing fund procurement costs associated with rising interest rates.

To respond to customer needs and hedge market risks for assets and liabilities, the Group uses derivative transactions, including interest rate swaps, currency swaps, currency options, and forward exchange contracts. For some of these transactions, the Group applies hedge accounting based on internal regulations that comply with the "JICPA Practical Guidelines for Financial Instruments" and the Group's own hedging policies.

To obtain short-swing profits, the Group transacts bond futures contracts, bond options, and stock price index futures trading after setting position limit and loss limits amounts.

These derivative transactions include market risk as well as credit risk.

(3) Risk management for financial instruments

(i) Credit risk management

Recognizing credit risk as the most important risk to business management from the standpoint of its impact, the Group has established regulations and standards pertaining to such risk. It has also developed a debtor rating system based on a Foundation Internal Ratings-based approach and has built a credit risk management system appropriate to its needs.

Notably, the Group has developed a rating system that involves asset self-assessments. Under this system, for example, the Business Management Department reports the results of its own asset ratings at meetings such as the Meeting of Managing Directors.

With respect to individual credit management, the Group has instituted its "Basic Rules of Loan Business," in which it has clearly defined the way of thinking and a code of conduct to which all employees involved in the loan business should adhere. It has also established basic procedures to follow when making credit decisions or managing credit, along with putting in place a system that enables executives and employees to make credit decisions in accordance with the principles of public benefit, security, profitability, liquidity, and growth potential. More specifically, the Group has developed and is operating a credit management system that handles credit assessment, credit limits, credit information management, and internal ratings; sets guarantees and collateral; and deals with problem debts of companies (or corporate groups) or individual projects. This credit management system is being implemented in every bank branch and the Credit Supervision Department.

With respect to extending credit to overseas debtors, the Group manages it by setting a credit limit for each country at the Meeting of Managing Directors each fiscal year, after taking into account the foreign currency conditions and the political and economic situation of the country in which the debtor resides.

With respect to conducting market transactions for securities or other instruments, a limit is set semiannually at the Meeting of Managing Directors for bond issuer credit risk and counterparty risk for derivative and financial transactions, and the credit status and the market prices are managed on a daily basis. The Group has established a system in which reports about those risks are routinely given to the Meeting of Managing Directors.

(ii) Market risk management

The Group has compiled a set of Market Risk Management Rules with the goal of upgrading market risk management, strengthening internal controls, and ensuring sound management. To achieve stable profits, the Group institutes a financial plan and risk management policy semiannually and is working to build an appropriate risk management system.

1) Interest rate risk management

As interest rate risk inevitably arises in banking business operations, the Group manages all assets and liabilities (including off-balance transactions), such as deposits, loans, and securities, in a comprehensive manner through ALM.

Along with the aforementioned Market Risk Management Rules, the Group has established standards for risk management methods and reporting procedures. The Group conducts monitoring through such models as Value at Risk (VaR) and the maturity ladder approach, and reports to the ALM Committee on a regular basis.

2) Exchange rate risk management

For exchange rate volatility risk, the Group sets position limits at the Meeting of Managing Directors to manage positions that are subject to exchange rate risk. The Group controls positions by using derivative transactions, including foreign currency transactions and currency swaps.

The Group establishes an acceptable level of risk using VaR and manages the level of risk on a daily basis so that it stays within an acceptable range.

3) Price volatility risk management

To rigorously manage price volatility risk for transactions, including securities, the Group has divided the organization into a market transaction sector, business management sector, and risk management sector.

For market transactions including securities, the Group takes into account overall Group risk and return, based on a financial plan and a risk management policy, and formulates a business management plan in the market sector.

When making investments, the Group calculates position amounts, gains, and losses as well as VaR and Basis Point Value (BPV) based on the abovementioned policy and plan. The extent to which the Group complies

with the established acceptable risk limit and other risk limits is monitored on a daily basis and is reported to management.

4) Derivative transaction management

With respect to derivative transactions, the divisions concerned with the execution of transactions, the evaluation of hedge effectiveness, and business management have been separated, and an internal checking system has been established. Because a majority of the Group's derivative transactions are performed for the purposes of hedging and cover transactions to customer transactions, the Group manages them so that asset and liability risks and market risks are offset with each other.

5) Quantitative information regarding market risks

Regarding market risks, the Group measures the quantitative risk of interest rate risks and stock price volatility risks through VaR, a statistical method. Principally by reporting these risks to the ALM Committee and other organizations on a regular basis, the Group ensures appropriate monitoring and management. In calculating the risk amounts, the Group adopts a historical simulation method (a holding period of one year, a confidence interval of 99%, and an observing period of two years).

Interest rate risks

The Group measures interest rate risks of all its assets and liabilities, including loans, securities and deposits, and derivative transactions.

The Group's interest rate risk amounts stood at ¥19,765 million (\$178,529 thousand) as of March 31, 2021 and ¥9,213 million as of March 31, 2020.

Regarding liquid deposits, such as ordinary deposits, the Group handles some as deposits that remain with the Group for an extended period and manages them by allocating them to each period category based on an internal model.

Stock price volatility risks

The Group holds certain shares for strategic investment and purely investment purposes. The volatility risk amounts of the prices of such shares stood at ¥79,335 million (\$716,601 thousand) as of March 31, 2021, and ¥45,345 million as of March 31, 2020.

Backtesting

To verify the appropriateness of the risk amounts that are measured through VaR, the Group carries out backtesting in which VaR is compared with gains and losses. In this way, the Group analyzes the effectiveness of the risk measurement method. However, because VaR statistically measures the amounts based on the historical market volatility, results may vary due to assumptions, measuring methods, and other factors. In addition, risks may not be able to be appropriately captured when the market environment changes drastically.

Interest rate risks and stock price volatility risks that are held by the Bank's consolidated subsidiaries are excluded from the calculation of the market risk amount as the impact from such risks on the Group is limited.

(iii) Liquidity risk management related to financing

The Group has compiled a set of Liquidity Risk Management Rules under a basic policy of clearly understanding its cash position and ensuring stable financing. In this way, it strives to establish an appropriate risk management system.

With respect to daily financing, the Group monitors and manages the financial environment, the balance of realizable current assets, the expected amount of cash outflows, and other such factors. The Group reports the financing situation and other related matters to the ALM Committee on a regular basis.

2. Fair value of financial instruments

Fair value and the consolidated balance sheet amount as of March 31, 2021 and 2020, are shown below. Immaterial accounts on the consolidated balance sheet are not included in the table below. Some instruments, such as unlisted stocks, whose fair value cannot be reliably determined, are not included in the table below (see Note 2).

Millions of yen			
2021			
	Consolidated balance sheet amount	Fair value	Difference
Cash and due from banks	¥2,013,251	¥2,013,251	¥ —
Investment securities			
Held-to-maturity securities	20,011	19,842	(168)
Available-for-sale securities	1,556,937	1,556,937	—
Loans and bills discounted	4,001,698	—	—
Allowance for loan losses (*1)	(32,909)	—	—
	3,968,789	3,992,558	23,769
Assets total	7,558,989	7,582,590	23,600
Deposits	5,398,851	5,399,054	203
Negotiable certificates of deposit	49,560	49,562	2
Call money and bills sold	516,077	516,077	—
Payables under securities lending transactions	272,654	272,654	—
Borrowed money	899,055	899,095	40
Liabilities total	7,136,198	7,136,444	245
Derivative transactions (*2)			
Deferred hedge accounting is not applied	(3,739)	(3,739)	—
Deferred hedge accounting is applied	2,350	2,350	—
Derivative transactions total	¥ (1,389)	¥ (1,389)	¥ —

Millions of yen			
2020			
	Consolidated balance sheet amount	Fair value	Difference
Cash and due from banks	¥ 934,834	¥ 934,834	¥ —
Investment securities			
Held-to-maturity securities	—	—	—
Available-for-sale securities	1,299,561	1,299,561	—
Loans and bills discounted	3,859,363	—	—
Allowance for loan losses (*1)	(27,412)	—	—
	3,831,950	3,859,117	27,166
Assets total	6,066,346	6,093,513	27,166
Deposits	4,886,433	4,886,683	249
Negotiable certificates of deposit	66,683	66,685	2
Call money and bills sold	136,386	136,386	—
Payables under securities lending transactions	235,538	235,538	—
Borrowed money	451,079	451,088	8
Liabilities total	5,776,121	5,776,382	260
Derivative transactions (*2)			
Deferred hedge accounting is not applied	298	298	—
Deferred hedge accounting is applied	(12,007)	(12,007)	—
Derivative transactions total	¥ (11,709)	¥ (11,709)	¥ —

	Thousands of U.S. dollars		
	2021		
	Consolidated balance sheet amount	Fair value	Difference
Cash and due from banks	\$18,184,906	\$18,184,906	\$ —
Investment securities			
Held-to-maturity securities	180,751	179,225	(1,517)
Available-for-sale securities	14,063,201	14,063,201	—
Loans and bills discounted	36,145,768	—	—
Allowance for loan losses (*1)	(297,254)	—	—
	35,848,514	36,063,210	214,696
Assets total	68,277,382	68,490,560	213,169
Deposits	48,765,703	48,767,536	1,833
Negotiable certificates of deposit	447,656	447,674	18
Call money and bills sold	4,661,521	4,661,521	—
Payables under securities lending transactions	2,462,776	2,462,776	—
Borrowed money	8,120,811	8,121,172	361
Liabilities total	64,458,477	64,460,699	2,212
Derivative transactions (*2)			
Deferred hedge accounting is not applied	(33,772)	(33,772)	—
Deferred hedge accounting is applied	21,226	21,226	—
Derivative transactions total	\$ (12,546)	\$ (12,546)	\$ —

(*1) General allowance for loan losses and specific allowance for loan losses provided to "Loans and bills discounted" are separately presented in the above table.

(*2) Derivative transactions recorded in "Other assets" and "Other liabilities" are aggregated and shown herein. Assets and liabilities attributable to the derivative transactions are totally offset and the net liability position as a consequence of offsetting would be represented with brackets.

(Note 1) Valuation method of financial instruments

Assets

(1) Cash and due from banks

As fair values of cash and due from banks without maturity approximate book values, the Group deems the book values to be the fair values. Since contractual terms of cash and due from banks with maturities are short (i.e., less than one year) and fair values of these instruments approximate book values, the Group deems the book values to be the fair values.

(2) Securities

Fair values of securities that have market prices are based on their market prices.

With respect to those without market prices, the Group uses the present value that is calculated by discounting the future cash flows of the principal based on contracts, using an interest rate obtained by adjusting interest rates available in the interbank market in accordance with categories of internal ratings and terms, taking into account the credit risk premium and the liquidity risk premium.

Fair value information for securities by classification is included in Note 4 "Securities."

(3) Loans and bills discounted

As fair values of loans and bills discounted with short contractual terms (i.e., less than one year) approximate book values, the Group deems the book values to be the fair values.

Regarding loans with long contract terms (i.e., one year or longer), those with floating interest rates reflect the market rate in the short term. Consequently, unless the credit conditions of borrowers have not significantly changed after the execution of the loans, the book value of the loans is presented as the fair value, as the fair value approximates the book value. With respect to fair values of loans with long contract terms with fixed interest rates, the Group uses the present value that is calculated by discounting the future cash flows of the principal based on contracts, using an interest rate obtained by adjusting interest rates available in the interbank market in accordance with categories of internal ratings and terms, taking

into account the credit risk premium and the liquidity risk premium. Meanwhile, the fair value of certain loans (including consumer loans) is calculated by discounting the future cash flows of the principal based on contracts, using an interest rate considered to be applicable in cases when similar loans are executed.

With respect to claims against legally bankrupt debtors, virtually bankrupt debtors and debtors who are likely to go bankrupt (potentially bankrupt debtors), since credit losses are calculated based on the present value of the expected future cash flows or the estimated amounts that the Group would be able to collect from collateral and guarantees, fair values approximate the consolidated balance sheet amount net of the currently expected credit loss amount, and the Group thus deems such amounts to be fair value.

Regarding loans, for those without a fixed maturity due to loan characteristics such as limiting loans to within the value of collaterals, the Group deems the book value to be the fair value, since the fair value is expected to approximate the book value based on the estimated repayment period, interest rate, and other conditions.

Liabilities

(1) Deposits and (2) Negotiable certificates of deposit

For demand deposits, the Group deems the payment amounts required on the consolidated balance sheet date (i.e., book values) to be the fair value.

The fair value of time deposits and negotiable certificates of deposit with short deposit terms (i.e., less than one year) approximate the book value, and the Group deems the book value to be the fair value. With respect to deposits with long deposit terms (i.e., one year or longer), the Group uses the present value calculated by discounting future cash flows of the principal based on contracts, using the interest rate that would apply to newly accepted deposits in accordance with the categories of deposit terms.

(3) Call money and bills sold and (4) Payables under securities lending transactions

Since contractual terms of these instruments are short (i.e., less than one year) and fair values of these instruments approximate book values, the Group deems the book values to be the fair values.

(5) Borrowed money

As the fair value of borrowed money with short contractual terms (i.e., less than one year) approximates the book value, the Group deems the book value to be the fair value.

Regarding borrowed money with long contractual terms (i.e., one year or longer), for floating rate borrowings, the book value is presented as the fair value, because the fair value approximates book value. This is because the floating rate borrowings reflect the market interest rate in a short period and there has been no significant change in our credit conditions or in the credit conditions of our consolidated subsidiaries before or after the borrowings were made. With respect to fixed rate borrowings, the Group uses the present value calculated by discounting the future cash flows of the principal based on contracts, using an interest rate obtained by adjusting interest rates available in the interbank market in accordance with categories of terms, taking into account the Bank's credit risk premium.

Meanwhile, fair values of borrowings of consolidated subsidiaries are calculated by discounting the future cash flows of the principal based on contracts, using interest rates considered to be applicable in cases when the similar borrowings are made.

Derivatives

Fair value information for derivatives is included in Note 33 "Fair value information on derivative transactions."

(Note 2) Financial instruments whose fair value cannot be reliably determined

The following instruments are not included in "Available-for-sales securities" in the above table showing the fair value of financial instruments.

	Consolidated balance sheet amount		
	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unlisted stocks (*1) (*2).....	¥3,765	¥3,853	\$34,007
Investment in capital of partnership and others (*3).....	5,792	3,692	52,316
Total	¥9,557	¥7,545	\$86,324

(*1) Fair value of unlisted stocks is exempt from disclosure because they do not have a market price and their fair value cannot be reliably determined.

(*2) Impairment losses for unlisted stocks amounted to ¥0 million (\$0 thousand) and ¥15 million for the years ended March 31, 2021 and 2020, respectively.

(*3) Fair value of investment in capital of partnership and others is exempt from disclosure because partnership assets are composed of unlisted stock and others and their fair value cannot be reliably determined.

(Note 3) Maturity analysis for financial assets and securities with contractual maturities

	Millions of yen					
	2021					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Due from banks.....	¥1,973,224	¥ —	¥ —	¥ —	¥ —	¥ —
Investment securities.....	89,331	142,386	114,864	71,452	262,438	519,743
Held-to-maturity securities.....	—	—	—	—	—	20,000
Japanese government bonds.....	—	—	—	—	—	20,000
Japanese local government bonds.....	—	—	—	—	—	—
Japanese corporate bonds.....	—	—	—	—	—	—
Available-for-sale securities.....	89,331	142,386	114,864	71,452	262,438	499,743
Japanese government bonds.....	—	4,000	12,000	—	40,000	238,000
Japanese local government bonds.....	12,609	33,596	25,393	34,714	132,966	15,237
Japanese corporate bonds.....	44,100	42,174	35,486	23,443	17,600	183,220
Others.....	32,620	62,615	41,984	13,295	71,871	63,284
Loans and bills discounted (*).....	870,617	793,717	601,858	408,177	412,527	844,164
Total	¥2,933,173	¥936,104	¥716,723	¥479,630	¥674,966	¥1,363,907

	Millions of yen					
	2020					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Due from banks.....	¥ 896,491	¥ —	¥ —	¥ —	¥ —	¥ —
Investment securities.....	—	—	—	—	—	—
Held-to-maturity securities.....	—	—	—	—	—	—
Japanese government bonds.....	—	—	—	—	—	—
Japanese local government bonds.....	—	—	—	—	—	—
Japanese corporate bonds.....	—	—	—	—	—	—
Available-for-sale securities.....	133,595	169,407	113,101	59,717	142,653	439,099
Japanese government bonds.....	21,000	—	16,000	—	10,000	199,000
Japanese local government bonds.....	42,857	32,521	18,605	21,453	86,887	11,450
Japanese corporate bonds.....	33,591	68,554	23,812	27,861	23,600	180,005
Others.....	36,145	68,331	54,683	10,402	22,166	48,643
Loans and bills discounted (*).....	929,566	764,871	557,557	372,416	361,766	807,786
Total	¥1,959,653	¥934,279	¥670,658	¥432,133	¥504,419	¥1,246,886

Thousands of U.S. dollars						
2021						
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Due from banks.....	\$17,823,358	\$ —	\$ —	\$ —	\$ —	\$ —
Investment securities.....	806,891	1,286,116	1,037,521	645,397	2,370,499	4,694,634
Held-to-maturity securities.....	—	—	—	—	—	180,652
Japanese government bonds.....	—	—	—	—	—	180,652
Japanese local government bonds.....	—	—	—	—	—	—
Japanese corporate bonds.....	—	—	—	—	—	—
Available-for-sale securities.....	806,891	1,286,116	1,037,521	645,397	2,370,499	4,513,982
Japanese government bonds.....	—	36,130	108,391	—	361,304	2,149,760
Japanese local government bonds.....	113,892	303,459	229,365	313,557	1,201,029	137,629
Japanese corporate bonds.....	398,338	380,941	320,531	211,751	158,973	1,654,954
Others.....	294,643	565,576	379,225	120,088	649,182	571,619
Loans and bills discounted (*).....	7,863,941	7,169,334	5,436,347	3,686,902	3,726,194	7,625,002
Total.....	\$26,494,201	\$8,455,460	\$6,473,877	\$4,332,309	\$6,096,703	\$12,319,636

(*) Loans in legal bankruptcy, virtual bankruptcy, and potential bankruptcy amounting to ¥45,746 million (\$413,205 thousand) and ¥37,409 million, and, loans and bills discounted without contractual maturities amounting to ¥24,889 million (\$224,812 thousand) and ¥27,988 million are excluded from the table above as of March 31, 2021 and 2020.

(Note 4) Maturity analysis for bonds, borrowed money, and other interest-bearing liabilities

Millions of yen						
2021						
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (*).....	¥5,073,145	¥306,591	¥19,114	¥—	¥ —	¥—
Negotiable certificates of deposit.....	49,560	—	—	—	—	—
Call money and bills sold.....	516,077	—	—	—	—	—
Payables under securities lending transactions.....	272,654	—	—	—	—	—
Borrowed money.....	786,116	77,043	32,360	94	3,440	—
Total.....	¥6,697,554	¥383,634	¥51,475	¥94	¥3,440	¥—

Millions of yen						
2020						
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (*).....	¥4,541,372	¥323,574	¥21,486	¥—	¥—	¥—
Negotiable certificates of deposit.....	66,683	—	—	—	—	—
Call money and bills sold.....	136,386	—	—	—	—	—
Payables under securities lending transactions.....	235,538	—	—	—	—	—
Borrowed money.....	345,883	41,701	63,483	11	—	—
Total.....	¥5,325,863	¥365,276	¥84,969	¥11	¥—	¥—

Thousands of U.S. dollars						
2021						
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (*).....	\$45,823,728	\$2,769,316	\$172,649	\$ —	\$ —	\$—
Negotiable certificates of deposit.....	447,656	—	—	—	—	—
Call money and bills sold.....	4,661,521	—	—	—	—	—
Payables under securities lending transactions.....	2,462,776	—	—	—	—	—
Borrowed money.....	7,100,677	695,899	292,295	849	31,072	—
Total.....	\$60,496,377	\$3,465,215	\$464,953	\$849	\$31,072	\$—

(*) Demand deposits are included in "1 year or less."

33. Fair value information on derivative transactions

Derivative transactions to which hedge accounting is not applied

The following is the fair value information for derivative transactions to which hedge accounting is not applied at March 31, 2021 and 2020.

The contractual value of swap agreements and the contract amounts of forward exchange contracts, option agreements and other derivatives do not necessarily measure the Bank's exposure to market risk.

(1) Interest-rate-related transactions

	Millions of yen			
	2021			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the-counter:				
Interest rate swap				
Receivable fixed rate/pay floating rate	¥8,481	¥8,370	¥ 26	¥ 26
Receivable floating rate /pay fixed rate.....	9,256	9,256	(41)	(41)
Total.....	¥ —	¥ —	¥(14)	¥(14)

	Millions of yen			
	2020			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the-counter:				
Interest rate swap				
Receivable fixed rate/pay floating rate	¥ 326	¥ 217	¥ 8	¥ 8
Receivable floating rate /pay fixed rate.....	7,509	7,509	(484)	(484)
Total.....	¥ —	¥ —	¥(476)	¥(476)

	Thousands of U.S. dollars			
	2021			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the-counter:				
Interest rate swap				
Receivable fixed rate/pay floating rate	\$76,605	\$75,602	\$ 234	\$ 234
Receivable floating rate /pay fixed rate.....	83,605	83,605	(370)	(370)
Total.....	\$ —	\$ —	\$(126)	\$(126)

Notes: 1. The above transactions were revalued at the end of each of the years and the related gains and losses are reflected in the accompanying consolidated statements of income.

2. The fair values of the above derivatives are principally based on quoted market prices, such as those of Tokyo Financial Exchange Inc., or discounted values of future cash flows.

(2) Currency-related transactions

	Millions of yen			
	2021			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the-counter:				
Currency swap.....	¥ 29,632	¥25,473	¥ (96)	¥ (96)
Forward exchange contracts:				
Sold	110,070	—	(4,026)	(4,026)
Bought	5,289	—	284	284
Currency options:				
Sold	99,602	62,977	(3,320)	(309)
Bought	99,602	62,977	3,434	1,017
Total.....	¥ —	¥ —	¥(3,724)	¥(3,130)

	Millions of yen			
	2020			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the-counter:				
Currency swap.....	¥49,142	¥29,222	¥ 699	¥ 699
Forward exchange contracts:				
Sold	44,225	—	(25)	(25)
Bought	34,599	—	100	100
Currency options:				
Sold	83,720	50,742	(2,240)	1,005
Bought	83,720	50,742	2,240	(415)
Total.....	¥ —	¥ —	¥ 774	¥1,365

	Thousands of U.S. dollars			
	2021			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the-counter:				
Currency swap.....	\$267,654	\$230,087	\$ (867)	\$ (867)
Forward exchange contracts:				
Sold	994,219	—	(36,365)	(36,365)
Bought	47,773	—	2,565	2,565
Currency options:				
Sold	899,665	568,846	(29,988)	(2,791)
Bought	899,665	568,846	31,017	9,186
Total.....	\$ —	\$ —	\$(33,637)	\$(28,272)

Notes: 1. The above transactions were revalued at the end of each of the years and the related gains and losses are reflected in the accompanying consolidated statements of income.

2. Fair value is calculated using discounted cash flows.

(3) Stock-related transactions are not performed.

(4) Bond-related transactions are not performed.

(5) Financial product-related transactions are not performed.

(6) Credit derivative transactions are not performed.

Derivative transactions to which hedge accounting is applied

The following is the fair value information for derivative transactions to which hedge accounting is applied at March 31, 2021 and 2020.

The contract amounts do not necessarily measure the Bank's exposure to market risk:

(1) Interest-rate-related transactions

Millions of yen				
2021				
	Hedged items	Contractual value	Contractual value due after one year	Fair value
Principle treatment	Available-for-sale securities			
Interest rate swap:				
Receivable floating rate/				
pay fixed rate	(bonds)	¥272,712	¥272,712	¥2,350
Millions of yen				
2020				
	Hedged items	Contractual value	Contractual value due after one year	Fair value
Principle treatment	Available-for-sale securities			
Interest rate swap:				
Receivable floating rate/				
pay fixed rate	(bonds)	¥193,794	¥193,794	¥(12,007)
Thousands of U.S. dollars				
2021				
	Hedged items	Contractual value	Contractual value due after one year	Fair value
Principle treatment	Available-for-sale securities			
Interest rate swap:				
Receivable floating rate/				
pay fixed rate	(bonds)	\$2,463,300	\$2,463,300	\$21,226

Notes: 1. Deferred hedge accounting is mainly applied.

2. The fair values of the above derivatives are principally based on quoted market prices, such as those of Tokyo Financial Exchange Inc., or discounted values of future cash flows.

(2) Currency-related transactions are not performed.

(3) Stock-related transactions are not performed.

(4) Bond-related transactions are not performed.

34. Comprehensive income

The components of other comprehensive income for the years ended March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net unrealized gains (losses) on available-for-sale securities:			
The amount arising during the period.....	¥ 136,490	¥ (35,917)	\$ 1,232,860
Reclassification adjustments to profit or loss.....	(2,135)	(4,353)	(19,284)
Before adjustments to tax effect	134,355	(40,271)	1,213,576
The amount of tax effect	(41,492)	11,969	(374,780)
Total.....	¥ 92,863	¥ (28,302)	\$ 838,795
Deferred gains (losses) on derivatives under hedge accounting:			
The amount arising during the period.....	¥ 14,363	¥ (7,240)	\$ 129,735
Reclassification adjustments to profit or loss.....	(5)	834	(45)
Before adjustments to tax effect	14,357	(6,406)	129,681
The amount of tax effect	(4,371)	1,950	(39,481)
Total.....	¥ 9,985	¥ (4,455)	\$ 90,190
Defined retirement benefit plans:			
The amount arising during the period.....	¥ 12,513	¥ (1,914)	\$ 113,025
Reclassification adjustments to profit or loss.....	(488)	(632)	(4,407)
Before adjustments to tax effect	12,024	(2,547)	108,608
The amount of tax effect	(3,661)	775	(33,068)
Total.....	¥ 8,362	¥ (1,771)	\$ 75,530
Total other comprehensive income.....	¥ 111,212	¥ (34,529)	\$ 1,004,534

35. Net income per share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2021 and 2020, is as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
For the year ended March 31, 2021				
Basic EPS:				
Net income attributable to common shareholders	¥11,448	50,183	¥228.12	\$2.061
Effect of dilutive securities:				
Warrants		1,752		
Diluted EPS:				
Net income for computation.....	¥11,448	51,935	¥220.43	\$1.991
For the year ended March 31, 2020				
Basic EPS:				
Net income attributable to common shareholders	¥12,412	51,067	¥243.05	
Effect of dilutive securities:				
Warrants		6,880		
Diluted EPS:				
Net income for computation.....	¥12,412	57,947	¥214.19	

36. Subsequent event

Appropriation of retained earnings

The following appropriation of retained earnings will be authorized at the ordinary general shareholders' meeting to be held on June 25, 2021:

	Millions of yen	Thousands of U.S. dollars
Cash dividends,		
¥22.5 (\$0.203) per share.....	¥1,119	\$10,107
Total.....	¥1,119	\$10,107

Acquisition of treasury stock

At a meeting of the Board of Directors held on May 14, 2021, the Bank resolved the matter related to acquisition of treasury stock in accordance with the provisions of Article 156 of the Companies Act, as applied mutatis mutandis pursuant to Article 165, Paragraph 3 of the same Act.

1. Reasons for the acquisition of treasury stock

The Bank will repurchase its own shares in order to increase shareholder value through the return of profits to shareholders

2. Details of matters related to the acquisition

(1) Type of shares to be acquired: Common stock

(2) Total number of shares to be acquired: 500 thousand shares (upper limit)

(3) Total cost of stock acquisition: 1 billion yen (\$9,032 thousands) (upper limit)

(4) Period of acquisition of treasury stock: From May 19, 2021 to July 30, 2021

(5) Method of acquisition: Market purchase on the Tokyo Stock Exchange

37. Segment information

For the years ended March 31, 2021 and 2020

Because the Group has only one segment, banking, the description is not presented.

Related Information

(1) Information about services

	Millions of yen				
	2021				
	Lending services	Securities investment	Fees and commissions	Other	Total
Operating income from external customers.....	¥34,933	¥20,348	¥16,542	¥14,260	¥86,084
	Millions of yen				
	2020				
	Lending services	Securities investment	Fees and commissions	Other	Total
Operating income from external customers.....	¥37,299	¥20,145	¥15,621	¥15,804	¥88,871
	Thousands of U.S. dollars				
	2021				
	Lending services	Securities investment	Fees and commissions	Other	Total
Operating income from external customers.....	\$315,536	\$183,795	\$149,417	\$128,804	\$777,563

(2) Information about geographical areas

(a) Operating income

Operating income from external domestic customers exceeded 90% of total operating income on the consolidated statements of income for the years ended March 31, 2021 and 2020; therefore geographical operating income information is not presented.

(b) Tangible fixed assets

The balance of domestic tangible fixed assets exceeded 90% of the total balance of tangible fixed assets on the consolidated balance sheets as of March 31, 2021 and 2020; therefore, geographical tangible fixed assets information is not presented.

(3) Information about major customers

Operating income to a specific customer did not reach 10% of total operating income on the consolidated statements of income for the years ended March 31, 2021 and 2020; therefore, major customer information is not presented.

38. Related party transactions

Transactions of the Bank with related parties for the year ended March 31, 2021, were as follows:

Related party	Category	Description of transactions	Transaction amount		Accounts name	Year-end balance	
			Millions of yen	Thousands of U.S. dollars		Millions of yen	Thousands of U.S. dollars
Misao Daido	Director or relative	Lending operation loan, net of collection	¥ (0)	\$ (0)	Loans	¥ 33	\$ 298
		Interest receipts	0	0	Other assets	0	0
		Commission receipts, etc.	0	0			
Taiyo & Co.	Company in which director or relative has the majority of the voting rights	Lending operation loan, net of collection	(1)	(9)	Loans	14	126
		Interest receipts	0	0	Other liabilities	0	0
		Commission receipts, etc.	0	0			
Albatross Co., Ltd.	Company in which director or relative has the majority of the voting rights	Lending operation loan, net of collection	9	81	Loans	13	117
		Interest receipts	0	0	Other liabilities	0	0
		Commission receipts, etc.	0	0			
KUSANEN CO., LTD.	Company in which director or relative has the majority of the voting rights	Lending operation loan, net of collection	(10)	(90)	Loans	66	596
		Guarantee of payment	—	—	Other assets	10	90
					Customers' liabilities for acceptances and guarantees	10	90
		Lease income	1	9	Acceptances and guarantees	10	90
		Interest receipts	0	0	Other liabilities	0	0
		Guarantee commission receipts	0	0			
		Commission receipts, etc.	0	0			
Takagi Building Co., Ltd.	Company in which director or relative has the majority of the voting rights	Lending operation loan, net of collection	28	252	Loans	88	794
		Interest receipts	0	0	Other liabilities	0	0
		Commission receipts, etc.	0	0			

Transactions of the Bank with related parties for the year ended March 31, 2020, were as follows:

Related party	Category	Description of transactions	Transaction amount	Accounts name	Year-end balance
			Millions of yen		Millions of yen
Misao Daido	Director or relative	Lending operation loan, net of collection	¥ (2)	Loans	¥34
		Interest receipts	0	Other assets	0
		Commission receipts, etc.	0		
Taiyo & Co.	Company in which director or relative has the majority of the voting rights	Lending operation loan, net of collection	(4)	Loans	15
		Interest receipts	0	Other liabilities	0
		Commission receipts, etc.	0		
KUSANEN CO., LTD.	Company in which director or relative has the majority of the voting rights	Lending operation loan, net of collection	10	Loans	77
		Guarantee of payment	(36)	Other assets	11
				Customers' liabilities for acceptances and guarantees	10
		Lease income	4	Acceptances and guarantees	10
		Interest receipts	0	Other liabilities	0
		Guarantee commission receipts	0		
		Commission receipts, etc.	0		

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Shiga Bank, Ltd.:

Opinion

We have audited the consolidated financial statements of The Shiga Bank, Ltd. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

The Determination of the Allowance for Loan Losses	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>The Shiga Bank, Ltd. (the "Bank") maintains an allowance for loan losses to absorb incurred probable losses due to defaults, etc., by borrowers, assessing the borrowers' financial conditions and repayment statuses, the fair value of collateral, the borrowers' business environments and so forth. As of March 31, 2021, loans and bills discounted of ¥4,001.6 billion and an allowance for loan losses of ¥33.6 billion against these loans and bills were recorded on the consolidated balance sheet.</p> <p>The determination of the allowance for loan losses, as described in Note 2. Summary of significant accounting policies (k) Allowance for loan losses and (v) Significant accounting estimates, is based on the Bank's internal rules for credit ratings and self-assessment of asset quality, depending on the degree of risk, by categorizing loans into five debtor classifications: normal debtors, debtors on close watch, debtors who are likely to go bankrupt, debtors who are virtually bankrupt and debtors who are legally bankrupt. In the self-assessment of asset quality, an operating division, such as a branch, assesses borrower credit ratings and the debtor classifications that are commensurate with the credit ratings, and then the credit risk management division in the Credit Supervision Department approves both of them. Through the process of determining the debtor classifications, the borrowers' situations are considered by assessing their repayment capabilities based on the financial conditions, cash flows, earning capacities and so on. The determination of debtor classifications may depend on future performance estimates, such as the borrower's business improvement plan. To secure the accuracy of the results of such self-assessment of asset quality, the Asset Assessment Division, which is independent of the operating division and the credit risk management division, inspects selected borrowers in accordance with certain criteria.</p> <p>When the determination of debtor classifications depends on future performance estimates, factors such as a business improvement plan, future forecasts of business environments, including the future growth of the industry to which a borrower belongs, supply and demand environments of markets, price trends, and the feasibility of management measures, including cost-cutting and revenue improvement measures, are significant factors to determine the debtor classifications. As a result, the determination of debtor classifications is highly dependent on management's subjective judgments, and the risk of management bias in making estimates may increase for large borrowers who have large unsecured amounts. Additionally, the uncertainty in the estimation of future performances becomes higher for borrowers significantly affected by the novel coronavirus infection ("COVID-19").</p> <p>Therefore, we identified the determination of the allowance for loan losses as a key audit matter because the determination of debtor classification is highly dependent on the estimation of future performance and has significant impacts on the Bank's results of operations if the debtors' classifications deteriorate.</p>	<p>Our audit procedures to address this key audit matter included the following procedures, among others:</p> <ul style="list-style-type: none"> - We tested the effectiveness of internal controls over the determination of debtor classifications based on the Bank's internal rules for credit ratings and self-assessment of asset quality for the borrowers related to this key audit matter. - We evaluated the reasonableness of the future forecasts of business environments, including future growth of industries to which borrowers belong, supply and demand environments of markets and price trends by testing the consistency between the underlying figures used as premises for forecasts and objective facts, such as statistical research and research institutions' reports. - We evaluated the reasonableness of the borrowers' management measures, including cost-cutting and revenue improvement measures, by inspecting the related materials used to develop such measures to determine whether they were supported by concrete figures. - With regard to the progress of borrowers' management measures, we inquired of the division that was involved in the determination of the debtor classifications, inspected borrowers' financial statements and their latest trial balances and compared the planned forecasts with actual results. In addition, we inquired of the Credit Supervision Department, which was responsible for the approving the determination of the debtor classifications, and inspected the records of interviews with borrowers and the records of consultations with financial institutions that supported borrowers, and evaluated the progress of the management measures, taking into account the impacts of COVID-19.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

June 4, 2021

Composition of Capital Disclosure (Capital ratio of the fiscal year ended March 31, 2020, Basel III)

Capital ratio (consolidated)

(Appended Form 2 of Supplementary Provision of the Notification of Japanese Financial Services Agency No. 7, 2014)

Millions of yen, %

CC1: Composition of regulatory capital (consolidated)				
		a	b	c
Basel III Template No..	Items	Year ended March 31, 2021	Year ended March 31, 2020	Reference to Template CC2
Common Equity Tier 1 capital: instruments and reserves				
1a+2-1c-26	Directly issued qualifying common share capital plus related capital surplus and retained earnings	279,667	268,582	
1a	of which: capital and capital surplus	57,613	57,613	(6)+(7)
2	of which: retained earnings	232,289	220,282	(8)
1c	of which: treasury stock (-)	9,116	8,184	(9)
26	of which: national specific regulatory adjustments (earnings to be distributed) (-)	1,119	1,129	
	of which: other than above	—	—	
1b	Subscription rights to common shares	84	131	(14)
3	Accumulated other comprehensive income and other disclosed reserves	214,598	105,957	(10)+(11)+(12)+(13)
5	Common share capital issued by subsidiaries and held by non-controlling interests (amount allowed in group Common Equity Tier 1)	—	—	
6	Common Equity Tier 1 capital: instruments and reserves (A)	494,350	374,671	
Common Equity Tier 1 capital: regulatory adjustments				
8+9	Total intangible fixed assets (excluding those relating to mortgage servicing rights)	1,283	1,359	
8	of which: goodwill (including those equivalent)	—	—	
9	of which: other intangibles other than goodwill and mortgage servicing rights	1,283	1,359	(1)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences	—	—	(3)
11	Deferred gains or losses on derivatives under hedge accounting	—	—	(11)
12	Shortfall of eligible provisions to expected losses	11,385	8,998	
13	Securitization gain on sale	—	—	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	—	—	
15	Asset for retirement benefits	9,020	—	(2)
16	Investments in own shares (excluding those reported in the Net assets section)	0	0	
17	Reciprocal cross-holdings in common equity	—	—	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	—	—	
19+20+21	Amount exceeding the 10% threshold on specified items	—	—	
19	of which: significant investments in the common stock of financials	—	—	
20	of which: intangible fixed assets relating to mortgage servicing rights	—	—	
21	of which: deferred tax assets arising from temporary differences	—	—	
22	Amount exceeding the 15% threshold on specified items	—	—	
23	of which: significant investments in the common stock of financials	—	—	
24	of which: intangible fixed assets relating to mortgage servicing rights	—	—	
25	of which: deferred tax assets arising from temporary differences	—	—	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	—	—	
28	Common Equity Tier 1 capital: regulatory adjustments (B)	21,689	10,357	
Common Equity Tier 1 capital (CET1)				
29	Common Equity Tier 1 capital (CET1) ((A)-(B)) (C)	472,660	364,314	
Additional Tier 1 capital: instruments				
31a	Directly issued qualifying Additional Tier 1 instruments plus related capital surplus of which: classified as equity under applicable accounting standards	—	—	
31b	Subscription rights to Additional Tier 1 instruments	—	—	
30	Directly issued qualifying Additional Tier 1 instruments plus related capital surplus of which: classified as liabilities under applicable accounting standards	—	—	
32	Qualifying Additional Tier 1 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities	—	—	
34-35	Additional Tier 1 instruments issued by subsidiaries and held by non-controlling interests (amount allowed in group Additional Tier 1)	—	—	
33+35	Eligible Tier 1 capital instruments subject to transitional arrangements included in Additional Tier 1 capital: instruments	—	—	
33	of which: instruments issued by bank and its special purpose vehicles	—	—	
35	of which: instruments issued by subsidiaries	—	—	
36	Additional Tier 1 capital: instruments (D)	—	—	
Additional Tier 1 capital: regulatory adjustments				
37	Investments in own Additional Tier 1 instrument	—	—	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	—	—	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	—	—	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	—	—	

Millions of yen, %

CC1: Composition of regulatory capital (consolidated)		a	b	c
Basel III Template No.	Items	Year ended March 31, 2021	Year ended March 31, 2020	Reference to Template CC2
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deduction	—	—	
43	Additional Tier 1 capital: regulatory adjustments (E)	—	—	
Additional Tier 1 capital				
44	Additional Tier 1 capital ((D) – (E)) (F)	—	—	
Tier 1 capital (T1 = CET1 + AT1)				
45	Tier 1 capital (T1 = CET1 + AT1) ((C)+(F)) (G)	472,660	364,314	
Tier 2 capital: instruments and provisions				
46	Directly issued qualifying Tier 2 instruments plus related capital surplus of which: classified as equity under applicable accounting standards	—	—	
	Subscription rights to Tier 2 instruments	—	—	
	Directly issued qualifying Tier 2 instruments plus related capital surplus of which: classified as liabilities under applicable accounting standards	—	1,000	(5)
	Qualifying Tier 2 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities	—	—	
48-49	Tier 2 instruments issued by subsidiaries and held by non-controlling interests (amount allowed in group Tier 2)	—	—	
47+49	Eligible Tier 2 capital instruments subject to transitional arrangements included in Tier 2: instruments and provisions	—	10,000	
47	of which: instruments issued by bank and its special purpose vehicles	—	10,000	(4)
49	of which: instruments issued by subsidiaries	—	—	
50	Total of general allowance for credit losses and eligible provisions included in Tier 2	245	91	
50a	of which: provision for general allowance for credit losses	245	91	
50b	of which: eligible provisions	—	—	
51	Tier 2 capital: instruments and provisions (H)	245	11,092	
Tier 2 capital: regulatory adjustments				
52	Investments in own Tier 2 instruments	—	—	
53	Reciprocal cross-holdings in Tier 2 instruments	—	—	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	—	—	
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation	—	—	
57	Tier 2 capital: regulatory adjustments (I)	—	—	
Tier 2 capital (T2)				
58	Tier 2 capital (T2) ((H)-(I)) (J)	245	11,092	
Total capital (TC = T1 + T2)				
59	Total capital (TC = T1 + T2) ((G)+(J)) (K)	472,905	375,407	
Risk weighted assets				
60	Risk weighted assets (L)	2,749,871	2,657,243	
Capital ratio (consolidated)				
61	Common Equity Tier 1 capital ratio (consolidated) ((C)/(L))	17.18	13.71	
62	Tier 1 capital ratio (consolidated) ((G)/(L))	17.18	13.71	
63	Total capital ratio (consolidated) ((K)/(L))	17.19	14.12	
64	CET1 specific buffer requirement	2.50	2.50	
65	of which: capital conservation buffer requirement	2.50	2.50	
66	of which: countercyclical buffer requirement	0.00	0.00	
67	of which: G-SIB/D-SIB additional requirement			
68	CET1 available after meeting the minimum capital requirements	9.19	6.12	
Regulatory adjustments				
72	Non-significant investments in the capital of other financials that are below the thresholds for deduction (before risk weighting)	27,327	23,774	
73	Significant investments in the common stock of other financials that are below the thresholds for deduction (before risk weighting)	506	666	
74	Intangible fixed assets relating to mortgage servicing rights that are below the thresholds for deduction (before risk weighting)	—	—	
75	Deferred tax assets arising from temporary differences that are below the thresholds for deduction (before risk weighting)	—	—	
Provisions included in Tier 2 capital: instruments and provisions				
76	Provisions (general allowance for credit losses)	245	91	
77	Cap on inclusion of provisions (general allowance for credit losses)	469	515	
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap) (if the amount is negative, report as "nil")		—	—	
78		—	—	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	15,320	13,589	
Capital instruments subject to transitional arrangements				
82	Current cap on AT1 instruments subject to phase out arrangements	—	—	
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) (if the amount is negative, report as "nil")		—	—	
83		—	—	
84	Current cap on T2 instruments subject to transitional arrangements	6,000	12,000	(4)
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) (if the amount is negative, report as "nil")		—	—	
85		—	—	

Matters concerning the disclosure of leverage ratio

1. Matters concerning the composition of consolidated leverage ratio

			Millions of yen	
Corresponding Line # on International Template (Table 2)	Corresponding Line # on International Template (Table 1)	Item	FY2020	FY2019
On-balance sheet exposures				
1		On-balance sheet exposures before deducting adjustment items	5,780,730	6,243,056
1a	1	Total assets reported in the consolidated balance sheet	5,821,480	6,285,002
1b	2	Amount of assets of subsidiaries that are not included in the scope of the leverage ratio on a consolidated basis (-)	—	—
1c	7	Amount of assets of subsidiaries that are included in the scope of the leverage ratio on a consolidated basis (except those included in the total assets reported in the consolidated balance sheet)	—	—
1d	3	Amount of assets that are deducted from the total assets reported in the consolidated balance sheet (-)	40,750	41,945
2	7	Amount of adjustment items pertaining to Tier 1 capital (-)	21,689	10,357
3		Total on-balance sheet exposures (A)	5,759,040	6,232,699
Derivative transaction exposures				
4		Replacement cost associated with derivatives transactions, etc. (with the 1.4 alpha factor applied)	—	—
		Replacement cost associated with derivative transactions, etc.	10,999	3,472
5		Add-on amount for potential future exposure associated with derivatives transactions, etc. (with the 1.4 alpha factor applied)	—	—
		Add-on amount associated with derivative transactions, etc.	10,668	8,558
		Amount of receivables arising from providing cash margin in relation to derivative transactions, etc.	4,332	11,071
6		The amount of receivables arising from providing collateral, provided where deducted from the consolidated balance sheet pursuant to the operative accounting framework	—	—
		Amount of receivables arising from providing cash margin, provided where deducted from the consolidated balance sheet pursuant to the operative accounting framework	—	—
7		Amount of deductions of receivables (out of those arising from providing cash variation margin) (-)	—	—
8		Amount of client-cleared trade exposures for which a bank or bank holding company acting as clearing member is not obliged to make any indemnification (-)	—	—
9		Amount of adjusted effective notional amount of written credit derivatives	—	—
10		Amount of deductions from effective notional amount of written credit derivatives (-)	—	—
11	4	Total exposures related to derivative transactions (B)	25,999	23,102
Repo transaction exposures				
12		Amount of assets related to repo transactions, etc.	—	—
13		Amount of deductions from repo transactions, etc. (-)	—	—
14		Amount of counterparty risk exposure for repo transactions, etc.	803	1,741
15		Amount of agent transaction exposures	—	—
16	5	Total exposures related to repo transactions, etc. (C)	803	1,741
Other off-balance sheet exposures				
17		Notional amount of off-balance sheet transactions	1,079,529	961,561
18		Amount of adjustments for conversation to in relation to off-balance sheet transactions	911,196	818,184
19	6	Total exposures related to off-balance sheet transactions (D)	168,333	143,376
Consolidated leverage ratio				
20		The amount of capital (Tier 1 capital) (E)	472,660	364,314
21	8	Total exposures ((A) + (B) + (C) + (D)) (F)	5,954,178	6,400,920
22		Consolidated leverage ratio ((E) / (F))	7.93%	5.69%
Consolidated leverage ratio including deposits in Bank of Japan				
		Total exposures (F)	5,954,178	—
		Amount of deposits in Bank of Japan	1,972,267	—
		Total exposures including deposits in Bank of Japan (F')	7,926,445	—
		Consolidated leverage ratio or Basel III leverage ratio including deposits in Bank of Japan ((E) / (F'))	5.96%	—

Corresponding Line # on International Template, Table 1 refers to that in Table 1 and Table 2 in the rule text of "Basel III leverage ratio framework and disclosure requirements" published by the Basel Committee on Banking Supervision on January 12, 2014.

2. Reasons for any significant disparities in consolidated leverage ratio compared to the previous fiscal year (if any)

Not applicable.

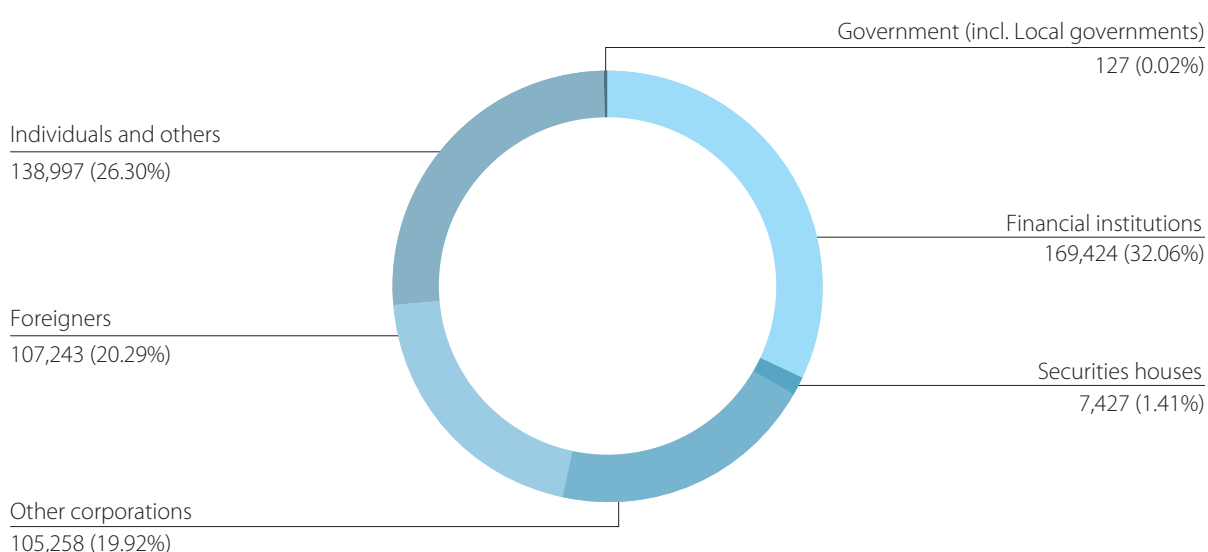
Stock Information

As of March 31, 2021

Major shareholders

	Number of shares held (Thousand shares)	As a percentage of total number of issued shares (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	2,822	5.67
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST (Managing agent, The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	1,805	3.62
Nippon Life Insurance Company	1,610	3.23
Meiji Yasuda Life Insurance Company	1,599	3.21
Custody Bank of Japan, Ltd. (Trust account)	1,539	3.09
Employee Stock Ownership of Shiga Bank	1,195	2.40
Sompo Japan Insurance Inc.	1,180	2.37
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS (Managing agent, The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	999	2.00
JP MORGAN CHASE BANK 385781 (Managing agent, Settlement & Clearing Services Department of Mizuho Bank, Ltd.)	612	1.23
Custody Bank of Japan, Ltd. (Trust account 5)	605	1.21
Total	13,970	28.08

Number of shares held by type of shareholder (Thousand shares)



Note: Figures in parentheses represent voting rights as a percentage of the total voting rights held by each shareholder segment.

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