



SHIGA BANK REPORT 2022

INTEGRATED REPORT

ANNUAL REPORT 2022 Year ended March 31, 2022

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 Omi Merchants 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.

On the Publication of Integrated Report

Shiga Bank has compiled the integrated report SHIGA BANK ANNUAL REPORT 2022. 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 2022" (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

Enriching the regional economy and people's lives for the future

In recent years we have been hit by one historic crisis after the other — from the global COVID-19 pandemic, to the conflict between the US and China, to the critical situation in Ukraine. In Japan, issues such as the declining population, the declining birthrate, increasing aged population, gap between urban and rural areas, and rapid digitalization have transformed not only how we work and our daily lives, but also our values regarding social and economic activities, and has even impacted individuals' outlook on life.

When social and economic structures start to change so dramatically, I think what we need to be wary of most is having the mindset of avoiding change and choosing to maintain the status quo. I believe that maintaining the status quo in times of change is the biggest factor in a company's downfall. Identifying signs of change, creating new businesses by leveraging your organization's strengths, and enhancing added value further based on firm convictions will contribute to sustainability.

In today's age of mounting social problems, sustainability has become crucial in a wide range of areas. Companies need to recognize that if they actively tackle SDGs and ESG (environmental, social and governance), it will become a source of competitiveness, and if they do not, it will be a considerable risk.

Here at the halfway point of the 7th Medium-Term Business Plan (April 2019 – March 2024), the Bank has decided to make "SX (Sustainability Transformation) for the future" the key phrase for completing the plan. "SX" means to balance a company's earning power with ESG principles and make changes to create a sustainable society. Below I will explain the Group's initiatives to transform society and enrich the regional economy and people's lives for future generations.





Our motto is the cornerstone of our sustainability efforts

The Bank's motto:

Be tough on ourselves, kind to others and serve society

Recently, "sustainability management" has gained public attention. It refers to corporate management that achieves sustainability in all aspects of the environment, society, and economy. The Bank has been practicing sustainability-conscious management since early on. At the heart of this lies our motto, "Be tough on ourselves, kind to others and serve society," which we announced in 1966. The Bank's motto carries on the "Sampo yoshi" management philosophy of the Omi Merchants, which means to bring happiness to three sides — being good for the seller, the buyer, and society — a philosophy that shares much with modern stakeholders' idea of capitalism.

The first part of the motto, "Be tough on ourselves," means that if every employee clearly realizes they are part of history and society, they will be able to enhance their *raison d'être*. The second part, "be kind to others," refers to recognizing that we are not simply individuals but members of society, and that it is essential for us to always discipline ourselves. The third part, "serve society" expresses that we must contribute to society by acting based on a sense of gratitude to society as a member of a company. This motto serves as our guideline in everything we do, and we instill the mindset of contributing to society through business in every Group employee.

The motto also forms the starting point of our Corporate Social Responsibility (CSR), and in 2007 we formulated our CSR Charter (Management Principles), which sets out our commitment to pursuing mutual prosperity with the regional community, all employees, and the environment. The Charter is a strong statement of our pledge to continue progressing to achieve a sustainable society with the community based on sustainability management. In these times of great change, I believe we must further efforts to implement SX that will both resolve social issues and enhance corporate value, and not delay our responsibility to future generations.

History of the Bank's environmental finance

In the Global Risks Report 2022 released by the World Economic Forum (WEF), five of the top 10 risks in terms of size of impact for the next 10 years were related to environmental problems. "Climate action failure" ranked first, followed by "extreme weather," with "biodiversity loss" coming in third. I believe that environmental problems are a social issue that must be tackled now with the highest priority.

Long before other banks, the Bank has been practicing "environmental management," which incorporates environmental considerations into corporate management, as part of our social responsibility as a company headquartered next to Lake Biwa. Specifically, we engage in "environmental finance," which protects the environment with the circulation of money; "Eco-Office Creation," which works to conserve resources and energy in offices; and "environmental volunteering," which strives to preserve biodiversity.

Environmental finance balances enhancing customers' corporate value with preserving the environment, by performing financial institution roles such as developing and offering environmentally friendly financial products and services. Lake Biwa is one of the world's oldest lakes, home to a variety of unique species. Our environmental volunteering efforts encompass a wide range of activities to protect the ecosystem of Lake Biwa, including conservation of mountain foothills, cutting reeds, planting reed seedlings, and removing fish of foreign origin. The activities always see a large turnout of Group employees and also serve to foster and raise environmental consciousness. Our Eco-Office Creation efforts consist of making our head office and branches more energy efficient. Since this March, electricity used on our head office premises is from sustainable energy sources and effectively CO₂-free. This is expected to reduce greenhouse gas emissions by 2,000 tons of CO₂ per year, and we are steadily on our way to achieve carbon neutrality by 2050.

In October 2020, we established a Sustainability Policy and revised our Environmental Policy for the first time in 10 years to strengthen initiatives to preserve the environment through our main business even further, such as initiatives to address the climate crisis and preserve biodiversity.

Enhancing regional earning power

Creating new business opportunities in response to change

The role of the Bank is to help the sustainable development of and create a future for the regional community and customers. Unless the community and our customers develop, the Bank cannot develop. In these times of great change, we will create new business opportunities that are beneficial to customers in response to changes and make continuous improvements to our existing businesses, such as enhancing productivity. We are also committed to contributing to the development of the regional community by providing high value-added products and services other banks do not.

Our sustainability initiatives are part of commitment. Leveraging its strength of many years of experience in environmental management, the Bank will actively drive ESG finance efforts that emphasize customers' ESG initiatives, and strive to enhance the corporate value of customers and achieve the sustainable development of the regional community.

Driving ESG finance efforts by leveraging strengths

The Bank released its SDGs Declaration in November 2017, making it the first regional bank to do so. The declaration defines three priority areas — (1) Establishing the regional economy, (2) Ensuring sustainability of the global environment, and (3) Training a diversified workforce — and pledges to strive to balance resolving social issues with the economy. In July 2018, we announced our endorsement of the Task Force on Climate-related Financial Disclosures (TCFD) as part of our initiatives to address climate change. In June 2019, we launched an SDG consulting service for corporate customers, which consists of services such as identifying

customers' issues and formulating new business plans. Then in August 2020, we started offering Sustainability-Linked Loans (SLL), making us the first regional bank to do so. SLL is a type of loan in which a company sets SDG- and ESG-related targets, and the terms of the loan such as interest rate are linked to the level of achievement of those targets. SLLs are mainly used by major corporations, but our SLL products are designed to make it easy for SMEs to use as well.

In addition, in November 2021, we started offering "Carbon Neutral Loan, Mirai-Yoshi," a loan for investing in decarbonization-related equipment. The Bank also started a system where it donates a portion of earnings to decarbonization and biodiversity preservation initiatives in accordance with size of the loan. The goal is to promote customers' decarbonization initiatives and improve the sustainability of the regional community. (See Page 42)

We are also accelerating ESG finance initiatives. For example, in September 2021, we provided a Positive Impact Finance (PIF) loan to a medical product manufacturing and sales company in the prefecture. PIF supports efforts to expand positive impacts and reduce negative impacts identified by comprehensively analyzing and assessing the impact a company's activities have on the environment, society, and the economy.

Expanding Collaboration

The decarbonization of the region is moving forward, but this is something that goes beyond the scope of a single company's activities; it requires the entire community to work together. In partnership with the government of Shiga Prefecture, in March 2021, we started offering the "Shigagin" Sustainability Linked Loan "Shiga Net-Zero CO₂ Emissions" Plan. In September 2021, we entered into a green loan agreement with Moriyama City in Shiga Prefecture to establish a new environmental center in the city. We hope to expand the scope of partnerships from collaborations with individual companies to broader partnerships in collaboration with local governments, and expand local decarbonization efforts across Japan.

In addition, we began holding workshops for SDG consulting and ESG finance services offered by the Bank in

the nationwide TSUBASA Alliance. The Alliance is working to promote and expand ESG finance through initiatives that combine the know-how of participating banks.

Strengthening initiatives to resolve social issues

We believe that the best performance that serves our community and our customers comes from the steady, steady accumulation of daily tasks and the countless small innovations and improvements we make. At our bank group, we listen to our customers' dreams and goals, stay close to them, understand their thoughts correctly, and achieve our goals.

We are committed to finding solutions to our challenges with proposals for. We are working diligently from the customer's perspective on business succession and M & A, as well as asset building and asset succession in line with the life plan of the 100 year life-cycle era, and are striving to evolve beyond banking into a financial information service that solves problems. Recruitment programs are also important for revitalizing local economies with limited human resources. In our bank group, the Shigagin Economic and Cultural Center Co., Ltd. started a job placement business in April 2020, and in April this year, the bank itself started a business, strengthening its system for introducing human resources that better match the management vision and needs of its clients (recruiting companies). We will always stay close to our customers, leading to "customer success" that contributes to their success, growth and development.

Implementation of ESG Assessment System

In 2005, the Bank established the Shiga Bank Principles for Lake Biwa (PLB), consisting of three principles to protect Lake Biwa and the global environment. At the same time, we started a unique environmental rating system (PLB rating). In 2009, we launched a PLB rating system for biodiversity (PLB rating BD) to evaluate initiatives to address biodiversity. We have been utilizing these rating systems as tools for raising customers' awareness of environmental management.

In November 2021, we upgraded these rating systems and implemented the ESG Assessment System to assess customers' ESG and other initiatives based on the Bank's own unique assessment criteria. The system enables the Bank to proactively engage in dialogue with customers on ESG, and provides customers an opportunity to make improvements. The assessment system consists of a total of 30 assessment items, with 10 items for each of the three ESG areas. Through the system, we share latent management issues that are difficult to identify with just financial results and provide support for solutions.

Strengthening the Bank's operating foundation

Branch measures and digital initiatives

The number of in-branch customers has greatly declined with the advancement of FinTech. To respond to such societal changes, we are working to increase productivity by reevaluating branches and the assignment of employees, and striving to expand digital customer touchpoints. We are rebuilding our branch network and creating a framework that will enable us to offer services with higher added-value to customers, by improving the efficiency of our branch network and increasing the sophistication of services via the branch-in-branch method. In addition, this March, we completed the deployment phase of an operational overhaul to improve productivity, which includes measures such as lightening the workload for branches, reducing excessive administrative work, and expanding self-service transactions, and are working on making further operational improvements.

In alignment with these measures, we are moving forward with the Flexsus Project (see Page 52), a project to build a next-generation core system that we plan to launch in January 2024. By migrating to an open platform system that will make it easier to collaborate with outside parties, we will be able to strengthen our response to digital areas and shorten development time through simplification with the latest programs. We also expect to mitigate risks and reduce costs.

Furthermore, the response of companies and regional communities to the rapid advancement of digitalization during the COVID-19 pandemic has become a major issue. The Bank provides IT business support led by the Digital Promotion Office, which is under the Business Promotion Department, (see Page 52) to help customers streamline business operations and install systems. In addition, the Shiga Prefecture Town and Village Association, which is composed of six towns in the prefecture, established the Shiga Prefecture Local Government DX Strategy Committee to facilitate the digitalization of operations in October 2021, and entered into an advisor agreement with the Bank. The Bank provides advice leveraging its know-how in implementing digital technology in customer-facing operations and other areas.

Diversity management

Human resources is the source of our activities, and diversity initiatives that maximize human resources has become even more important. To practice diversity management, we must accept diversity, respect and leverage the individuality of everyone in the organization, and create an environment where everyone can work with vigor.

In April 2020, the Bank reorganized the Committee for Advancing Women's Success into the Diversity Promotion Committee to create a work environment where everyone can be themselves. Furthermore, the Diversity Promotion Team, which was assembled by putting out a call for applications to branches, actively exchanges opinions and contributes to trying out new approaches such as one-on-one meetings so that employees can gain a more in-depth understanding of each other. The Bank's action plan ending March 31, 2024 sets out the following targets: for the percentage of women in management positions (level of acting branch and section manager and above) to reach at least 20%, and for the percentage of male employees taking spousal maternity leave to reach at least 35%. Although we have yet to reach an adequate level, we will continue working to enhance initiatives to improve it.

This April, banks participating in the TSUBASA Alliance, including The Shiga Bank, released the Diversity & Inclusion Declaration. This is a time of dramatic change for all regional

banks. We will drive collaborative initiatives leveraging the diversity of each bank, with the recognition that diversity will be a source of competitiveness.

Strengthening governance

In December 2021, we established the Nomination and Compensation Committee to strengthen independence, transparency, and accountability of the functions of the Board of Directors in regard to important matters such as the nomination and compensation of Directors. In June 2022, we implemented a restricted stock-based compensation system so that the Bank's Directors share the risks and benefits of stock price fluctuation with shareholders to a greater extent and increase their motivation to enhance corporate value even more than before. The Bank will continue to enhance and reevaluate corporate governance with the aim of achieving sustainable growth and improving corporate value for the Bank. (See Page 72)

Fiscal 2021 results, dividend policy, and shareholder benefits program

Next, I would like to give an overview of the fiscal year ended March 31, 2022. The impact of the COVID-19 pandemic continues, but performance has been good thanks to factors such as an increase in consulting fees and commissions such as commissions related to assets under custody and

corporate feasibility due to the above measures and other factors.

The Bank posted net income attributable to owners of parent of ¥17.7 billion, up ¥6.2 billion year-on-year. Deposits (the average balance of deposits during the period including negotiable certificates of deposits) increased by ¥241.9 billion year-on-year to ¥5,519.2 billion and loans (the average balance of loans and bills discounted during the period) increased by ¥62.2 billion year-on-year to ¥4,057.0 billion, both on a non-consolidated basis. The total capital ratio (consolidated) was 15.14%, and the total for loans based on the Financial Reconstruction Act was ¥83.5 billion, accounting for 2.02% of total loans and bills discounted. Based on these results, we upwardly revised annual dividends from the initially planned 40 yen to 80 yen.

As for our forecast for consolidated results for the fiscal year ending March 31, 2023, we expect a net income (consolidated) of ¥14.8 billion. For fiscal 2022, we changed the dividend policy in order to continue paying stable dividends and aim for a shareholder return ratio from dividends plus share buyback of 40% (the annual dividend for fiscal 2022 is expected to be 80 yen). We also implemented a shareholder benefit program for shareholders who have continuously held 200 or more of the Bank's shares for at least one year that are registered in the shareholder registry on March 31 of each year. The Bank will continue working even harder to enhance corporate and shareholder value.

(in million yen)

	Non-consolidated			Consolidated		
	Results of fiscal year ended March 31, 2022	Forecast of fiscal year ending March 31, 2023	Year-on-year	Results of fiscal year ended March 31, 2022	Forecast of fiscal year ending March 31, 2023	Year-on-year
Ordinary profit	22,942	20,000	(2,942)	23,999	21,000	(2,999)
Net income	17,361	14,500	(2,861)	17,715	14,800	(2,915)

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

SX for the future

This February, the Intergovernmental Panel on Climate Change (IPCC) released a report stating that man-made climate change is causing wide-ranging negative impacts, damage, and loss to nature and to people. In its April follow-up report, the IPCC pointed out the need to bring down greenhouse gas emissions by 2025 and urged taking immediate action to achieve the global goal of keeping the increase in temperature from pre-industrial levels at 1.5°C. There are many other social issues that need to be urgently addressed besides climate change. It is the duty of our generation to clearly recognize the current circumstances and leave behind a world where future generations of children and grandchildren can live with peace of mind.

"People don't know how mundane success can be." These are the words a certain US gold medal Olympic swimmer said in talking about daily efforts. If you carry out several routine tasks that seem ordinary at first glance and continue to

steadily persevere while making small improvements, there is an excellent chance those efforts will result in opening up a completely new world for you, like receiving a gold medal. Most important is to not be satisfied with your current circumstances and continue taking on challenges while searching ceaselessly for the best solution.

This October 1 will mark the Bank's 90th anniversary. We will strive to co-create a sustainable society and economy with the community while looking ahead to the future. What the Group can do is only a small step, but we will convey the regional community's determination to create a new future for themselves.

Going forward, Group employees will continue to work together to drive "SX for the future" initiatives even further. Thank you for your continued understanding and support.

Shojiro Takahashi, President, Shiga Bank



ABOUT SHIGA BANK

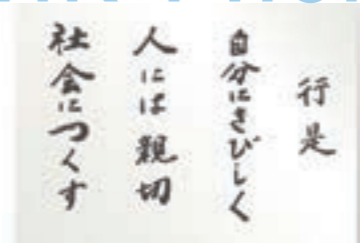
Looking Back on Shiga Bank's History

Shiga Bank History



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 Omi Merchants 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 has pioneered 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).

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 blood flow of the economy, the Bank has taken measures to create a virtuous cycle of the twin imperatives of safeguarding the "environment" and providing "finance."

100th
anniversary
2033



● October 1933 Established the Shiga Bank, Ltd.

● October 1938 Opened Kyoto Branch

- March 1941 Opened Osaka Branch
- July 1946 Opened Tokyo Branch

- May 1951 Commenced foreign exchange business

● January 1966 Announced the Bank's motto

- October 1977 Listed stocks on the Osaka Securities Exchange (the Second Section) and the Kyoto Stock Exchange (moved to the First Section of the Osaka Securities Exchange in March 1979)

- August 1984 Established the "Shigagin Welfare Fund," a social welfare corporation
- September 1987 Published the first issue of "Current State of Shigagin," a disclosure magazine (renamed "SHIGA BANK REPORT" in 1998)
- October 1987 Listed stocks on the Tokyo Stock Exchange (the First Section)
- March 1988 Opened the New York Representative Office
- July 1988 Completed the current Head Office building
- May 1989 Opened the Hong Kong Representative Office

- May 1991 New York Representative Office was promoted to New York Branch (closed down in 1998)
- September 1993 Hong Kong Representative Office was promoted to Hong Kong Branch
- July 1996 First regional bank in the Kinki area to launch a website
- February 1998 Published the first issue of "Naruhodo Shigagin," a mini-disclosure magazine
- April 1998 Launch of "∞ (Mugen) Net" on a trial basis
- December 1998 Commenced "In-house corporate credit ratings system"
- February 1999 Launch of "Pricing" system operations on trial basis
- October 1999 Established the "Environmental Policy"
- December 1999 Launch of "DBM (Database Marketing)" operations

2000

- March 2000 Acquired ISO 14001 certification
- July 2000 Commenced Shigagin New Business Forum "Saturday School for Entrepreneurship"
- October 2001 Became the first commercial bank in Japan to sign the United Nations Environment Programme (UNEP) Statement by Financial Institutions
- April 2003 Established "Shigagin Nonohana Prize," an incentive system through industrial-academic cooperation
- December 2003 Opened Shanghai Representative Office
- April 2004 Established "CSR Committee" and "CSR Office"
- December 2005 Established Shiga Bank Principles for Lake Biwa (PLB) and launched the "PLB rating"
- March 2007 Basel II's Foundation Internal Ratings Based-Approach (FIRB) was approved by the Financial Services Agency
- April 2007 Established the "CSR Charter" and the "Code of Conduct"
- August 2007 Commenced "Shigagin Ratings Communication Service (Ratings CS)"
- July 2008 Became the first financial institution to be certified as an "Eco-First Enterprise"

2010

2020

- February 2020 Signed the Principles for Responsible Banking (PRB) (the first for a regional bank)
- April 2020 The Bank itself started offering trust services
- April 2020 Human resources placement business started at The Shigagin Economic & Cultural Center Co., Ltd.
- July 2020 Established the Shigagin Regional Revitalization SD Fund
- September 2020 Integrated Osaka Branch and Umeda Branch via the branch-in-branch method
- October 2020 Established the Sustainability Policy
- October 2020 Established the Sustainable Strategy Office and Digital Promotion Office
- October 2020 Established the Sustainability Committee
- February 2021 Established the Digital Strategy Committee
- February 2021 Integrated Hikone Branch and Hikone Ekimae Branch via the branch-in-branch method
- June 2021 Established the Solution Sales Office and Finance Office
- November 2021 Implemented the ESG assessment system
- January 2022 Bangkok Representative Office became a joint office with the Chugoku Bank
- April 2022 Listed stocks on the Prime Market of the Tokyo Stock Exchange following the Exchange's reorganization of market segments
- August 2010 Established the "Policies for biodiversity preservation"
- February 2012 Opened Bangkok Representative Office
- December 2015 Commenced the "Ratings Simulation Service (Ratings SS)"
- November 2017 Announced the Shigagin SDGs Declaration
- July 2018 Announced support for TCFD Recommendations
- April 2019 Started implementing the 7th Medium-Term Business Plan
- May 2019 Joined "TSUBASA Alliance"

1933

1940

1950

1960

1970

1980

1990

1 The spirit passed down from Omi merchants

Based on the frontier spirit inherited from Omi Merchants of central Japan and the spirit of "Sampo yoshi," the Bank has been pursuing problem-solving-oriented businesses.

2 Pioneering ESG regional financing

The Bank has always been a leader in ESG regional financing, having been engaged in environmental finance since the 1990s and introduced the Sustainability Linked Loan in 2020.

3 Solid equity capital

Securing a high level of capital ratio of 15.14%, the Bank has developed a sound financial base, which is essential for assuming the risks of the local economy.

ABOUT SHIGA BANK

Strengths of Shiga Bank

Strengths

4 Blessed 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.

5 Dominant market share

The Bank holds a 48.87% share of loans and a 46.73% share of deposits in Shiga Prefecture. The Bank enjoys overwhelming support from regional communities.

6 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.

7 Personnel with extensive financial knowledge

More than one in nine 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.

8 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).

ABOUT SHIGA BANK

External Evaluation

For information on awards we have received in the past, please scan the QR code on the right.



<https://www.shigagin.com/about/awards/>

March 16, 2022

Selected as an examples of “Distinctive Efforts by Financial Institutions contributing to Regional Revitalization for Fiscal Year 2021”

The Bank’s initiatives on “Shigagin” Sustainability Linked Loan was selected among the “Examples of Distinctive Initiatives of Financial Institutions, etc. that Contribute to Regional Revitalization for Fiscal Year 2021.” We received an award from Ms. Seiko Noda, Minister of State for Regional Revitalization.



The award ceremony was held online.



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



Received Bronze Prize in the 2022 ESG Finance Awards Japan



2022 Sompo Sustainability Index

Selected as a component of the SOMPO Sustainability Index



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



Acquired ISO 14001 certification

JQA-EM0777

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)



Endorses the GX League Basic Concept



Signed the Principles for Financial Action for the 21st Century



Supports the Initiative based on the Declaration of Biodiversity by Keidanren



Joined the Japan Climate Initiative (JCI)



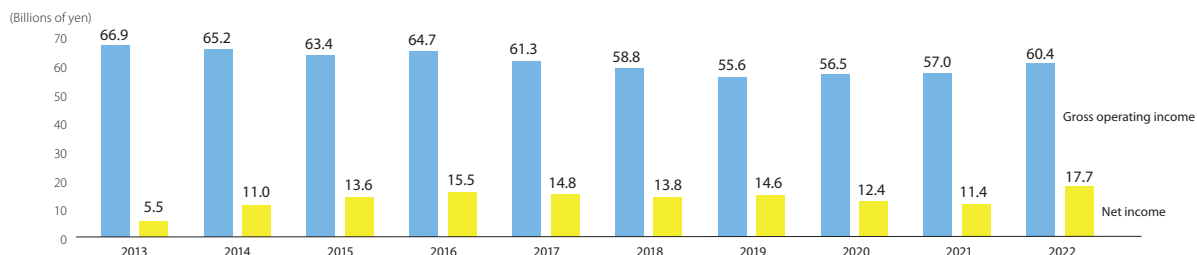
Supports the “Shiga CO₂ Net Zero” movement

Financial Highlights

(As of March 31, 2022)

Gross operating income (consolidated)

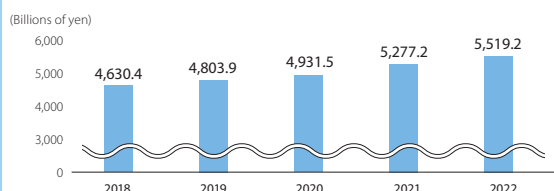
60.4 billion yen



* Basis for calculation of gross operating income has been changed with effect from the fiscal year ended March 31, 2021.

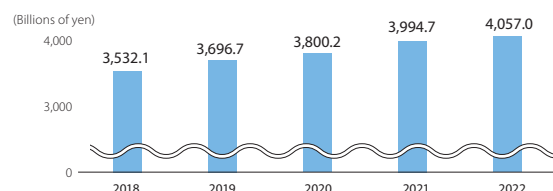
Average balance of deposits during the period
(including negotiable certificates of deposits)
(non-consolidated)

5,519.2 billion yen
(Share within Shiga Prefecture) **46.73%**



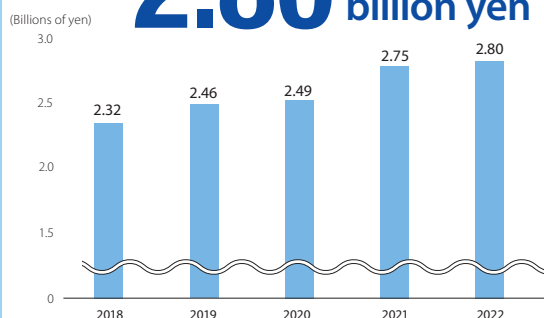
Average balance of loans and
bills discounted during the period
(non-consolidated)

4,057.0 billion yen
(Share within Shiga Prefecture) **48.87%**



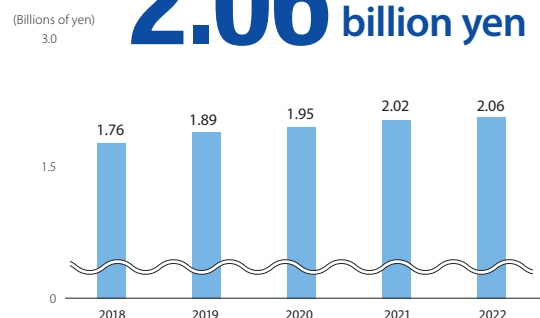
Deposits per employee (non-consolidated)

2.80 billion yen



Balance of loans and bills discounted
per employee (non-consolidated)

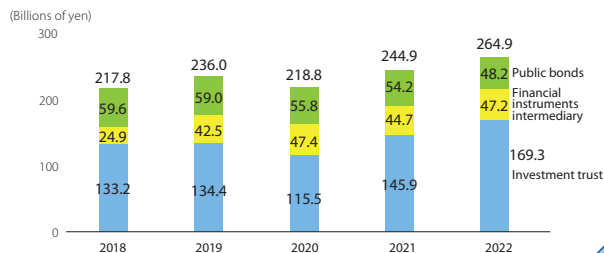
2.06 billion yen



Financial highlight

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

264.9 billion yen

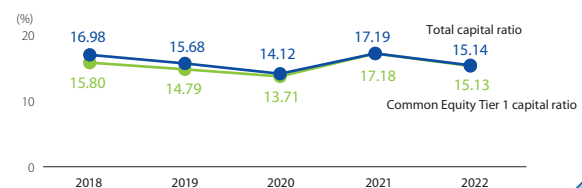


Total capital ratio (consolidated)

15.14 %

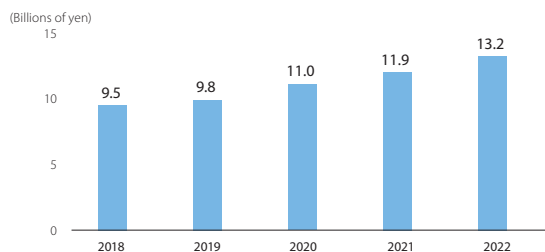
Common Equity Tier 1 capital ratio (consolidated)

15.13 %



Fees and commissions (consolidated)

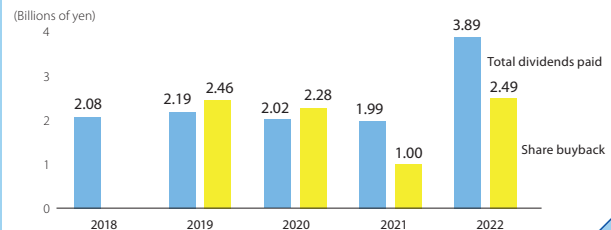
13.2 billion yen



Shareholder return

Total dividends paid **3.89 billion yen**

Share buyback **2.49 billion yen**



Rating

Japan Credit Rating Agency, Ltd. (JCR)

A+

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

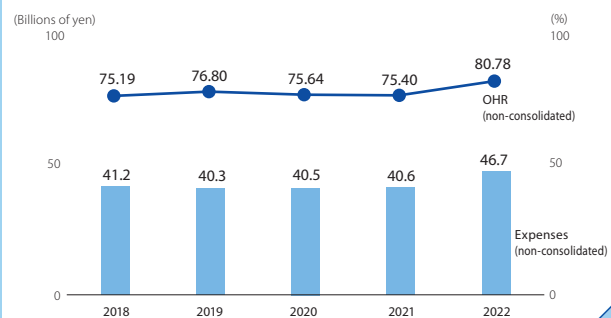
A+



Expenses (non-consolidated) **46.7 billion yen**

OHR (non-consolidated)

80.78 %



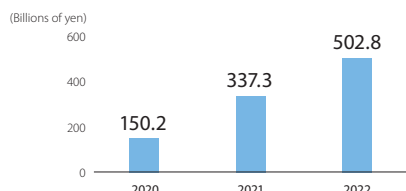
ESG Highlights

(As of March 31, 2022)

Investment and financing to promote Sustainable Development



Cumulative total of
502.8 billion yen



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

Cumulative total of
10,491 persons

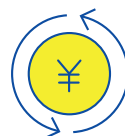


Reduction in greenhouse gas emissions

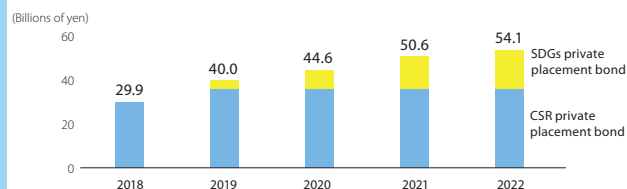


Rate of reduction **42.08%**
From the level in fiscal year 2013

Actual amount of CSR private placement bonds/SDGs private placement bonds

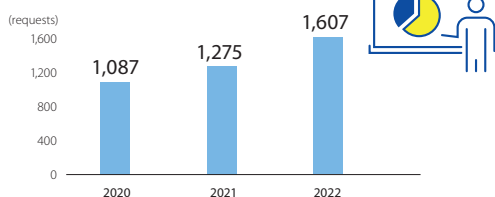


Cumulative total of
54.1 billion yen



Number of requests for consultation per year

1,607 requests

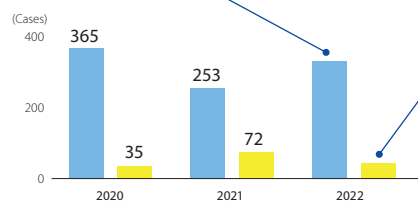


Number of customers receiving business succession support

329 customers

Number of customers receiving M&A support

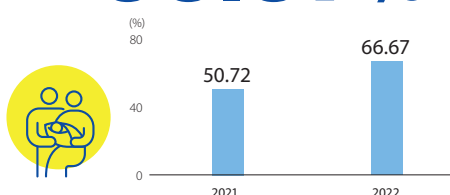
43 customers



ESG highlight

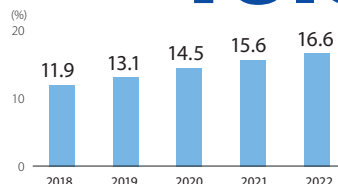
Percentage of male employees taking
spouse maternity special leave

66.67%



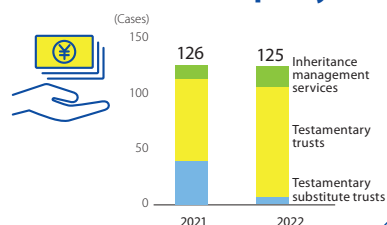
Percentage of female managers

16.6%



Number of trust services
commissioned

125 cases per year



Shigagin Welfare Fund

Number of
subsidies awarded

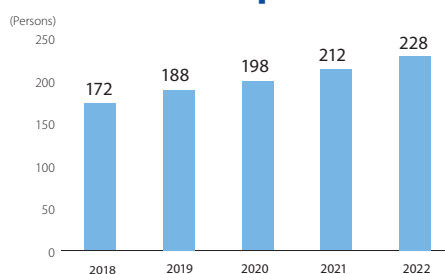
Cumulative total of
511 cases

Total amount of subsidies awarded

390.99 million yen

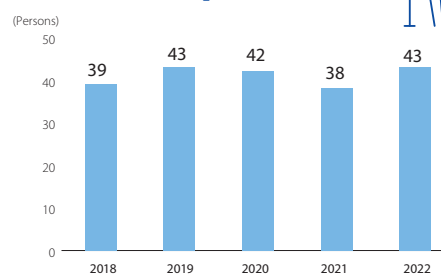
Number of employees with
Financial Planning Grade 1 certification

228 persons



Number of employees certified as Small and
Medium Enterprise Management Consultant

43 persons



MEASURES FOR CLIMATE CHANGE/ GLOBAL WARMING

Our Approach to Climate Change

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.

The Bank has regarded responding to global warming, a factor of climate change, as one of the important management issues. We have begun setting targets for greenhouse gas emissions reduction in our Medium-Term Business Plan in April 2004 and established the CSR Charter (Management Principles) featuring harmonious coexistence with the environment in April 2007. In October 2020, we established the Sustainability Policy that serves as a basic policy for management and also revised our Environmental Policy. Having thus renewed our recognition of the importance to respond to climate risks, we are working to create a sustainable society by establishing a “virtuous circle propelling the economy and environment forward” by fulfilling its role as a financial institution.

Shiga Bank's Sustainability Policy

We aim to enhance our corporate value by following our CSR Charter (Management Principles) 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.



Shiga Bank Environmental Policy: For a Sustainable Future of the Regional Society

As a local bank in Shiga Prefecture—home to Lake Biwa, an asset we hold in trust for the future—Shiga Bank is committed to contributing to the creation of sustainable regional communities by driving ESG finance, as well as working on initiatives for climate risk response and biodiversity preservation with a determination to protect the environment using the circulation of money.

1. Environmental conservation through business activities

We will work together with the regional society on environmental conservation initiatives, including for Lake Biwa, through our business activities such as developing and offering financial products and services that promote efforts towards SDGs and ESG.

2. Initiatives to mitigate environmental impact

As an Eco-First Enterprise, we will drive efforts to reduce environmental impacts of our business activities, such as the use of sustainable energy, recycling, waste reduction, pollution control, and green procurement.

3. Compliance with relevant environmental laws

We will comply with environmental laws and regulations and work to translate SDGs, Paris Agreement and other social needs into corporate activities.

4. Governance and management systems

We will build a system that allows steady implementation of efforts to realize sustainable society, keep the leadership team regularly informed of the state of our environmental initiatives, formulate strategies and set goals that take into account environmental risks and opportunities, and thereby ensure appropriate management.

5. Full participation and information disclosure

We will publish our Environmental Policy and readily disclose the state of its implementation, in addition to making it thoroughly known across the Bank and by all who work for the Bank and raising awareness for the policy so that it is put into action by each person.

Timeline

1999	Established the Environmental Policy
2000	Acquired ISO 14001 certification
2001	Signed the United Nations Environment Programme Finance Initiative (UNEP FI)
2004	Established the CSR Committee
	Set targets for greenhouse gas emissions reduction in the Medium-Term Business Plan
2007	Established the CSR Charter (Management Principles)
2010	Revised the Environmental Policy (first revision)
	Established the Policies for Biodiversity Preservation
2017	Announced the Shigagin SDGs Declaration
2018	Announced support for TCFD Recommendations
2020	Signed the Principles for Responsible Banking
	Established the Sustainability Policy
	Revised the Environmental Policy (second revision)
	Reorganized CSR Committee into Sustainability Committee
2021	Adopted the achievement of Shiga Prefecture's "Shiga CO ₂ Net Zero" emissions target as one of the Bank's long-term vision challenges
2022	Announced endorsement of GX League Basic Concept of the Ministry of Economy, Trade and Industry
	Published the results of scenario analyses of transition and physical risks

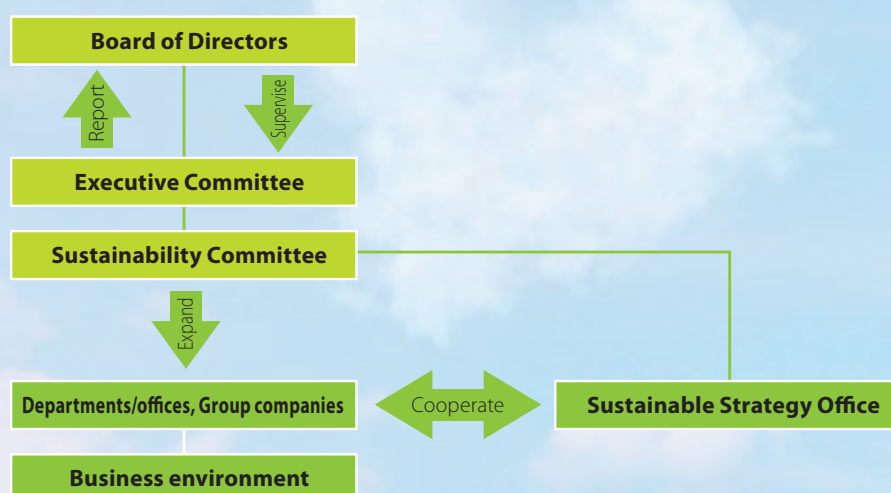
Responding to TCFD Recommendations

Having announced its support of the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in July 2018, the Bank has been disclosing information in line with the TCFD Recommendations since fiscal year 2019, with a view to building engagement with shareholders, investors and a wide range of other stakeholders through such disclosure. We will continue working to improve disclosure and lead the decarbonization efforts of regional communities. The current state of response to the Recommendations are outlined below.

Governance (Governance of climate-related risks and opportunities)

Recognizing that climate change and other environmental and social challenges are important matters concerning its management, the Bank discusses these matters at the meetings of the Board of Directors and reflects the outcome in its management strategy and risk management. Specific measures and initiatives are discussed at the Sustainability Committee chaired by the President, the content of which are reported to the Board of Directors at least once a year. The Board of Directors is fully prepared to execute appropriate supervision on matters reported such as the state of greenhouse gas emissions reduction.

The Sustainability 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 deliberates on policies and plans for addressing medium- to long-term ESG challenges, including such matters as identifying priority issues (materiality), developing Sustainability Vision, examining measures to be taken by departments based on the Sustainability Policy, setting environmental goals based on ISO 14001, conducting scenario analysis in accordance with TCFD Recommendations. Matters of significance are reported to the Management Meeting (Executive Committee) and the Board of Directors.



Strategy

To further our response to risks and opportunities, including those of climate change, we have identified three areas for priority action, namely, “establishing the regional economy,” “ensuring sustainability of the global environment,” and “training a diversified workforce,” and developed a Sustainability Vision (long-term vision) aimed at achieving sustainable society.

In October 2020, we established a Sustainability Policy focusing on sustainability of the regional communities and set up Sustainable Strategy Office in the General Planning Department, and also a team dedicated to ESG finance in the Business Promotion Department in order to be better prepared to boost sustainable financing towards making decarbonized society a reality.

(1) Recognition of risks, opportunities and impacts

The Bank assesses climate change risks (transition risks and physical risks) for the time frames of short-term (five years), medium-term (10 years), and long-term (30 years) under 1.5°C scenario and 4°C scenarios. With regard to the risks and opportunities that have been recognized, we are making efforts related to CO₂ emissions reduction and also considering reflecting the findings in our investment and financing strategy.

Type of risk/opportunity		Impact on business	Timing of manifestation
Transition risks	Policy and legal Market Technology	Impact on the Bank's credit costs arising from actions that the Bank takes in response to decarbonization policies and regulations in order to achieve the 1.5°C scenario, or from changes in market orientation towards low-carbon via the impact of such changes on the business and performance of investment and financing targets	Medium term or long term
	Policies	Establishment of, or amendments to, regulations following the global trend toward increased actions against climate change	Short term
	Reputation	Negative rumors resulting from lack of efforts against climate change or insufficient disclosure of information	Short term
Physical risks	Acute risks	Impacts on the Bank's credit costs arising from the impacts of increased natural disasters such as floods on the business and performance of investment and financing targets	Short term, medium term, or long term
		Risk of damage to the Bank's assets from natural disasters such as floods	Short term, medium term, or long term
	Chronic risks	Impacts on the Bank's credit costs arising from the impacts of increased infectious diseases or heatstroke cases on the business and performance of investment and financing targets	Short term, medium term, or long term
Opportunities	Products/ services	Increased capital needs of companies related to the development of low-carbon products and services	Short term, medium term, or long term
	Resource efficiency, energy source	Reduced costs of companies as a result of efforts for the transition to a decarbonized society; increased capital needs related to such transition	Short term, medium term, or long term
	Reputation	Increased business opportunities resulting from our higher social reputation as a financial institution that contributes to decarbonization of regional communities	Medium term or long term

The proportion of energy and utility (electricity, excluding renewables) sectors, which are considered to be exposed to particularly high transition risk among the carbon-related assets for which disclosure is recommended by TCFD, in the Bank's total lending as of March 31, 2022, is approximately 2.36%.

We are considering working to grasp the whole picture including other carbon-related assets.

(2) Scenario analysis

We conducted two scenario analyses after consulting multiple scenarios published by the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA), among others, and taking into consideration the Paris Agreement, the agreement at the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP26) held in November 2021, etc. The impact of increase in credit costs is expected to be limited, as cost reduction can be achieved by way of medium- to long-term efforts.

<Process of analysis>

- Analyze risks (transition risks, physical risks) and opportunities for each sector
- Determine subject sectors for scenario analysis
- Choose scenario for transition risks and physical risks depending on the subject of analysis, and analyze the impact on credit costs

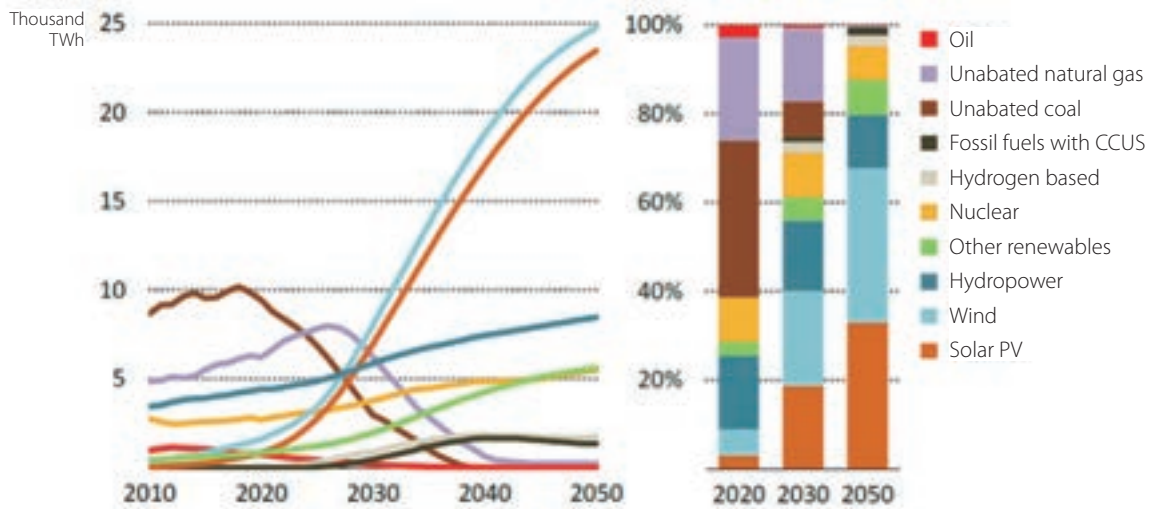
Results of analysis on transition risks

Item	Details
Scenario	IEA's "Net Zero Emissions Scenario 2050 (NZE Scenario)" * A report that shows a road map for transition to an energy system for achieving net zero emissions of greenhouse gases in 2050 while limiting the rise in global temperature to 1.5°C above pre-industrial level.
Subject sector	1) Power utility 2) Oil, coal and gas
Subject period	Up to 2050, with March 31, 2021, as a base
Metrics	Credit-related expenses (credit costs) *Credit costs based on borrower classification
Results of analysis	A total of 5 billion to 10 billion yen increase in credit costs in the period to 2050

- As we go ahead with decarbonization with eyes to the future, the current power source composition is not permissible and need to be gradually changed.
- Consequently, under the NZE Scenario, CO₂ emissions are expected to fall drastically in the future. (a global trend)

MEASURES FOR CLIMATE CHANGE/GLOBAL WARMING

(For reference) Trend in global power generation and composition by source in the NZE scenario



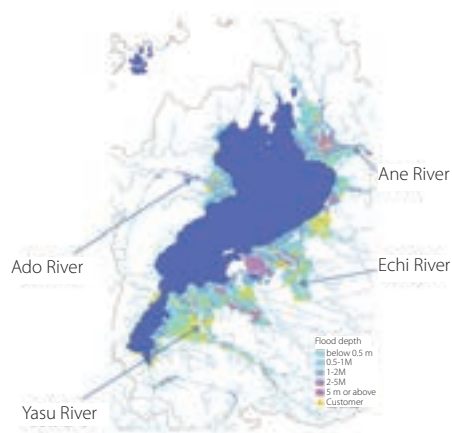
Source: Net Zero by 2050 A Roadmap for the Global Energy Sector, IEA

Results of physical risk analysis

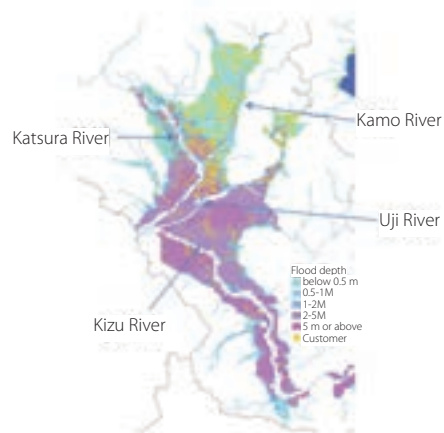
Item	Details
Scenario	IPCC's "RCP8.5 Scenario" (4°C Scenario) A "100-year flood occurs" in the period to 2050
Subject region	The whole areas of Shiga and Kyoto Prefectures
Subject entities	Borrowers of business loan (excluding large corporations)
Metrics	Credit-related expenses (credit costs) 1) Downgrading of borrower classification of borrower company in light of decline in sales due to suspension of business 2) Damage to collateral
Results of analysis	Increase of 4 billion yen in credit costs

Hazard map of Shiga Prefecture and southern part of Kyoto Prefecture showing the locations of the Bank's customers

- Mapped the Bank's customers (yellow dots) on the hazard maps of Shiga and Kyoto Prefectures (for a 100-year flood)
- In Shiga Prefecture, floods are expected mainly along the rivers flowing into Lake Biwa. In Kyoto Prefecture, widespread flood damage is expected mainly along the rivers Kamo, Katsura, Uji, and others.



Shiga Prefecture



Southern part of Kyoto Prefecture

(3) Shiga Bank Group's strategy

Strengthen our consulting force to promote the decarbonization of our customers

To achieve the target of realizing decarbonized society by 2050, we must take measures without delay. The trend toward decarbonization is expected to accelerate sharply. At a time when changes in industrial structure are expected, it is becoming increasingly important for middle-ranking and small and medium-sized enterprises to start taking measures towards decarbonization, considering that they are lagging behind large corporations in this respect, and also from the viewpoint of regional economy.

The Bank is supporting its customers' efforts towards decarbonization. Our headquarters' teams dedicated to ESG finance and carbon neutrality are working with the branches to spread the knowledge and understanding using the ESG assessment system and Supporting in drafting SDGs declaration, while also helping customers integrate SDGs into their management through our "SDGs consulting" services and by utilizing external specialists.

1) ESG assessment system

This is a system to evaluate the efforts of our customers by asking questions in the three areas of E (environment), S (social), and G (governance). Using this system, we aim to help customers realize matters they have not been aware of, and continue dialogues using opportunities such as Ratings Communication Service so as to promote their ESG efforts.

2) Support in drafting SDGs declaration

After showing customers the video "Tell Me About SDGs! by Shiganosuke (official character of Shiga Bank)," we interview them on 40 SDGs-related items, based on which we analyze the state of their progress and offer assistance, free of charge, in drafting an SDGs declaration stating specific actions to be taken.

3) SDGs consulting

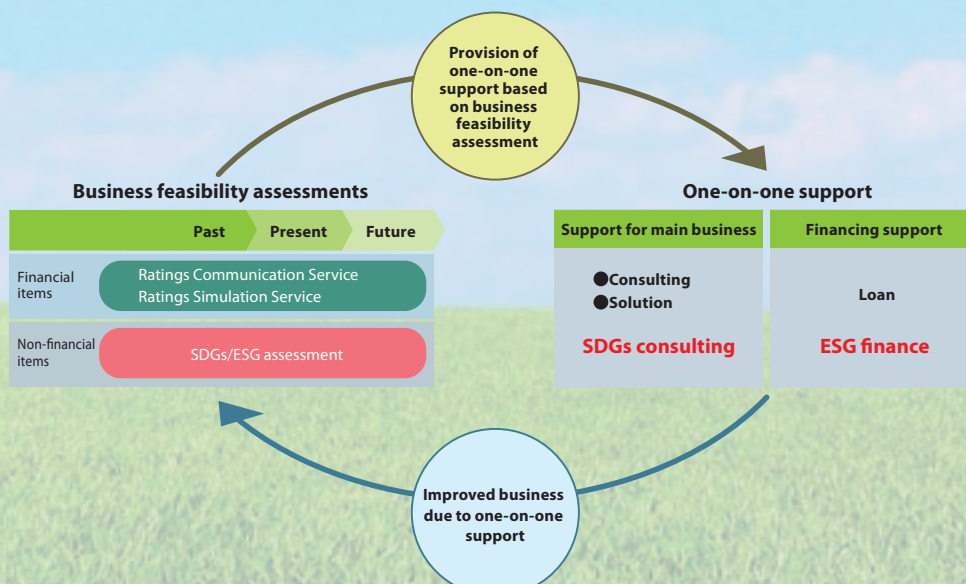
We provide paid consulting service to help customers integrate SDGs into their management strategies and increase their corporate value with sustainability management. We support their Sustainability Transformation (SX) with a consistent strategy spanning from management principles to specific tactics.

4) Utilization of external specialists, etc.

We work with various external specialists, according to needs, to solve the management issues of our customers, such as in providing greenhouse gas emissions calculation service, which is a first step towards decarbonized management, or in analyzing the state of energy use and proposing actual measures to save energy.

5) Experts on SDGs and ESG finance

Of the 4,812 examinees from around Japan who sat for the "Certification Test of SDGs and ESG Finance" offered by the Financial Official Approval Association in 2021, 790 were from Shiga Bank. The high pass rate of our employees, at 83.5% against the national average of 71.9%, testifies that we have a large pool of talents with expert knowledge who can offer consulting services.



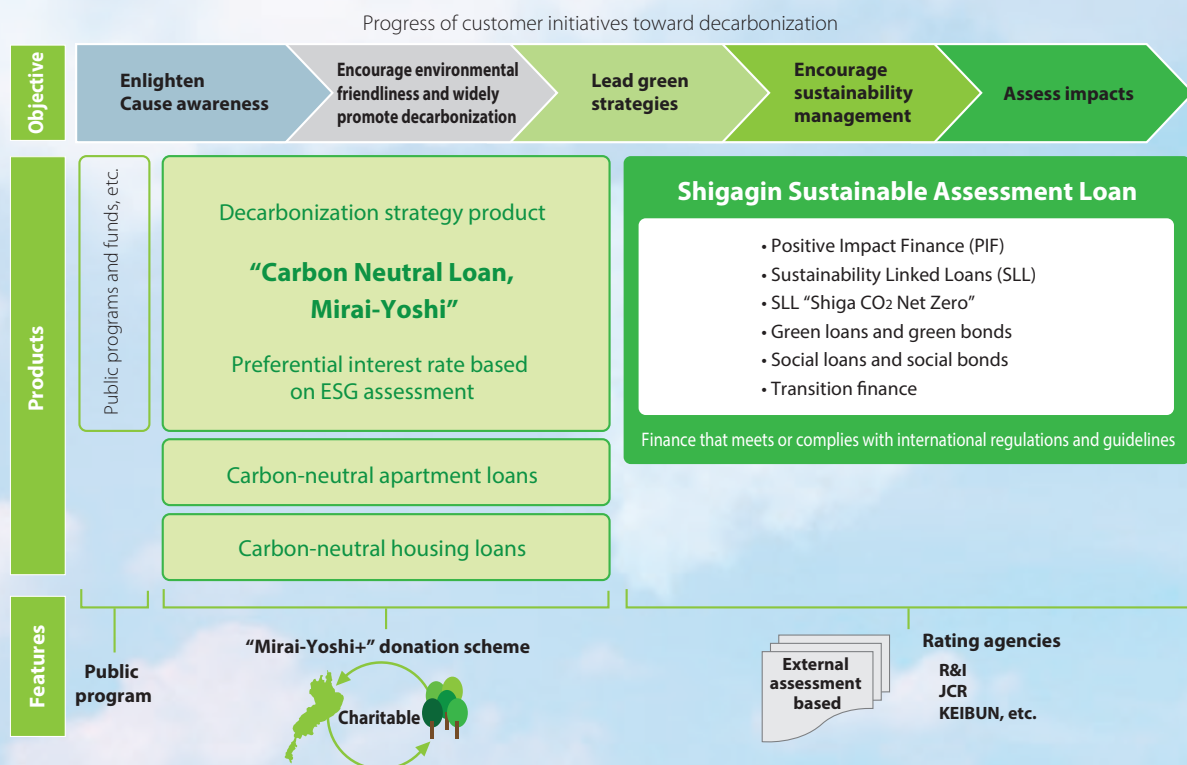
Promote ESG finance for decarbonization

To achieve decarbonization across a region, it is important that those involved, such as local governments, companies, or individuals regard it as their own business and push it forward on their own initiative.

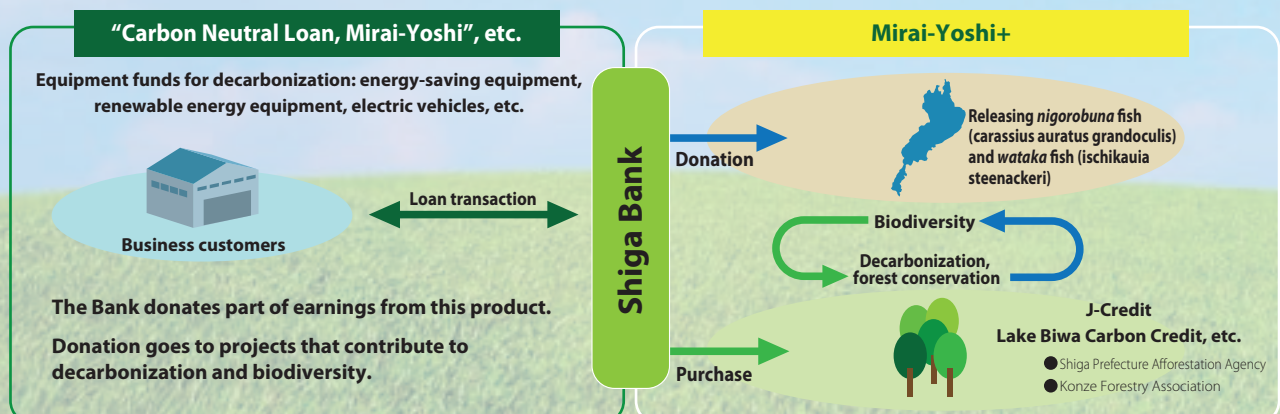
The Bank began strengthening ESG finance to offer financial support in decarbonization efforts ahead of others; we are the first regional bank to launch sustainability linked loan (SLL) products. We have been driving decarbonization of regional communities and creating business opportunities by developing climate-related loan products in collaboration with local governments, providing sustainable finance targeting local governments and corporations, and offering financial instruments that enlighten customers on consumption actions that lead to decarbonization.

In November 2021, we launched “Mirai-Yoshi+”, a donation scheme under which the Bank donates funds in proportion to the product’s performance to support biodiversity preservation activities. We will further promote ESG finance by expanding its effects across the region.

1) Shiga Bank’s portfolio of financial products



2) Schematic figure of “Mirai-Yoshi+” donation scheme



Promote decarbonization of Shiga Bank Group

For the Bank to spread and enlighten on the initiatives for SDGs and decarbonization in the regional communities, the Group must lead by example. Through environmental management efforts towards decarbonization outlined below, we are verifying their effects and challenges and passing the know-how we have gained on to our customers and others.

1) Introduced net CO₂ free electricity at our Head Office premises

In March 2022, we adopted Kansai Electric Power's "Renewable Energy ECO Plan (with tracking information)" on our Head Office premises and began using net CO₂ free electricity sourced from renewable energy.

Renewable Energy ECO Plan (with tracking information) is a power rate plan that combines the added value of zero CO₂ emissions (environmental value) attached to Non-Fossil Certificate of renewable energy sources with tracking information on the origin of renewable power and also meets the requirements of RE100. By introducing this plan, we are expecting a CO₂ emissions reduction of approximately 2,000 tons per year.

2) Introduced fuel cell vehicle "MIRAI"

In January 2022, we started using MIRAI, a new fuel cell vehicle (FCV) from Toyota Motor Corporation, with the aim of promoting decarbonization of our regional community.

MIRAI, dubbed the ultimate eco-car, creates electricity from chemical reaction of hydrogen and oxygen, emitting nothing but clean air and water as it runs. It can move with zero emissions of greenhouse gases. By using the vehicle to transport our officers, we aim to promote decarbonization of the regional community as well as spur the use of hydrogen energy.

Risk Management

The Bank recognizes that transition and physical risks stemming from climate change will greatly affect not only the global environment but the regional economy as well as the Bank's operation, strategy and financial planning.

In our risk management, we comprehensively assess credit risk, market risk, liquidity risk, reputational risk and other risks. We will continue conducting scenario analysis on a regular basis, understand and evaluate the impact of climate change on the regional economy under different conditions, and work to build a system to manage these risks within our framework for comprehensive risk management.

With regard to the risks that have been recognized, we are doing more than just stating the realization of decarbonized society in our Sustainability Policy; we are building closer engagement with stakeholders and supporting the decarbonization efforts of regional communities and our customers.

Indicators and targets

The Bank has set the following benchmark challenges aimed at sustainable development of regional communities and customers.

Investment and financing to promote sustainable development	Benchmark challenges	March 31, 2022
Medium-term indicator (by March 31, 2024)	700.0 billion yen	502.8 billion yen
Long-term indicator (by March 31, 2030)	1 trillion yen	

The Bank has set environmental impact reduction goals as follows. (Scope 1 and Scope 2 standards)

Reduction in greenhouse gas emissions (compared to fiscal 2013)	Benchmark challenges	March 31, 2022
Medium-term indicator (by March 31, 2024)	50% reduction	42.08% reduction
Long-term indicator (by March 31, 2030)	75% reduction	
Benchmark for 2050: achieve the "Shiga CO ₂ Net Zero" emissions proposed by Shiga Prefecture	Net zero emissions in the region as a whole	—

* 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.

The Bank's greenhouse gas emissions in the base year and the fiscal year ended March 31, 2022 are as shown below:

2013 (base year): **9,245t** Fiscal year ended March 31, 2022: **5,354t**

As for Scope 3, we are examining the measurement method and discussing in preparation for disclosure.

Below are our benchmark challenges set for the development of diverse workforce that will be essential to a sustainable society

Activities for promotion and improvement of SDGs and financial literacy; training of next-generation workforce (total number of participants)	Benchmark challenges	March 31, 2022
Medium-term indicator (by March 31, 2024)	15,000 persons	10,491 persons
Long-term indicator (by March 31, 2030)	30,000 persons	

Implementing the Principles for Responsible Banking

In February 2020, we became the first regional bank in Japan to sign the Principles for Responsible Banking (PRB), which was drafted by the United Nations Environment Programme Finance Initiative (UNEP FI*) and launched in September 2019. Together with more than 270 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.

*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.

Initiatives during the second 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 second report is as follows:

● Social Impact Ripple Effects



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 main 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.	<p>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 2022, domestic borrowers account for approximately 99.4%. Of the loans extended to domestic borrowers, consumers account for approximately 26% and corporate customers comprise the remaining 74%.</p> <p>Breakdown of domestic loans outstanding by industry **Other* includes loans to consumers.</p>	Page 12 of this report (Strengths of Shiga Bank)

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/Links to details of bank's full response/ relevant information
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.	<p>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.</p> <p>In addition, we have formulated the "Sustainability Policy," which sets out our basic policies for realizing a sustainable society, to improve our organizational structure.</p> <p>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.</p>	<p>Page 36 of this report (Sustainability Vision)</p> <p>Page 18 of this report (Sustainability Policy)</p> <p>Page 20 of this report (Measures for Climate Change and Information Disclosure in Line with TCFD Recommendations)</p>
<p>Principle 2. Impact and Target Setting</p> <p>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.</p>		
<p>2.1 Impact Analysis</p> <p>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:</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Engage relevant stakeholders in the analysis under elements c) and d).</p> <p>Show that building on this analysis, the bank has</p> <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 	<p>We have identified 16 issues of 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):</p> <ol style="list-style-type: none"> (1) Establishing the regional economy (2) Ensuring sustainability of the global environment (3) Training a diversified workforce <p>To achieve SDGs and the goals of the Paris Agreement, people and companies from across all sectors need to transform their behaviors.</p> <p>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.</p> <p>We are now studying impact analysis and intend to announce its results as well as initiatives we have been working on by the next report (scheduled in July 2023).</p>	<p>Page 32 of this report (Risks and Opportunities)</p> <p>Page 33 of this report (Materiality)</p> <p>Page 36 of this report (Sustainability Vision)</p>
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.		



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>2.2 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 SDGs/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.</p>	<p>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."</p> <p><Milestones for 2030> (1) Establishing the regional economy Investment and financing to promote Sustainable Development New investment and financing for a cumulative total of ¥1 trillion (2) Ensuring sustainability of the global environment Reduction in greenhouse gas emissions by 75% or more (vs. fiscal 2013) (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</p>	<p>Page 36 of this report (Sustainability Vision)</p>
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.		
<p>2.3 Plans for Target Implementation and Monitoring Show that your bank has defined actions and milestones to meet the set targets. 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. 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 reports these matters to the Board of Directors and the Management Meeting on a regular basis.</p>	<p>Page 38 of this report (The 7th Medium-Term Business Plan)</p> <p>Page 72 of this report (Corporate Governance)</p>
Publicize verification results and statements as a signatory bank to ensure that requirements are met for the implementation of objectives and monitoring plans.		
We have set targets towards achieving the milestones, which are part of our activities to meet the 7th Medium-Term Business 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 reporting the results to the Board of Directors and the Management Meeting.		

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>2.4 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 had to be changed, and how your bank is changing its plans to achieve its 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. (Disclose quantitative information if it is feasible and appropriate to do so.)</p>	<p>We have disclosed our progress against the milestones and the benchmark challenges in the 7th Medium-Term Business Plan.</p> <p>In June 2021, we raised the targets to strengthen our sustainability efforts and have since been accelerating our efforts.</p>	<p>Page 36 of this report (Sustainability Vision)</p> <p>Page 38 of this report (The 7th Medium-Term Business Plan)</p>
Publicize the results of the review and statements of the signatory bank to determine whether it meets the requirements for progress toward achieving the goals.		
We will continue to proactively disclose our progress against the set targets and specific measures implemented for achieving the targets.		
<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.</p> <p>To promote responsible relationships with customers, we have focused on constructive dialogues (engagement) with them through a range of programs such as Ratings Communication Service. In November 2021, we developed an ESG assessment system as a tool for dialogue with our customers, through which we seek to understand customers' management issues including on ESG, in addition to financial issues, and work to bring initiatives for improving corporate value out of such issues.</p> <p>Based on our "Policy for customer-first business operation," we have sought to provide customer-centric goal-based support.</p>	<p>Page 18 of this report (Sustainability Policy)</p> <p>Page 41 of this report (ESG assessment system)</p> <p>Page 61 of this report (Policy for customer-first business operation)</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 teams dedicated to ESG finance and carbon neutrality established under the Business Promotion Department.</p> <ul style="list-style-type: none"> • SDGs consulting • Shigagin Sustainable Assessment Loan • Carbon Neutral Loan, Mirai-Yoshi 	<p>Page 42 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
<p>Principle 4. Stakeholders</p> <p>We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.</p>		
<p>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.</p>	<p>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.</p> <p>Our Sustainability Vision reflects not only opinions from inside the Bank but also the opinions of multiple outside experts obtained through stakeholder dialogues.</p>	<p>Page 36 of this report (Sustainability Vision)</p> <p>Page 82 of this report (Stakeholder Communication)</p>
<p>Principle 5. Governance and Corporate Culture</p> <p>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.</p>		
<p>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.</p>	<p>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.</p> <p>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 of responses to them.</p>	<p>Page 18 of this report (Sustainability Policy)</p> <p>Page 72 of this report (Corporate Governance)</p>
<p>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.</p>	<p>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.</p> <p>We also established the Diversity Promotion Committee to create a work environment in which diverse opinions are respected and everyone can fulfill their potential.</p> <p>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.</p>	<p>Page 66 of this report (Mindset-Work reforms)</p>
<p>5.3 Governance Structure for Implementation of the Principles</p> <p>Show that your bank has a governance structure in place for the implementation of the PRB, including:</p> <p>a) target-setting and actions to achieve the targets set</p> <p>b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.</p>	<p>We have been working towards setting and achieving targets under the governance structure described in 2.3.</p> <p>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.</p>	<p>Page 38 of this report (The 7th Medium-Term Business Plan)</p> <p>Page 72 of this report (Corporate Governance)</p>
<p>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.</p>		
<p>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.</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
<p>Principle 6. Transparency and Accountability</p> <p>We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.</p>		
<p>6.1 Progress on Implementing the Principles for Responsible Banking</p> <p>Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).</p> <p>Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice. Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.</p>	<p>Initiatives implemented over the past 12 months</p> <ul style="list-style-type: none"> • Disclosed the scenario analyses based on TCFD recommendations • Strengthened sustainable financing <ul style="list-style-type: none"> Positive Impact Finance Green loans Social loans Shigagin Sustainable Assessment Loan "Carbon Neutral Loan, Mirai-Yoshi" Carbon-neutral apartment loans Carbon-neutral housing loans • Implemented ESG assessment system • Established a team dedicated to carbon neutrality 	<p>Page 21 of this report (Scenario analysis)</p> <p>Page 24 of this report (ESG Finance)</p>
<p>Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking.</p>		
<p>In response to the growing awareness of climate crisis and to avoid or control any potential impact on the economy, we have analyzed the effects of climate change on regional economy and published the results while also working to enrich the portfolio of loan products that aims to bring about a carbon neutral society.</p> <p>We are determined to ensure transparency and fulfill accountability by upgrading our efforts in a phased manner.</p>		

Economy

- 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

- 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

- 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

- 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

- 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
- 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

- 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
- 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

- 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
- 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

- 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
- 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

- Creating new industry
- Business succession
- Low birthrate and aging population/depopulation
- Promoting the digitalization of the regional communities
- Productivity improvement
- Efficient use of local resources
- Disaster prevention



- Climate change
 - Decarbonization/renewable energy
 - Biodiversity
 - Water preservation in Lake Biwa
- Developing human resources
 - Health
 - Work style reform
 - Compliance
 - Promotion of diversity

Turning SDGs into business

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Increasing productivity of the regional communities

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Evolving into a problem-solution type financial information services provider

→ P.54



Shifting to sustainable earnings structure

→ P.62



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

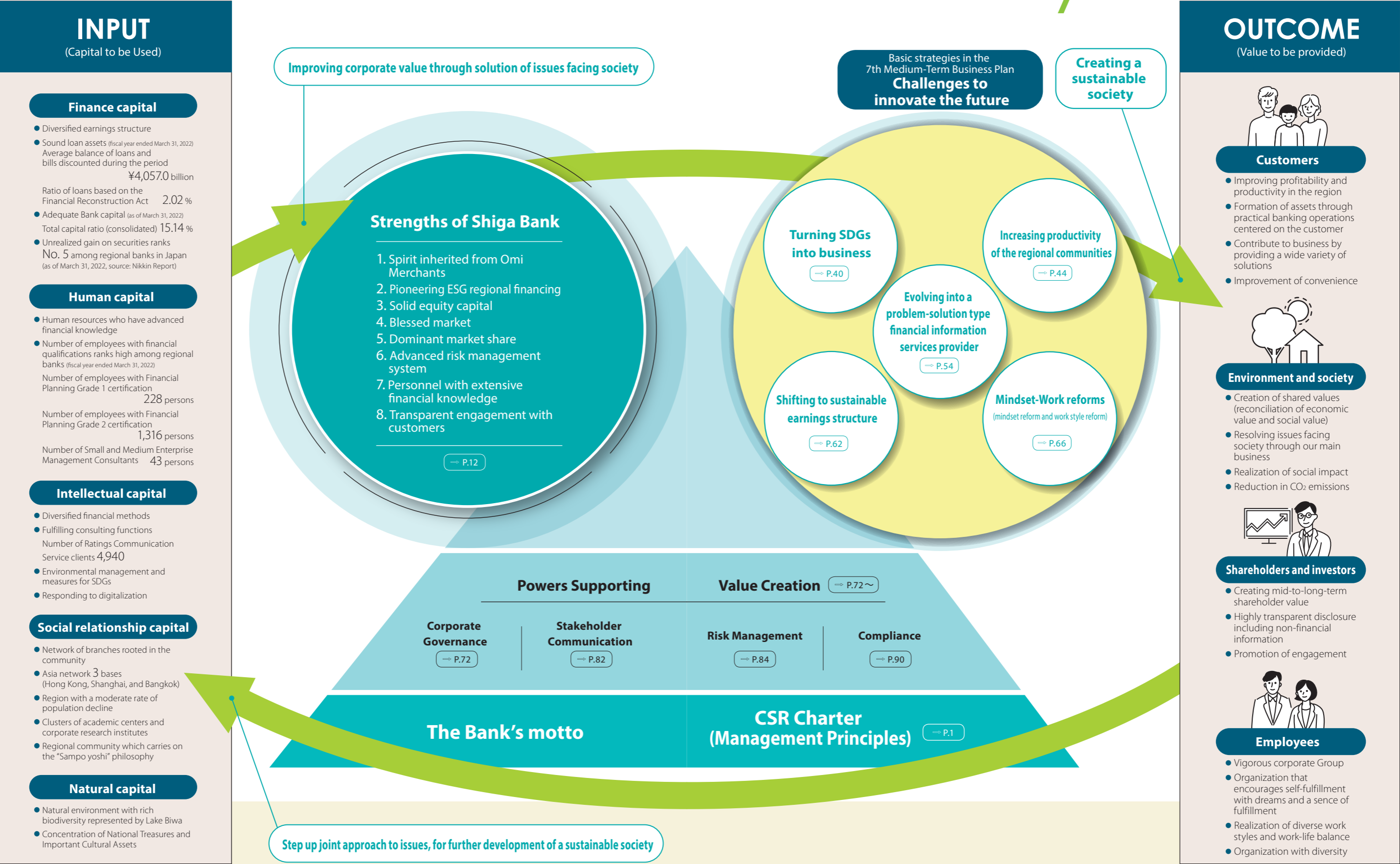
→ P.66



CHALLENGES FOR VALUE CREATION

Value Creation Story

Value creation story



CHALLENGES FOR VALUE CREATION

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.

- Connecting the economy, environment and people (integrated development)

Target 2030

Milestones for 2030

Establishing the regional economy



Investment and financing to promote Sustainable Development
New investment and financing for a cumulative

total of **1 trillion yen**

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

Sustainability Vision

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 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—

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.

Backcasting
(Identify issues that need to be done)

The 7th
Medium-Term
Business Plan

→ P.38

The next Medium-Term
Business Plan and onward

Medium-Term
Business Plan

Fiscal year 2033 **100th anniversary**

Fiscal year 2032

Fiscal year 2031

Fiscal year 2030

Year to achieve SDGs target

Fiscal year 2029

Fiscal year 2028 **95th anniversary**

Fiscal year 2027

Fiscal year 2026

Fiscal year 2025

Lake Biwa National Sports Festival, Osaka World Expo

Fiscal year 2024

Fiscal year 2023 **90th anniversary, core system launches**

Fiscal year 2022

Fiscal year 2021

Tokyo Olympic Games

Fiscal year 2020

Fiscal year 2019

The 7th Medium-Term Business Plan

Outline of the plan and progress in year three

Our vision is to plan and create sustainable development of the region and customers. Three years have passed since we launched our 7th Medium-Term Business Plan to achieve this vision. The progress on the five Sustainable Development targets ("SD targets") is outlined below.

In investment and financing to promote Sustainable Development, we reached to a total of 502.8 billion yen as a result of expanding the lineup of sustainable finance products, such as positive impact finance, and striving to engage in dialogue with customers.

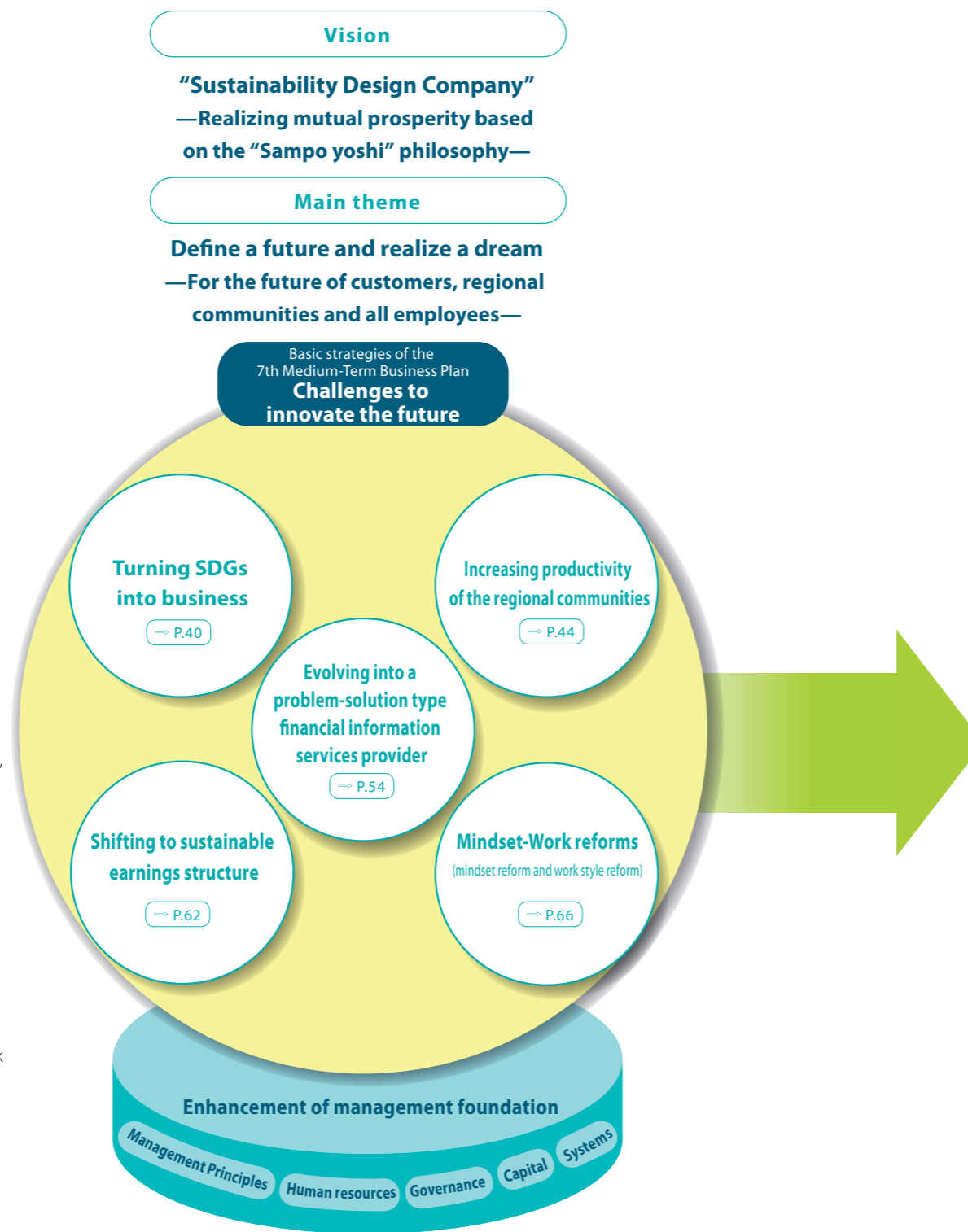
In support for value improvement of regional customers, there was an increase in consultations for trust services, business succession, IT, and so on, resulting in 1,607 requests.

In support for asset formation of regional customers, we reached to 216.6 billion yen, thanks to providing meticulous support in accordance with customers' life stages.

In reduction in greenhouse gas emissions, we reduced emissions by 42.08% compared to levels in fiscal 2013 as a result of efforts such as streamlining business operations and consolidating branches.

In activities for promotion and improvement of SDGs and financial literacy and the training of next-generation workforce, we reached a total of 10,491 participants by proactively developing human resources and implementing lecture activities both inside and outside of the Bank through online streaming due to behavioral constraints from the coronavirus outbreak.

Progress towards SD targets are going smoothly.



SD targets	Investment and financing to promote Sustainable Development	Target	Cumulative total of 700.0 billion yen	We successfully achieved steady results thanks to expanding our sustainable finance products such as SLL and PIF, and engaging in dialogue with customers through the Ratings Communication Service.
		Result	Cumulative total of 502.8 billion yen	
	Support for value improvement of regional customers	Target	2022: 1,500 cases 2024: 2,000 cases	
		Result	1,607 cases	
	Support for asset formation of regional customers	Target	2022: 220.0 billion yen 2024: 300.0 billion yen	
Revenue targets		Result	216.6 billion yen	Balance of assets under custody increased despite the COVID-19 pandemic as a result of accurately identifying customer needs, offering extensive after-sales follow-up, and providing information that takes into account market trends.
	Reduction in greenhouse gas emissions	Target	50% reduction	Efforts were made to reduce energy consumption through efficient business operations and consolidation of locations through branch policies. In addition, emissions decreased due in part to the impact of lower emission coefficients for electricity consumption.
		Result	42.08% reduction	
	Activities for promotion and improvement of SDGs and financial literacy; training of a next-generation workforce	Target	Total of 15,000 persons	
		Result	Total of 10,491 persons	
Long-term benchmark challenges	Net income attributable to owners of parent (consolidated)	Target	10.0 billion yen or more	Costs related to the next-generation core system increased, but we successfully secured a level of revenue exceeding our target thanks to factors such as an increase in commission income, increase in profit from selling cross-shareholdings, and a reduction in credit costs.
		Result	17.7 billion yen	
	Income from services for customers	Target	2022: 2.0 billion yen 2024: 3.0 billion yen	
		Result	Minus 1.4 billion yen	
	ROE (consolidated)	Target	5.0% or more	
		Result	3.69%	Results failed to reach the target due to the increase in costs related to the next-generation core system. However, fees and commissions did well, exceeding the target with 6.8 billion yen if not factoring in those costs.
	OHR	Target	Less than 65%	With an increase in net income and reduction of the Bank's net worth, ROE improved over last year, but we still failed to reach the target. We will work to restructure our business model to achieve efficient business operations.
		Result	80.78%	



The 7th Medium-Term Business Plan

Basic Strategy #1

Turning SDGs into business

SDGs have become part of common sense in the business world 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.

Value to be provided

- Incorporate SDGs into business and balance creating economic value and social value
- Assist customers with their SDGs initiatives and contribute to improving their corporate value

Preserving Biodiversity

Striving to Achieve a Nature Positive Economy through ESG Regional Financing

Located in the heart of Shiga Prefecture, Lake Biwa is approximately four million years old—making it one of the world’s oldest lakes. It is a treasure trove of biodiversity, with over 1,700 species of aquatic plants and animals living there, around 60 of which are unique to the lake. Lake Biwa provides many natural benefits (ecosystem services) thanks to the ecosystem and biodiversity formed by the connection between its wide range of organisms. The lake serves as important infrastructure that is essential for our business activities and day-to-day lives. For example, it is utilized for the lives of the 14.5 million people living nearby and the development of a wide range of industries.

Headquartered next to Lake Biwa, Shiga Bank has positioned “environmental management” (i.e., management style that incorporates environmental considerations) as a key aspect of management from early on. Accordingly, we have rolled out activities such as “Eco-Office Creation,” which works to conserve resources and energy in offices; “environmental finance,” which incorporates environmental considerations in finance; and “environmental volunteering,” which strives to preserve biodiversity. We formulated our Environmental Policy in 1999, the Shiga Bank Principles for Lake Biwa (PLB) in 2005, and “Policies for Biodiversity Preservation” in 2010, and are working towards balancing the economy and the environment and achieving sustainable development by offering a wide range of environmental finance products and services.

Policies for Biodiversity Preservation

—Toward harmonizing biodiversity and the economy—

Headquartered next to Lake Biwa, one of the oldest lakes in the world and home to a diverse range of organisms, Shiga Bank has made it its social mission to practice environmental management (i.e., management style that incorporates environmental considerations). Accordingly, we will strive to preserve the Earth’s blessing of biodiversity with the regional community and achieve a sustainable society.

1. We will deepen all employees’ understanding of biodiversity and carry out activities that contribute to preserving biodiversity and the sustainable use of organisms.
2. In gratitude to the bountiful blessings provided by the natural environment including Lake Biwa, we will expand and strengthen initiatives to preserve biodiversity hand in hand with the community to ensure those blessings are passed on to future generations.
3. We will strive to enhance the development and provision of environmentally friendly financial products and services that contribute to the preservation of biodiversity and sustainable use of organisms, and strive to ensure a balance between biodiversity and the economy with the community.

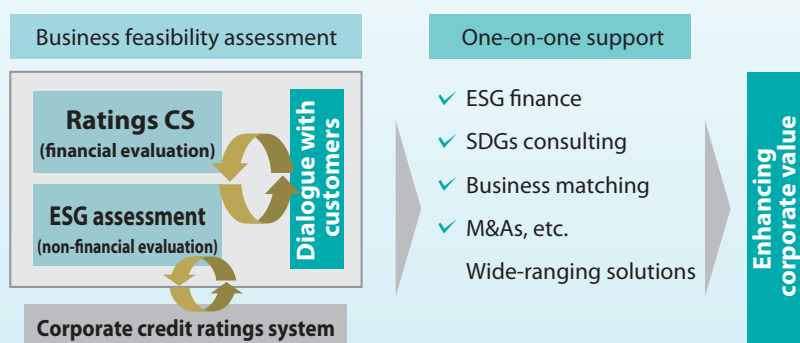
August 2010 (Enacted)

Introduction of ESG assessment system—enhancing feasibility assessments

In November 2021, we reevaluated our previous environmental rating systems (PLB rating and PLB rating BD), and established an ESG assessment system to evaluate customers' initiatives in each ESG area, Environment, Social, and Governance, based on the Bank's unique assessment criteria. We conduct a non-financial evaluation of initiatives, consisting of 10 items for each ESG area for a total of 30 items, on a five-point scale (E1–E5). Incorporating this into the Ratings Communication Service (Ratings CS) and corporate credit ratings system promotes ESG-focused dialogue with customers, deepens business feasibility assessments, and enables us to provide support to resolve issues, with the aim of enhancing corporate value over the mid to long term.

We also started offering “Carbon Neutral Loan, *Mirai-Yoshi*” (see Page 42), which provides preferential interest rates based on the ESG assessment. The Bank contributes to preserving forests and biodiversity through the “*Mirai-Yoshi*+” donation scheme (see Page 24), a charitable financial product that aims for decarbonization. A portion of the earnings from the product goes to efforts such as purchasing J-Credits, Lake Biwa Carbon Credits, and the *nigorobuna* and *wataka* fish (*carassius auratus grandoculis* and *ischikauia steenackeri*) release project, taking into account the carbon reduction value in accordance based on the size of the loan.

In-depth ESG-based feasibility assessments



Presentation ceremony for the *nigorobuna* and *wataka* fish release project fund



Environmental volunteering: “Ikimonogatari” (Tales of Life) activities

“Ikimonogatari” activities are unique activities carried out by the Bank that consider the connection between diverse species. Their aim is to protect biodiversity in Lake Biwa through efforts such as protecting and nurturing reed beds that serve as spawning grounds, protecting, nurturing, and releasing *nigorobuna* (*carassius auratus grandoculis*) and *wataka* fish (*ischikauia steenackeri*), species of endangered fish unique to the lake, and eliminating invasive non-native fish.



Shiga Biodiversity Initiative Certification Program

The Bank earned three stars in Shiga Prefecture's Shiga Biodiversity Initiative Certification Program—the program's highest rating. The rating is in recognition of efforts such as creating passbook cases made with biomass materials, using paper file folders, carrying out environmental volunteer activities, and receiving ISO 14001 certification.

Encouraging customers to practice sustainability management

We are now in an era in which it is a risk for companies not to pursue SDGs. 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 community. 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 attentive consulting.



SDGs consulting scene

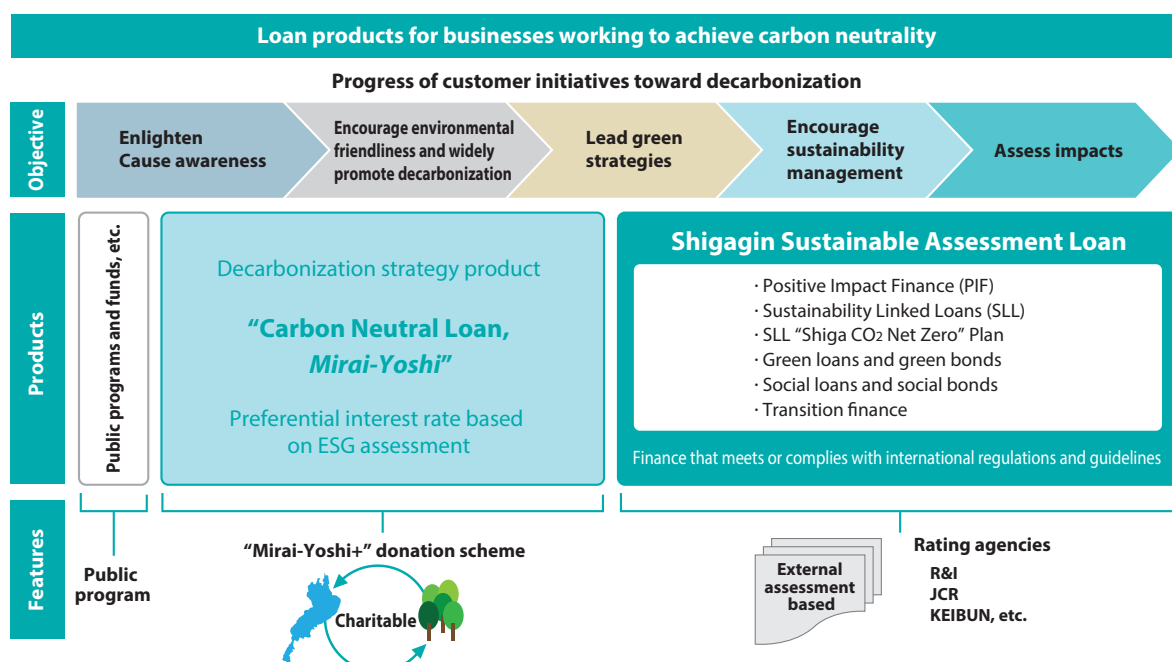
Offering ESG finance services to a wider range of customers

The Bank has been actively engaged in ESG finance services that meet international guidelines. For example, in August 2020 we became the first ever regional bank to offer sustainability linked loans. In order to provide ESG finance services to a wider range of customers, this fiscal year we revamped our product lineup to offer “Shigagin Sustainable Assessment Loan”—a financial product that provides individualized assessments of customers’ significant SDG initiatives.

“Carbon Neutral Loan, *Mirai-Yoshi*”

In November 2021, we started offering a loan product called “Carbon Neutral Loan, *Mirai-Yoshi*” that helps customers make capital investments to achieve decarbonization. Use of the loan is restricted to decarbonization-related capital investment, such as investment in electric vehicles and renewable energy. It encourages installation of equipment to achieve decarbonization by identifying and sharing customers’ management issues through the Bank’s unique ESG assessment system and providing preferential interest rates in accordance with the level of their initiatives.

In addition, a portion of the Bank’s proceeds from the product is donated in accordance with the size of the loan to projects to create sustainable communities, such as decarbonization and biodiversity preservation projects, through the recently established “*Mirai-Yoshi+*” donation scheme. Customers who use the product are given a commemorative plaque made with wood from thinning forests in Shiga Prefecture.



Examples of ESG finance initiatives

▷ Sustainability Linked Loans (SLL)

In December 2021, we entered into a 500 million yen SLL agreement with Fine Sinter Co., Ltd. (headquartered in Kasugai City, Aichi Prefecture). The company set Sustainability Performance Targets (SPTs) for the greenhouse gas emission reduction rate, and Rating and Investment Information, Inc. (R&I). confirmed that the company met the targets. The deal was selected as a model in the 2021 Model Projects of Green Finance by the Ministry of the Environment in recognition of its potential utilization as a model environmental initiative.

In August 2020, the Bank started SLL initiatives, which have been used by a great number of customers representing a wide range of industries and sizes.

Scan here for more details.

<https://www.shigagin.com/news/topix/2511>



▷ Positive Impact Finance (PIF)

We entered into PIF agreements with the following companies: Ohara Pharmaceutical Co., Ltd. (headquartered in Koka City, Shiga Prefecture), a company which conducts R&D on drugs for rare diseases with a focus on childhood cancers, in September 2021; Pharma Foods International Co., Ltd. (headquartered in Kyoto City, Kyoto Prefecture), a company that develops and sells functional food ingredients and operates direct marketing and biomedical businesses, in December 2021; and Taneya Co., Ltd. (headquartered in Omihachiman City, Shiga Prefecture), a company that manufactures and sells Western and Japanese confections, in March 2022. During the loan screening process, we conduct a comprehensive analysis and assessment of the impact the company's activities have on the environment, society, and economy. After entering into the agreement, we provide regular follow-up to assist them in practicing sustainability management.

▷ Social loans

In March 2022, the Bank arranged and entered into an agreement for its first social loan, in the form of a syndicated loan with Okamoto Hospital (located in Kumiya-cho, Kuze-gun, Kyoto Prefecture). A "social loan" is a type of loan used by companies, local governments, and other organizations to raise funds needed for social projects inside and outside Japan. Use of the loan is restricted to solutions to social issues in areas such as health, welfare, and education.

▷ Green loans

In September 2021, we entered into a green loan agreement with Moriyama City, the first local government organization to do so in Japan. The funds from the loan were used to cover costs to build a new environmental center to contribute to the effective use of energy from thermal recycling and protecting the environment.



Presenting a plaque to commemorate the agreement

▷ Other ESG finance examples

Visit the Bank's website for more ESG finance examples.

Scan here for more details.

https://www.shigagin.com/pdf/company_ESG_action.pdf



STAKEHOLDERS' VOICE



Mr. Masahito Yamamoto,

President and Representative Director of Taneya Co., Ltd.

We have been running a confectionary shop in Omihachiman City since 1872. As an expression of gratitude to the community for being able to operate for so many years there, we announced the Taneya Group SDGs Declaration in 2017 to bring about a better future.

Shiga Bank analyzed and assessed the social impacts from and targets for "confection-making in harmony with nature," "community-linked business," "participation of diverse human resources," and "environmental friendliness," and we were even selected as a model in the 2021 Model Projects of Green Finance by the Ministry of the Environment.

We will continue doing our utmost to conduct business to ensure the rich natural environment and culture of our prefecture of Shiga is passed on to the next generation.

Digitalization of the Regional Communities

Considering Initiatives to Revitalize and
Digitalize Communities

Chairperson of
The Japan Research Institute, Limited

Yuri Okina

President of
The Shiga Bank, Ltd.

Shojiro Takahashi

Dialogue

The novel coronavirus pandemic that spread across the globe in 2020 is still greatly impacting the economy and society. While we still have not found clear solutions to problems such as the declining birthrate, increasing aged population, gap between urban and rural areas, and climate change, there is one major issue the pandemic did accelerate — digitalization. The times are changing rapidly and becoming more complex. During these unpredictable times, Yuri Okina, Chairperson of The Japan Research Institute, Limited, has a wide-ranging career that includes serving as Chairperson of the Cabinet Office's Committee on Choosing the Future 2.0 (March 2020 – April 2021) and offering policy recommendations as an expert on the Japanese government's Council of New Form of Capitalism Realization. The Shiga Bank's President Shojiro Takahashi sat with her to discuss her views on digitalization efforts and the role of regional financial institutions in revitalizing local economies.

Digitization accelerated by the COVID-19 pandemic

Takahashi: Thank you for joining me today. You served as Chairperson on the Committee on Choosing the Future 2.0 and provided policy recommendations on the course Japan should take. I think that Japan's economy and society are undergoing dramatic changes due to the COVID-19 pandemic. What do you think of the current state of Japan?

Okina: The Committee on Choosing the Future 2.0 started discussions in March 2020 and held a press conference in June 2021 with Yasutoshi Nishimura, who

was the Minister of State for Economic and Fiscal Policy at the time. At the press conference, I suggested that there is a pressing need to drive transformation in areas such as work styles and regional revitalization under the keyword of "diversity." Originally the committee had nothing to do with the pandemic. Its purpose was to verify why solutions to the issues of improving productivity, addressing the declining birthrate, and revitalizing regional communities pointed out by the Committee on Choosing the Future in 2014 were not moving forward. Then the pandemic struck and we shifted to discussing the dramatic changes occurring in society. We distributed a questionnaire to 10,000 people to confirm the current circumstances.

The results revealed that people's mindsets were changing dramatically. First of all, the advancement of digitalization has altered lifestyles. Interest in work-life balance and flexible work styles was particularly pronounced. In the Greater Tokyo Area, commute time is long, so the convenience of remote working was rated highly and interest in moving to rural areas has grown. Considering these points, in our discussions we proposed that rather than thinking of urban and rural as in binary opposition, perhaps there are many opportunities to activate the economy in rural areas.

The 7th Medium-Term
Business Plan

Basic Strategy #2

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.

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.

Takahashi: There are 13 cities and six towns in Shiga Prefecture. The Bank seeks to regularly exchange opinions with each of the municipality heads. In one of the meetings held at the beginning of the pandemic, some municipality heads shared with us that they were considering switching to online schooling to avoid closing down schools as much as possible. After researching each household's internet connectivity, they discovered that many would be able to participate in online classes. Hearing this gave me a renewed understanding of just how widespread the digital connectivity has become. According to Shiga Prefecture's official website, digital connectivity is more widespread here than other prefectures. With 74.4% of households equipped with FTTH (optical fiber), and 66.2% with smartphones and 73.3% with computers (among households with two or more people), Shiga Prefecture ranks the highest in Japan. Even people in their 70s have smartphones, and I believe they could make use of a variety of financial services with confidence if they learned to use them well.

But despite smartphones and computers being so widespread, most people still use cash when they go shopping. With the advancement of digitalization, the Japanese government has discussed measures such as putting local government procedures online and standardizing information systems. What do you think can be done to advance digitalization in local communities?

A future made possible with digitalization

Okina: In discussions by the Council of New Form of Capitalism Realization, of which I am a member, we decided on the direction for the infrastructure to be developed, such as making 5G (5th generation mobile network) and optic

fiber widely available in rural areas. We need to accelerate the implementation of 5G as it will increase convenience in areas like self-driving and remote medicine and education. Also, skills to utilize digital technology is as important as infrastructure development, therefore human resource development will be another key. In addition, companies need to drive CX (corporate transformation) and DX (digital transformation) to transform themselves from their cores, and partnering with banks, local governments, universities, and other organizations can support that. Furthermore, I think it is essential to cultivate the unique appeal of individual regional communities by, for example, creating a framework in which local companies can invite experts from companies in urban areas once or twice per week using side or second job programs.

Takahashi: Yes, building connections is important. I think making use of digital technology is the fastest way to do that. There are issues such as information leaks, but since credibility is one of our strengths, we want to drive digitalization while paying particular care to ensuring safety and security.

Okina: A survey was conducted on cashless payment as part of a research project conducted in 2018. Analysis of 3,000 responses across Japan revealed that the rate of cashless payment was high in the metropolitan areas of Tokyo, Osaka, and Nagoya and low outside of urban areas. Cashless payment in Japan consists mainly of credit card payment, and the lower the respondents' income the more concerned they were about overuse and card information leaking and thus do not actively use them. To create a society where cashless payment is widespread, we need to implement it skillfully to ensure everyone can use it worry-free.

Takahashi: Compared to urban areas, I do feel that the percentage of cash usage is still high in rural areas. You can see this from the high frequency of ATM use. That is why our bank has partnered with local and nearby financial institutes and made it available for our customers to use both the Bank's and its partners' ATMs free of charge. We also expanded our network of ATMs customers can use for free in the commuter belt of the Kansai area. If banks that normally compete with each other prioritize improving customer convenience and separate competitive areas from non-competitive areas, we can enhance each other's corporate value. We are addressing cashless payment with the same mindset.



Okina: In terms of partnerships between financial institutes, “COTRA” is scheduled to start. COTRA is a smartphone-based small-amount remittance service, which is led by major banks and also participated by some regional banks. In the survey on cashless payment I mentioned earlier, many responded that they wanted a small-amount remittance service, so I think it will further accelerate the transition to cashless payment if services like COTRA become widespread. There are a wide range of initiatives, and although there are areas where financial institutes can collaborate such as standardizing IT systems, individual banks also need to add value to boost competitiveness. I think that considering how to combine these approaches will be crucial.

Takahashi: Shiga Bank is a member of the TSUBASA Alliance, and once the next-generation core system we are currently working on launches, we plan to jointly work on app development and other projects. Although each bank participating in the TSUBASA Alliance has a different accounts-related system, we will use the same interface for personal apps to further improve convenience.

With the migration to the next-generation core system, we drastically reduced the number of ledger sheets and also encouraged our business partners to switch to internet banking. This has helped us to make considerable progress in digitalizing our business. Customers who had previously resisted the idea have told us that the internet banking is more convenient and lowers costs such as surcharges. Going forward, digitalization of money and contracts will accelerate further, so what we are aiming with our next-generation core system is to link apps and software to banking functions with API (application programming interface) technology to enable customers to use them effectively.

And in terms of added value, we are also considering whether we can provide slightly different kind of support for businesses. For example, a company could use the data from a financial function for other purposes by integrating it with an app, and our bank could discover corporate value that would not have been noticed with only conventional financial data and provide business feasibility assessments that considers future development potential.

Okina: You could also provide opportunities by analyzing customers’ cash flow.

Takahashi: If we could convey the message that the Bank has a good grasp of its customers’ cash flow, it would also lead to improving the customer’s credibility. In other words, we would transform the public’s trust in our bank into added value and provide that to customers. In order to pursue a world like this, we decided that an open accounts-related system would be suitable for our next-generation core system as a tool to connect with external parties.



Okina: I completely agree. It would be easy to partner with a FinTech company to jointly provide a high value-added service. You will need to approach customers while skillfully utilizing data with the assumption that you will switch to an open platform.

In the long term, Japan will face a labor shortage due to the decline in the working-age population and other factors, so going forward productivity will need to be increased further. Opportunities will need to be seized early on to tackle digital transformation. I think that assisting the digitalization of companies is a very important role for banks.

Increasing local support capabilities with digital technology

Okina: A range of regulations are being relaxed to help banks, and banks are now allowed to enter the human resources placement business, so you could broaden the scope of your business even further by using a subsidiary or affiliate. There are a wide range of business possibilities, from consulting to DX support for companies. What initiatives does your bank have in this regard?

Takahashi: We are actually in the midst of deliberating on how to respond to the relaxed regulations. In the digital field, in 2020 we established the Digital Promotion Office to provide IT support to companies. To expand our digital business going forward, we are always thinking about broadening the scope of business operations, increasing staff, and other issues such as what format we should roll out the business in.

In addition to assisting the digitalization of companies, we are also driving internal digital initiatives. We provide tablets with chat and video calling functions to all employees, and we can see the changes it has made to work efficiency. In the past when a customer made a request for expert consultation, head

office staff could only visit one customer at a time. But now staff from a branch office can visit a customer, and the customer can consult with head office staff through a tablet for specialized areas, enabling us to provide a wider range of support.

In addition, we assigned digital promotion leaders to branches to improve the digital literacy of the entire organization, and many of our young employees are involved in the development of our next-generation core system. Once the migration to the new system is completed, I hope that they will skillfully apply the knowledge gained in development to business.

Okina: Digital personnel is very important. You could effectively utilize online courses to develop digital personnel, and link that to efforts such as providing support for local entrepreneurship.

Takahashi: Over 20 years ago our bank opened a “Saturday School for Entrepreneurship” to help new businesses. In the past it was only held in-person at a single location, but throughout the pandemic we have been holding it online. Through internal digitalization, we are working to improve the skills and mindsets of employees, and to develop talent who will be able to apply new trends in data use and communication that have broadened with the digitalization of society to business.

Okina: I hope that the digitalization of society as a whole moves forward and is matched to efforts to address identified social problems. In discussions on topics such as the “Zengin System” (data telecommunications system for all banks in Japan), which handles the settlement of huge amounts of money, we are deliberating on a system that would simplify API management and integration. The direction being aimed for is to be able to agilely introduce additional functions in accordance with changes in the environment across Japan, with the safety and certainty of the core of large payment system as the underlying premise. There is an example of this in Sweden, one of the leading countries in cashless payment. Major Swedish banks jointly developed a mobile phone-based payment service called “Swish” that has spread across the country.

Takahashi: In terms of agile introduction of additional functions, we have found many issues that need to be reexamined in the development process of our next-generation core system. I want it to be a highly convenient system to ensure it fits the times going forward in light of socially accepted ideas.

Okina: I hear that in many places old habits remain that are having a negative impact on digitalization. The entire country must come together to think about transforming society.


Working to activate regional economies

Takahashi: With public awareness and business formats undergoing dramatic changes, what kind of perspective is needed to activate regional economies going forward?

Okina: The Committee on Choosing the Future 2.0 proposed that ecosystem-like mechanisms would be the key to thinking about the appeal of individual regions. Local governments, universities, financial institutes, and companies need to work together to discuss how to resolve local issues and revitalize their communities and take action accordingly. Online education and remote working have grown, and during the pandemic there has been an increase of people who think more about work styles and work-life balance and want to move to rural areas, especially among younger generations. In our discussions, we proposed that accurately identifying such needs and matching them with a region's unique features could lead to the development of high value-added products and services. I think we also need to think about labor shortage in agriculture and use DX effectively such as smart agriculture.

Takahashi: I'm sure there is value in regional communities they have not noticed.

Okina: I'm sure there is. And a wide range of collaborations are possible. For example, a local company that wants to expand into other counties can roll out a business by being matched with a trading company with a wide global network, or someone from a Tokyo-based company could work remotely at a company in a rural area once per week.



“I want it to be a highly convenient system to ensure it fits the times going forward in light of socially accepted ideas.”

Takahashi: Since Japan's aged population is increasing, addressing issues such as dementia is becoming important, too. What kind of initiatives are needed to address issues like that?

Okina: That relates to gerontology. It is crucial to address dementia as early as possible. There are already services in the pilot stage that use API integration to support people's lives by sending a warning to the family when unusual behavior is detected on someone's bank account. There are many things like that that financial institutes can do. There are also non-digital ways you could support people's lives by partnering with local governments or other organizations. Addressing issues of the elderly as soon as possible will also lead to helping the bank's own business operations.

Takahashi: The number of elderly living alone has increased, so we are considering a variety of measures to address that, such as monitoring services.

I also think that API integration holds the key to creating new businesses and expanding banking services in regional communities. Since a bank cannot cover all services, our aim is to build a comprehensive platform in which we ensure safe and secure payment.

Okina: It looks like by using API you will be able to support communities together with a variety of businesses.

Expectations for Shiga Bank

Takahashi: Do you have any advice on the direction or speed of Shiga Bank going forward from the neutral perspective of an expert on a major government committee?

Okina: Your bank is carrying out incredible initiatives and I think you are on the right track. In today's age of open banking, going forward the entire finance industry will need to respond agilely, migrate their systems to the cloud, implement digitalization along with operational reforms, and more. Considering the decline of the working-age population, there is a pressing need to improve added value and productivity, so it is crucial to move forward as quickly as possible. Therefore, we must drive both digitalization and human resource development.

I think the reason the digitalization of Japan has failed so far is that there were many services that users found inconvenient. It is crucial to pursue UX (user experience), which encompasses usability, inspiration, impression, and other aspects of the user's interaction with the device or service. If developers carry out development through discussions with on-site staff who actually use the systems, a truly user-friendly digitalization benefiting all sides involved will be achieved.

Since digitalization is irreversible like a river, over the mid-to long-term we will need to move forward while taking care to ensure that customer convenience and the safety of banking services is balanced. I think that another key to achieving the digital transformation of regional economies is to create workplaces where young people can fulfill their potential in the digital field, and link digitalization to social issues with the determination to aim for common goals.

Takahashi: In today's age banks also need to address issues such as the digitalization of regional economies and the increasing aged population. More employees seek job fulfillment in not only serving as a traditional financial intermediary but also in providing value-added services and resolving customers' issues. I want to develop talent that listens earnestly to what customers say, comes up with the best solution from a wide range of options, and always has flexible ideas that can meet customer needs. Thank you very much for joining me today.

(May 2, 2022)

“I hope that the digitalization of society as a whole moves forward and is matched to efforts to address identified social problems.”



Shiga Bank's Digital Strategy

Basic policies of the Digital Strategy

With the Digital Strategy as one of the pivots of our business strategy, the Bank has set the following three basic policies for the Digital Strategy:

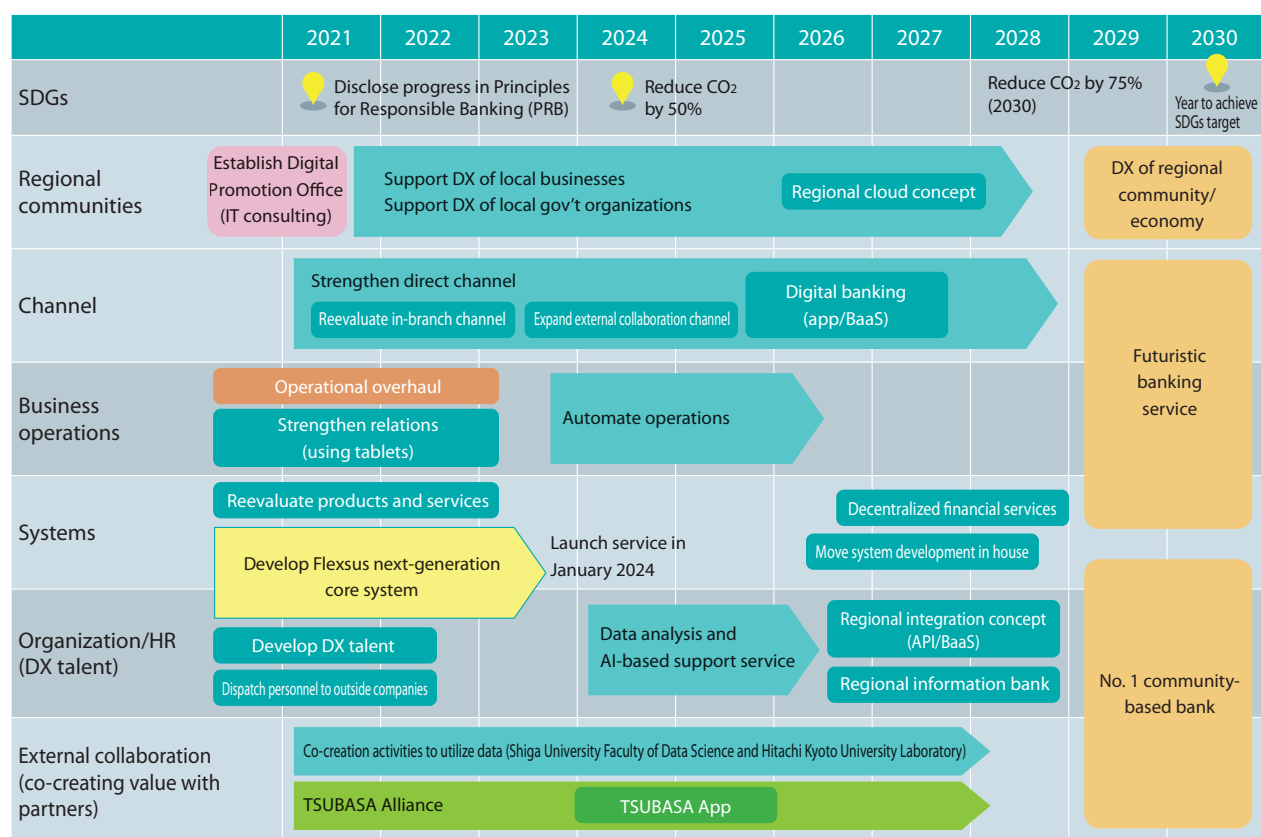
- Contributing to greater convenience and customer satisfaction through digitalization
- Improving the productivity of business operations
- Working to provide worry-free and secure digital services

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.

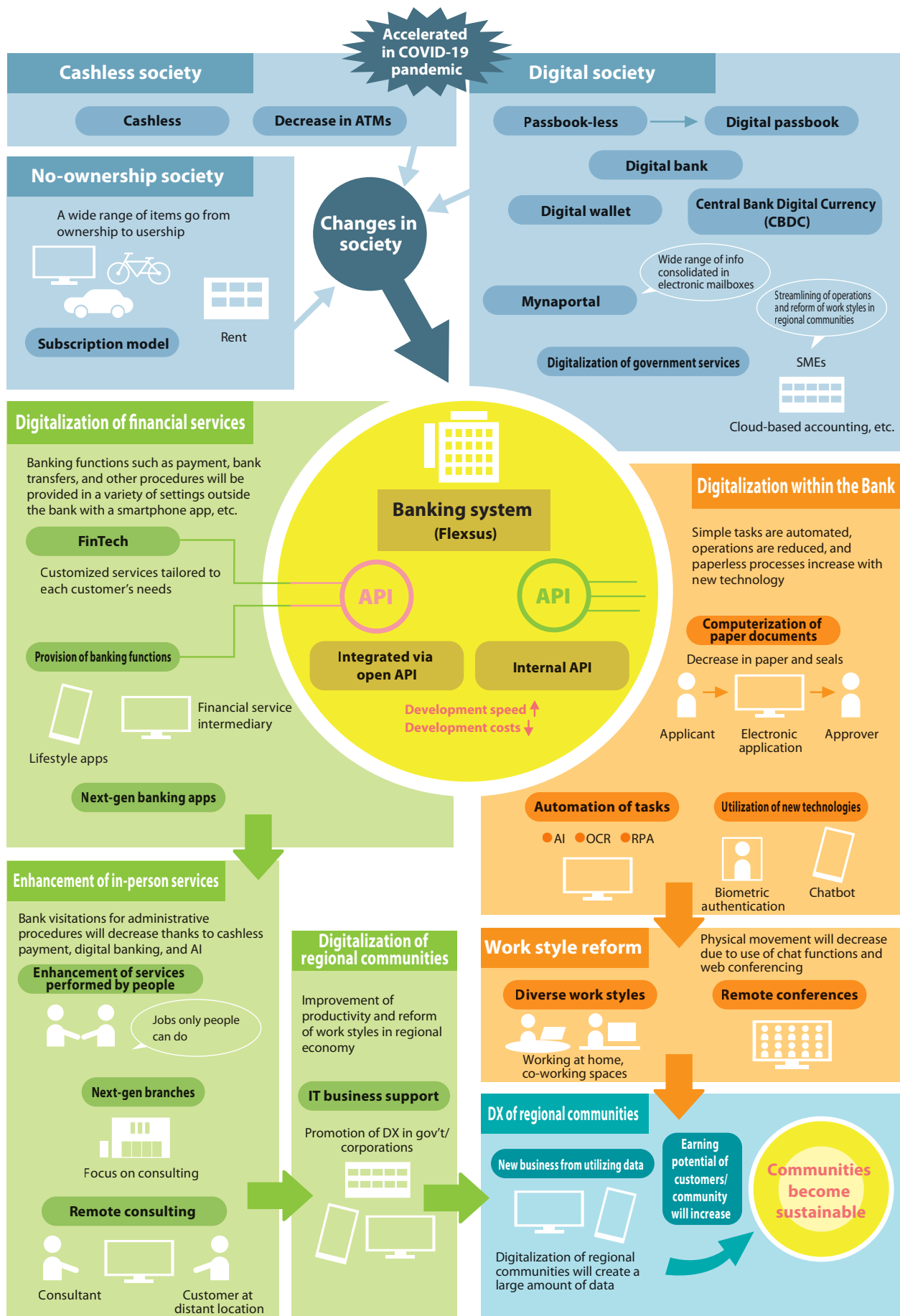
Digital Strategy Committee

Chaired by the President, the Digital Strategy Committee was established to contribute to investment decisions on individual digitalization projects and the execution of mid- to long-term digitalization strategies by presenting and discussing roadmaps of future digital strategies, taking into account the current state of digitalization and the potential and restrictions for digitalization over the mid to long term. The Committee then share its understanding with individual departments and offices.

DX roadmap



Shiga Bank's vision for the bank of the future (mid to long term)



▷ Flexsus Project

—Building a secure and open financial infrastructure—

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 and undergone repeated improvements for more than 30 years. We have 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 diversely skilled team.

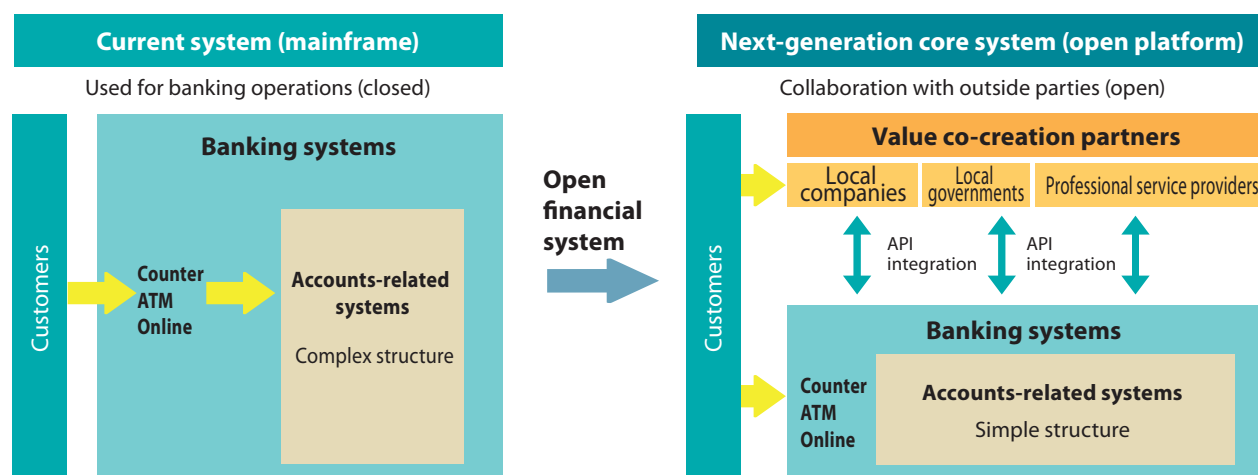
Digitalization Policy supporting regional communities

1. Higher development speed and adaptability ensuring agile business operations
2. A full range of security measures addressing the needs of customers who trust the Bank
3. Collaboration with outside parties through safe and flexible API connections

Effects of transition to the next-generation core system

1. Departure from legacy assets, shorter development period, and cost reduction
2. Provision of worry-free and secure settlement platform and smooth system linkage with business partners
3. Training of human resources capable of responding to a digitalized society and fulfill their potential in a wide range of fields

Illustrative image of system migration through the Flexsus Project



▷ IT business support

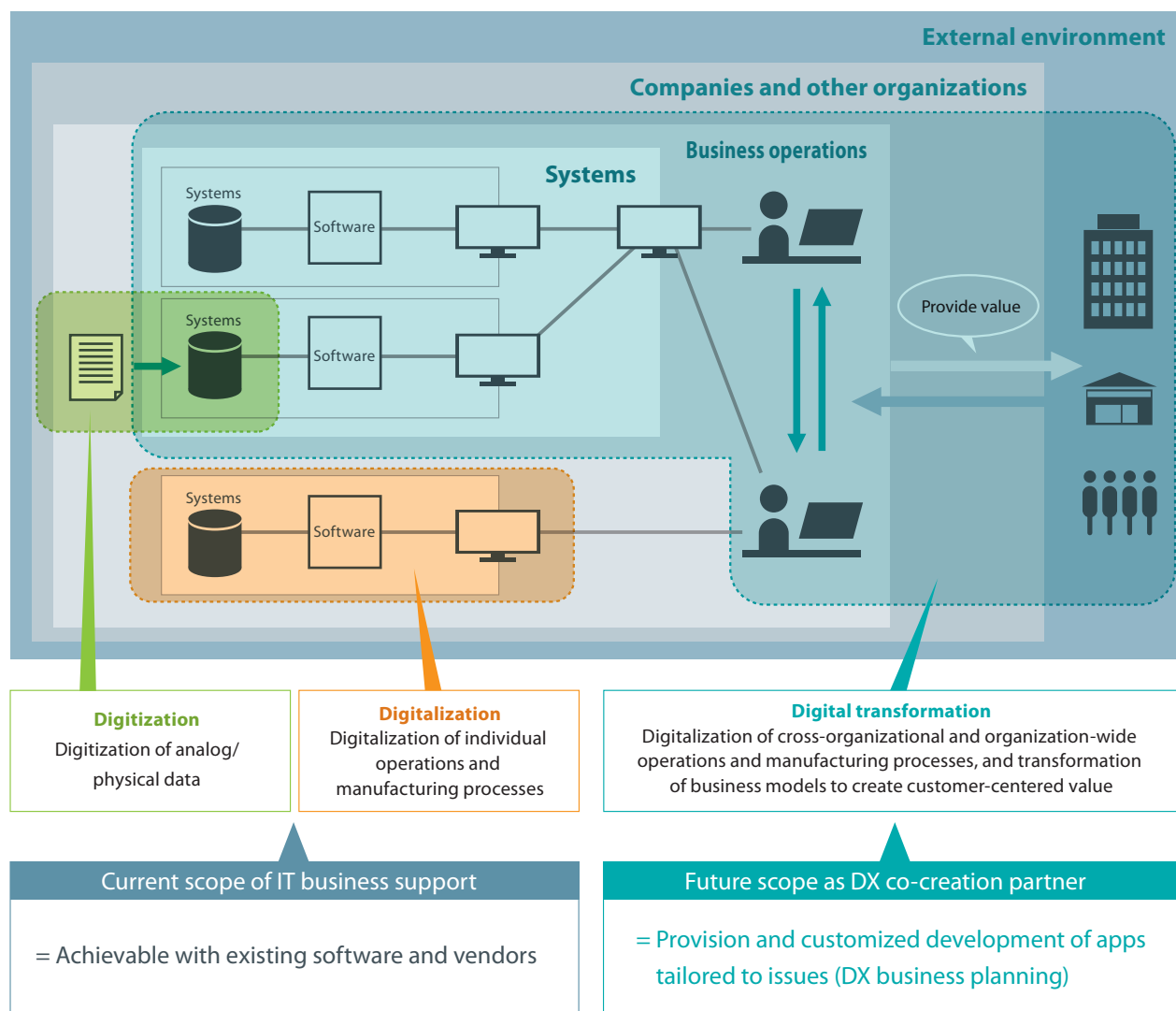
—Paving the way to resolving customers' issues from the viewpoint of digitalization—

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. The Bank will provide the know-how gained from digitalization of the Bank to the regional communities, and promote digital transformation (DX) of the communities in collaboration with a wide range of external companies.

The purpose of IT business support is most importantly to resolve the management issues of customers, and digitalization is a means to do so. First and foremost, we will identify customers' management issues and explore solutions to these issues from the digital side.

Going forward, we plan to break away from conventional business models and expand the scope from resolving businesses issues to include support for creating new value by assisting with challenges such as switching to cross-organizational business processes. We will strive to build sustainable regional communities as a "DX co-creation partner" to communities and customers.

Current scope of IT business support and future scope as DX co-creation partner



► Initiatives in partnership with local governments

In October 2021, we entered into the Six Town DX Strategy Committee Advisor Agreement with the Shiga Prefecture Town and Village Association. The purpose of the Agreement is to contribute to improving services, streamlining operations, and developing human resources for local governments by providing information and advice on DX to the Shiga Prefecture Local Government DX Strategy Committee, an organization established by the Shiga Prefecture Town and Village Association to research DX of local governments.

STAKEHOLDERS' VOICE



Kamei Farm Group

Mr. Koushi Kamei, Representative Director of Marukame Koushi Stock Farm

Our company is located in Omihachiman, where we breed and fatten Omi-Kamei cattle, a brand of Omi cattle. When we were considering means to improve productivity and utilize data, Shiga Bank proposed to work together on digitalizing business operations. To tell the truth, I was worried about a bank digitalizing a livestock business, but we reexamined our paper-based business processes with Shiga Bank and built new digital-based business processes. As a result, we were able to store fattening data on a cloud-based app, and going forward I hope to notice new things from the data that will lead to new business and achieve "Omi cattle DX."



The 7th Medium-Term Business Plan

Basic Strategy #3

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.

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

Conversation with Nonohana Prize Winners

Create Businesses in the Regional Community That Will Blossom in the Future

One of the important roles of regional financial institutes is to encourage the budding of new business shoots and support their growth. In 2000, the Bank launched a business forum called “Saturday School for Entrepreneurship.” In 2003, we established the Shigagin Nonohana Prize (see Page 58), a scholarship for new business that recognizes outstanding business plans. At the selection of prize winners held this February, the Bank’s Motohiro Nishi Senior Managing Director (at the time) spoke with Kazuhiro Hiratsuka, Representative Director of HIJ.corp, which received the Fighting Spirit Prize, and Kei Isozumi, Representative Director, President, and CEO of EVCARE Company, which received the Special Prize, on their thoughts on topics such as launching a new business, current issues, and mindsets.



EVCARE Company (Otsu City)
Representative Director,
President, and CEO

Kei Isozumi

Shiga Bank
Motohiro Nishi
Senior Managing Director (at the time)
The Shigagin Lease & Capital Co., Ltd.
Representative Director and President (current)
The Shiga Home Loan Guarantee Service Co., Ltd.
Representative Director and President (current)

HIJ.corp (Taga Town, Inukami District, Shiga)
Representative Director

Kazuhiro Hiratsuka

Nishi: Congratulations on winning the fiscal 2021 Nonohana Prize. Today I'd like to ask you both about your passion for business and other topics. Why don't we start by telling us a little about your businesses.

Hiratsuka: I serve as the head of Hiratsuka Architect and HIJ. Hiratsuka Architect is a community-based building company that operates mainly in Taga Town. We specialize in high-performance homes that are highly airtight and insulated. The idea for our new business started with a request from a farmer acquaintance of mine before HIJ was established. They asked me to make a prefab cold-storage warehouse to store rice in a greenhouse. Making it is easy, but the electricity costs for refrigeration are considerable. The idea I had for a solution was a wooden cold-storage warehouse that makes use of the home insulation technology we specialize in. I asked my home-building mentor Yoshikatsu Okada (President of Kagakujuku, a workshop for architects) to supervise, and we built a cold-storage warehouse that is more energy efficient than any other with moisture-proof technology in which insulation prevents condensation even when internal temperature is low and proprietary technology that uses a room air conditioner to cool the inside to 13°C.

We named this wooden cold-storage warehouse HOZONE. Using a room air conditioner, it is capable of storage with a wide temperature range—from 5°C to 50°C. Word of mouth praising its energy efficiency and outstanding performance spread, so I decided to expand its distribution from Taga to across Japan as a product that also contributes to the environment and the community. But since the business has a different approach from the community-based Hiratsuka Architect, I established HIJ in April 2020. The H stands for "human intelligence," the I is for "innovation," and J is for "Japan." The name embodies our commitment to "gather human intelligence to bring about innovation in Japan."

Nishi: Thank you. How about you, Mr. Isozumi?

Isozumi: Our company was the first startup to launch from Shiga University. Its aim is to implement technology developed at the university into society. I founded it three years ago in January 2019 when I was a first-year graduate student. I was researching bullying in the university's Faculty of Education. One of the difficulties with bullying is that the victims often have a distorted perception that it is their fault they are bullied. And if the victim can't tell anyone they are being bullied, who will help the victim? So I thought that there was a need for technology that would put the mental health of the victim into objective data. EVCARE operates a solution-based business using technology that assesses psychological stress with biochemical substances derived from hair. The technology was developed by Professor Masako Ohira, who I studied under at Shiga University (she



"EVCARE wants to become a hub for developing people who can seize their own happiness by themselves."

now also serves as EVCARE's Director and CTO). Analyzing stress from hair is the most impactful part of the business, but our aim is to contribute to creating a society that prioritizes well-being by enabling people to manage their mental health with objective assessment technology. The name EVCARE is an abbreviation of "Evaluation Care." It is meant to express that we not only evaluate stress, but also handle follow-up care afterward. We place importance on both.

Nishi: What led you to apply for the Nonohana Prize?

Hiratsuka: We always had our feelers out for a prize like this that would provide an opportunity for more people to know about HIJ. I learned out about the Nonohana Prize when an acquaintance of mine won it last year. When I looked up more about it, I found out that many people I knew had applied, so I decided I would try to win the prize too.

Isozumi: I decided to start a business when I won a prize in a business plan contest, and in the process of founding a business I was able to connect with the community of startups in Shiga Prefecture. I discovered the Nonohana Prize when I was thinking of ways to connect with communities outside Shiga Prefecture in order to expand my business further.

Nishi: Yes, I agree that networking and connecting with new sales channels is important in business.

Isozumi: Last year was a year for taking on challenges for me. One of those challenges was the Nonohana Prize.

Nishi: The review board had to meet online due to the ongoing pandemic.

Hiratsuka: Online is convenient because you don't have to go travel, but it is unfortunate that we couldn't see the reactions of the participants.

Isozumi: The purpose was to expand personal connections, so it is too bad we couldn't exchange business cards. But when I was receiving support from Shiga Bank in preparation for the presentation, doing it online made it easy to communicate with the bank because it enabled them to take time out of their schedule. Meeting someone online makes it easy to determine how serious they are; and I'm not only talking about the Nonohana Prize. Unlike when you meet in person, when you meet online you can't keep up the

connection unless you both have a lot of enthusiasm. When a person keeps in touch via online means, it is likely you can continue doing something together.

Nishi: How do you feel about participating in the Nonohana Prize?

Hiratsuka: It is hard to spread the word about new products without extensive advertising. Once customers know about the product, they can fully understand how outstanding it is, but we really struggled at first. Winning the Nonohana Prize boosted our name recognition, so I am very grateful. The new business is in its third year, and we are finally seeing encouraging signs.

Nishi: Building a sales structure must be hard since HIJ operates nationwide.

Hiratsuka: We get inquiries from far away, but there are some regions where HIJ cannot undertake construction. In an effort to expand HOZONE to more regions, we are entering into partnership agreements with builders across Japan who have gained the know-how to build highly airtight and insulated homes based on scientific knowledge through Kagakujuku, a workshop headed by Yoshikatsu Okada, who is also a Director of our company.

Nishi: How about you, Mr. Isozumi?

Isozumi: Originally we operated a B to B business, but for the Nonohana Prize we delivered a presentation on a B to C business targeting general consumers. Now we propose packaged offerings to companies that measure genes, minerals, etc. We have spent most of our time in R&D in the past two years, so this year we will focus more on sales.

Conventional stress checks focus on finding highly stressed individuals. But to me a test is pointless unless it results in a new realization, such as “I am more stressed out than I thought,” or “I’m not that stressed after all.” By looking at four years of data on myself, I can see the process of changing from student to CEO and gradually recovering from a psychologically difficult time. It gives me confidence knowing that I used to get depressed easily but now I have grown



“We can now clearly see the direction we should take going forward.”

more resistant to the same amount of stress as I had before. I think the data can be used, for example, as an indicator to show new employees that even if it feels like they haven’t adapted to the job yet, they are actually growing, and that such indicator could be useful in offering support. I want to instill a culture where people have concern for their own mental health.

Nishi: It would be great if a company that diagnoses mental health could collaborate with a company that would undertake improving health postdiagnosis.

Isozumi: Actually, we have plans to try to realize health management with companies by holding an event where people can participate in stress checks in a fun way. I want to expand our service to provide support by involving occupational physicians to make the entire company healthy, and finding issues together to boost the performance of every employee.

Hiratsuka: That would be interesting if you could incorporate that into the annual health checkup.

Isozumi: You can gain six months of data by taking some hair just once, so just looking at those changes is meaningful. Stress is not something you want to completely get rid of; rather, it is important to determine how much stress you can handle and be able to manage it so when you encounter stress you can say, “I can handle this much stress” or “I cannot handle this stress now so I should avoid it.” I want to convey to people that this will lead to more enjoyable work, which will in turn contribute to a happy life.

Nishi: That sounds like the perspective of an educator.

Isozumi: Shiga has a large number of factories and other manufacturing sites but not so many places for developing people. EVCARE wants to become a hub for developing people who can seize their own happiness by themselves through researching the human mind from the perspective of educational studies and combining that with stress measuring technology.

Hiratsuka: In terms of education, the training of successors and shortage of young people are serious problems in the construction industry. There are not many people willing to take jobs like site supervisor, carpenter, and plasterer. One of our products is a tiny house that can be placed in a compact space called WOW. Building one can provide broad experience in carpentry. My hope is that, for example,



“I’d like our partner companies and the Bank to have earnest discussions so that we can offer truly useful support.”

by having young people involved in creation of these tiny houses, they will discover the joy of craftsmanship and aim to become professionals in the future.

Nishi: Was the support for making improvements to business models we provided Nonohana Prize entrants beneficial?

Hiratsuka: We did have targets in our business plan, but with the support of Shiga Bank, we can now clearly see the direction we should take going forward; for example, what we should emphasize about our products and how we should expand in the future.

Isozumi: We had been developing our business intuitively, but having an outside perspective was a good experience because it enabled us to consider things realistically, such as whether now is the phase in which we should be raising funds and what we should do to boost sales. And being able to hear all the other companies' presentations was also very helpful.

Nishi: Do you have any requests for our bank such as providing support for startups or for redesigning business models?

Hiratsuka: Recently I have been verifying why we couldn't sell in the first two years. I realized that just having confidence in your products is not enough. For example, when proposing our cold-storage warehouse to farmers, they don't show interest when we only convey the product's superior features. We need to listen to their problems, help them develop sales channels, and get them to understand that the cold-storage warehouse will lead to solutions. I would be grateful if you could provide marketing support like that through the bank's network.

Nishi: In other words, a virtuous circle where differentiating your business and providing added value leads to enhancing corporate value. And since both farmers and companies make investments for the future, I think it would be effective to provide data to help customers determine whether they can expect revenue in the future. Our bank carries out activities focused on resolving issues for customers and regional communities, so I think that if HOZONE was utilized as a solution and it contributed to the community, it would lead to realizing the "Sampo yoshi" philosophy.

Isozumi: It wouldn't be good to depend on the bank for everything, but when launching a company, it would be reassuring if the bank would work with the company earnestly with the same level of enthusiasm through that first step. For example, if there was a customer a company wanted to approach, the bank and the company could share responsibility and make a proposal to the customer together. And they could discuss beforehand about what challenges

the customer faces and what approach would reach the customer to ensure the company seals the deal. When a company launches, financial support is of course necessary since it has no track record and no credibility, but I also think that being able to receive support in taking that first step would be really valuable. It would be great if Nonohana Prize winners and the Shiga Bank can share a committed responsibility like that.

Nishi: I agree that enthusiasm is very important. If you only listen superficially you won't understand correctly and end up misunderstanding each other. I'd like our partner companies and the Bank to share each other's views on the selling point of the company's new business through earnest discussions so that we can offer truly useful support. Lastly, is there anything you would like to say to those who are trying to start a new business or go into business for themselves?

Hiratsuka: It is important to be excited about what you do. It takes considerable energy to put something new out into the world. You'll face many hardships and it's very stressful. But if the fun and excitement you feel exceeds the difficulties, you can overcome them and keep going.

Isozumi: The most important thing is your passion for the business. That and making a team. EVCARE has two university professors serving as directors who excel at planning, so I engage in activities based on my passion. If you have a well-balanced team who can think based on both passion and an ability to deliver, it is a huge asset in launching a business.

Hiratsuka: I'm an idea person, so I'm always thinking about how to improve our products' capabilities. You have to do both product development and sales, and there is a limit to how many roles one person can fill, so thankfully my staff skillfully handles what I can't.

Isozumi: It is important to not take on everything by yourself. I guess I am more the type of person who has the tendency to think I have to do everything myself, so having people around that offer to help or take on the work for me when I get like that is a huge help.

Nishi: They say that "a company is its people," and it really is. At every stage of a company's growth, a wide-range of people are needed. The Shiga Bank Group already operates a human resources placement business, but I wish to enhance our support structure to be able to create and support new businesses in the regional community that will blossom in the future. Thank you for joining me today.

(April 19, 2022)

Working to activate 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 faced by the region and our customers and will pave the way to realizing sustainable regional communities through tailored consulting services.

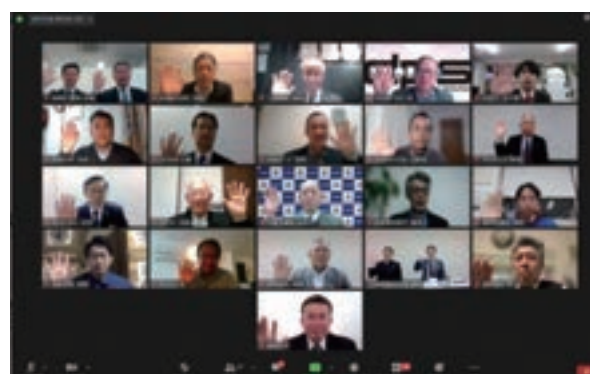
Initiatives for creating and cultivating new businesses

▷ Saturday School for Entrepreneurship

We started the Saturday School for Entrepreneurship to create and cultivate new business in the region. We invite speakers who are active in a wide range of fields to give lectures about how business should be conducted in the coming age and other topics based on themes such as SDGs, regional resources, and human resources. Through this initiative, we provide new business tips and support customers in starting new businesses/relaunching businesses that lead to resolving social issues.

▷ Shigagin Nonohana Prize

The Shigagin Nonohana Prize recognizes efforts in new businesses. It was established in 2003 in celebration of the Bank's 70th anniversary. The prize aims to achieve regional regeneration through the creation and cultivation of new businesses. We collaborate with candidate businesses in planning, designing, and implementing their business plans. In fiscal 2022, we selected winners with the cooperation of ten listed companies in Shiga Prefecture. The judges give advice to finalists on developing their businesses, so it is a valuable opportunity to help their businesses become successful.



Final screening (held online)

▷ Shigagin Regional Revitalization SD Fund

To support the creation of new businesses that have the potential for new growth, we used the investment fund established in July 2020 to invest in FLOSFA Inc. (Kyoto), a company working on developing a cutting-edge semiconductor device business that shows promise for contributing to the realization of a carbon neutral society, in November 2021.

Going forward, 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.

▷ Regional trading company project

The Bank has rolled out 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.

We have been working to expand sales channels for local resources and activate tourism resources through projects that leverage our broad network of regional financial institutes and accumulated know-how. Examples of projects include the development of new products using Omi tea, the development of overseas sales channels for sake, establishment of a whiskey business, and activating tourism for Mt. Hiei.

<Details of major initiatives>

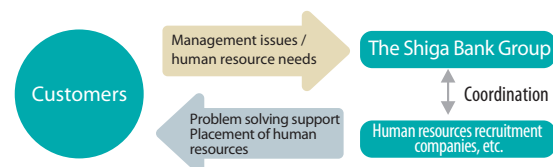
- Discovery of local products and other resources, marketing and sales support
- Discovery of tourism resources, development of tourism products, and tourism promotion support

Initiatives to resolve issues of individual business operators

▷ Human resources placement

Many business operators have issues related to human resources. In order for the Group to resolve customers' management issues related to human resources, the Bank and The Shigagin Economic & Cultural Center Co., Ltd. has obtained a license to operate in the fee-charging employment placement business, and operates a human resource placement business together. In addition, we were selected as an indirectly subsidized business of the Pioneering Human Resource Matching Project* by the Japanese Cabinet Office, and have 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.

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



▷ Business succession / M&A

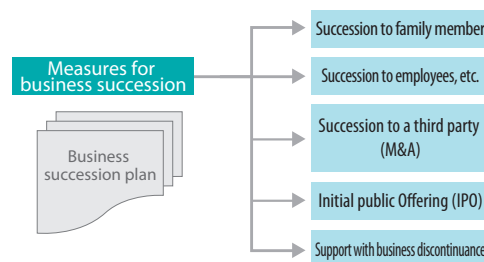
For many business leaders, business succession is a once in a lifetime event. For customers that have already decided on a candidate successor internally, we provide a range of succession services to ensure smooth business succession, including the systematic training of successors, transfer of treasury shares, and acquisition of dispersed shares. For customers that have difficulty securing candidate successors, we assist them with third-party succession through means such as 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 accordance with the appropriate procedures, as things will not just progress naturally. The Bank also offers consulting services for training successors to provide systematic business succession support. At the same time, we also carry out inheritance measures for individual owners, which includes treasury shares.

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 been working 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 temporarily assigns employees on a regular basis, as trainees, to a partner company that specializes in M&A, after which they gain abundant skills and experience through OJT.

The Bank also has enhanced its ability to deliver value to customers by leveraging the TSUBASA Alliance network, of which the Bank is a part of, and partnering with external specialized institutions to augment our expertise and networking skills in areas where the Bank alone does not have strong competence.



▷ Overseas consulting

As the COVID-19 pandemic stretches on, more countries are switching to policies for living with the disease, and we expect that economic globalization will accelerate once again. Customers rolling out overseas businesses are expanding in terms of both industry and the regions they are entering, and the needs are becoming sophisticated and diversified. We will provide 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.

As a bank that complies with international standards, we are working to increase the sophistication of our overseas finance and consulting functions by leveraging the know-how we have accumulated so far in overseas business support and partnering with local governments, public organizations, and the private sector.

In terms of overseas finance, we actively utilize SME support schemes of the Japan Bank for International Cooperation (JBIC) to offer support through co-financing to meet the funding needs of customers overseas, with a focus on regions and currencies in which it is difficult for the Bank to provide support alone. One of the main examples of our overseas consulting efforts is "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"). Currently, we are participating as an external consultant in Non-Revenue Water Measures (Indonesia) and Implementation of Forest Protection and Slope Disaster Management (Philippines). The consulting work consists of matching customers' outstanding products, technologies, and expertise with development challenges of developing countries, and it is expected to contribute to the achievement of SDGs.

Supporting customers during the COVID-19 pandemic

The COVID-19 pandemic has had a serious impact on regional economies including our customers. As the future remains uncertain, in order to survive business operators need to undergo dramatic transformation, such as changing their cash management or business format, or restructuring their businesses.

To help customers manage their businesses in these circumstances, we actively assist cash management by utilizing schemes such as the BCP support loan “Disaster Countermeasure Plan” and safety net funding. We also provide one-on-one support to help customers change business formats and restructure businesses using the Business Restructuring Subsidy and other means by, for example, analyzing the strengths and weaknesses of our customers through our business feasibility assessment and ratings communication service and working together to develop business plans.

And with in-person business activities restricted, more companies are pursuing business opportunities with digitalization. Through our IT business support (see Page 52), we will actively help customers take on new challenges through means such as assisting in digitalization and promote the growth of the regional economy.

STAKEHOLDERS' VOICE



Ryosuke Haritani, Representative Director of Yumotokan Ltd.

We have developed our business as the first Japanese inn in the Ogoto hot springs area, but were hit harder than expected by the impact of COVID-19. We decided to try to turn this crisis into an opportunity and made a plan to build “Dog Villa Akai,” where people can stay with their dogs, using the Ministry of Economy, Trade and Industry’s Business Restructuring Subsidy. As a certified support organization, Shiga Bank provided a wide range of attentive assistance, from advice on formulating the plan to support with funding, enabling us to take on the challenge of investing with confidence despite the uncertain future.

Asset formation initiatives for an era of 100-year lifespans

Efforts to promote systematic asset formation

In an era of 100-year lifespans, asset formation planning and asset management after retirement have become increasingly important. Considering that the legal adult age in Japan has been lowered to 18 and the need for higher financial literacy, we started offering financial and economic education to young people. To prepare for rises in prices, secure sufficient post-retirement assets, and build assets among young people, 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.

▷ Efforts to improve regional financial literacy

We offer financial and economic seminars tailored for different age groups mainly in Shiga Prefecture. 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 2021, we provided financial education at universities, high schools, and elementary schools within and outside the prefecture. Everyone participated with great interest, with both students and teachers asking many questions. We also offer workplace seminars and consultations for our customers’ employees to raise awareness of the need for asset management.

Going forward, we will work to spread and improve financial literacy, and expand initiatives to provide the knowledge needed for asset formation to even more people.



▷ Support for increasing, protecting, and taking over assets

To build up assets in a way that is affordable, it is important to continue making long-term, diversified, and cumulative investments and to start as early as possible. We proactively communicate to customers the importance of making cumulative investments that are effective in asset formation over the long term and utilizing tax-exempt schemes such as individual-type Defined Contribution pension plans (iDeCo) and NISA.

Efforts to build assets are also important to prevent the effective loss of the value of financial assets caused by the global rise in prices. Since it is difficult to make up for the increase in prices with only the interest rates on deposits in a prolonged negative interest rate environment, the Bank offers a diverse lineup of investment tools, including investment trusts, life insurance, and financial intermediary services, allowing us to make proposals concerning asset management that reflect the life plans and ideas of each customer.

And by deliberating about how to transfer assets to descendants earlier, you can prevent future troubles. In April 2020 we started offering trust services. We have already had many inquiries and customers are using them as asset succession tools.

Our current consulting structure can provide total support for diverse needs such as asset management, inheritance, asset succession, and effective use of real estate. We will continue using this structure to provide goal-based support to make our customers' dreams come true.

To provide high-quality consulting

▷ 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, provides back-up support for the asset formation consulting services offered by branches. We are 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.

▷ “Personal”: consultation centers open on holidays

We have established six “Personal” locations in the prefecture—consultation centers open on holidays with asset management and loan consultation counters where customers can come in any time for advice. All locations provide 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. We are also improving customer convenience by expanding non-face-to-face channels such as apps and online banking.

▷ Policy for customer-first business operation

We have 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, and we publicly disclose our progress against the policy at regular intervals.

We engage in a variety of efforts to ensure we can provide easy-to-understand information. For example, we implemented Key Information Sheets (for Financial Business Operators) in December 2021 and Key Information Sheets (for Individual Products) in April 2022.

1. Pursuit of customer's best interest
2. Proper management of conflicts of interest
3. Clarification fees and commissions
4. Easy to understand provision of important information
5. Providing financial products and services suitable for customers
6. Appropriate motivation framework for officers and employees



04

The 7th Medium-Term Business Plan

Basic Strategy #4

Shifting to sustainable earnings structure

To ensure efficient branch operation, we will consolidate branches, change branch formats, and appropriately allocate personnel to branches. In addition, we will improve customer convenience and reduce administrative workload at branches by enhancing non-face-to-face channels. We have also started developing new financial instruments and enhancing finance operations with the aim of strengthening our investment capabilities. Through these efforts, we will shift to a sustainable earnings structure.

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.
- We will improve profitability through diverse investment methods.

Centralization of Managerial Resources

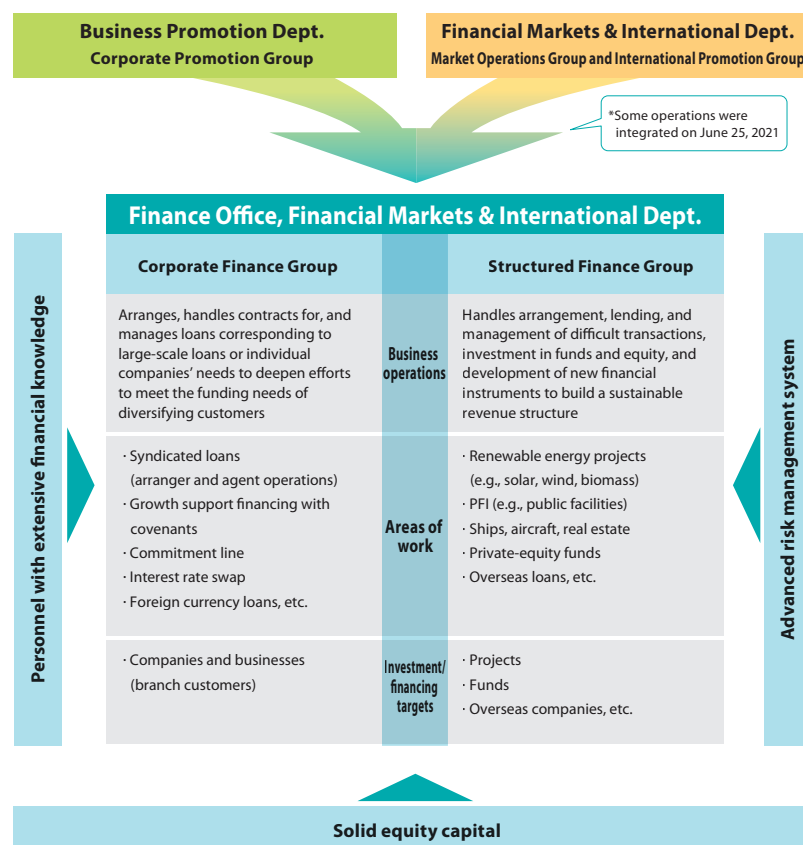
Finance Office Initiatives to Strengthen Investment Capabilities

Leveraging strengths to boost earning potential

We will contribute to the development of not only regional economy, but also the Japanese and global economy, shift to a sustainable earnings structure, and strive to improve corporate revenue by taking on the challenge of new finance methods and enhancing finance operations for increasingly diversified and sophisticated companies and businesses.

In June 2021, we established the Finance Office within the Financial Markets & International Department. The Office works to improve the earning power of the Bank by leveraging its strengths: solid equity capital, an advanced risk management system, and Personnel with extensive financial knowledge (see Page 12).

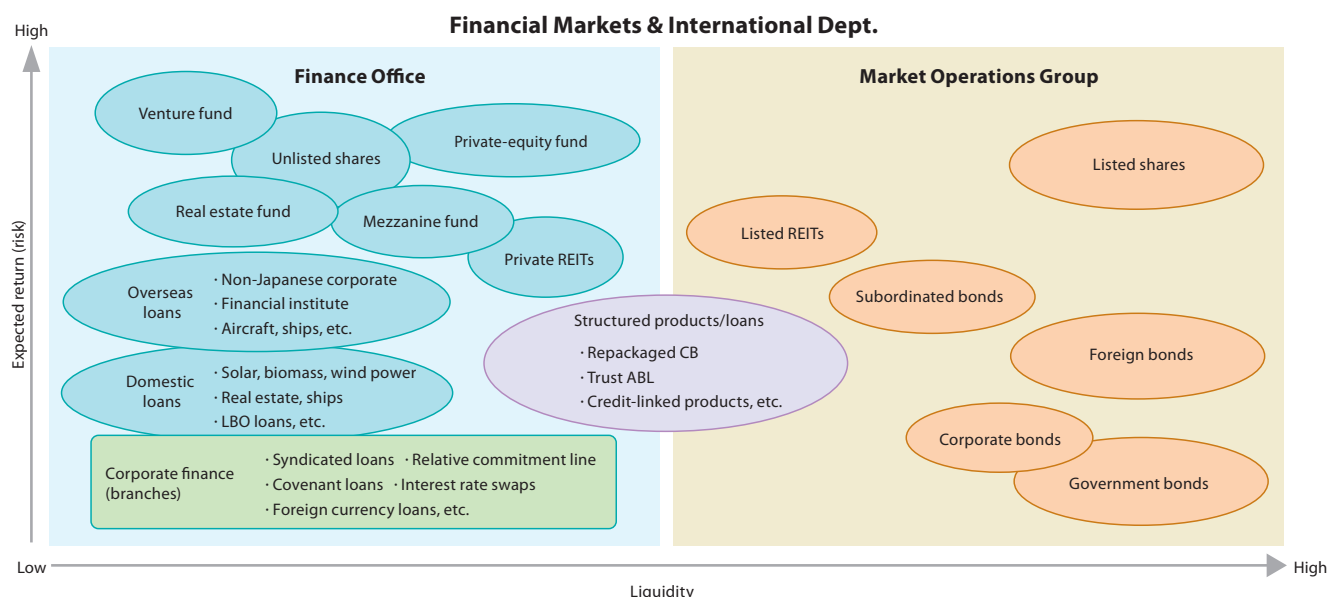
To strive to improve earnings in Japan's prolonged negative interest rate environment, it is necessary to take a certain amount of risks. For this reason, we are working to maximize earnings, optimize risk and return, and effectively utilize talent with sophisticated financial knowledge, and shifting to a sustainable earnings structure, by leveraging Risk Appetite Framework (RAF) (see Page 84) which incorporates business strategy into an integrated risk management model.



Efficient one-stop operations

The operations currently carried out by the Finance Office were previously handled by different departments. Integrating these operations into the Finance Office consolidated information and people and improved efficiency and effectiveness.

Also, the Financial Markets & International Department centrally controls what field to carry out the optimal investment and financing, taking into consideration the risk and return of a wide range of fields—from assets with high to low liquidity—in collaboration with the Market Operations Group, which manages base assets such as bonds and shares.



Basic investment and financing policy: Diversified investment/financing and SDGs

Shifting to a sustainable earnings structure would be impossible if we limited investment and financing to only certain fields and regions. In order to diversify risks, we have included “diversified investment and financing” in the basic policy, and thoroughly practice the following: (1) “strategic diversification” in which investment and financing targets and investment types (e.g., bonds, equity, loans) are diversified, (2) “regional diversification” in which we diversify the regions to be invested in and financed, and (3) “time diversification” in which we diversify the investment period to respond to changes in economic and market conditions.

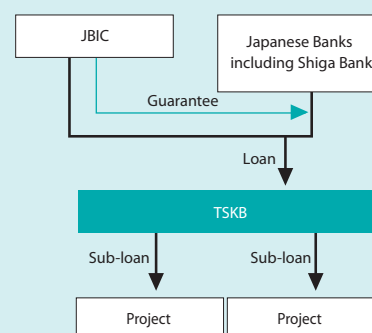
While pursuit of revenue is a factor in our investment and financing decisions, it is not the only one. We also base our decisions on our “Sustainability Policy” (established on October 1, 2020), with the aim of preventing negative impacts and maximizing positive impacts on the environment and society. The Bank utilizes customers’ important assets it takes care of to carry out investment and financing that contributes to the achievement of SDGs, taking into consideration the region, Japan, and the world.

TOPICS

Participation in line of credit* for Türkiye Sınai Kalkınma Bankası A.Ş.

We participated in a syndicated loan (total of 220 million U.S. dollars in February 2022) for Türkiye Sınai Kalkınma Bankası A.Ş. (TSKB), a development and investment bank of the Republic of Turkey, arranged by the Japan Bank for International Cooperation (JBIC). The loan provides funds through TSKB required for a project in Turkey to preserve the environment and prevent global warming. TSKB is a privately funded development and investment bank. Performing the role of providing policy-based financing for the sustainable development of Turkey, TSKB has been driving environmental initiatives since the 1980s, working to promote the introduction of renewable energy and improve energy efficiency in the industrial sector. The loan promises to facilitate the implementation of green technology in compliance with the energy policies of the Turkish government through TSKB and help spread Japan’s globally acclaimed advanced green technology in Turkey.

*Credit line (transaction limit) established for a counterparty to a transaction



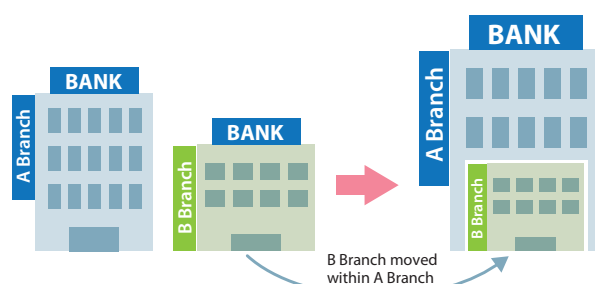
Channel strategy

▷ Rebuilding the branch network

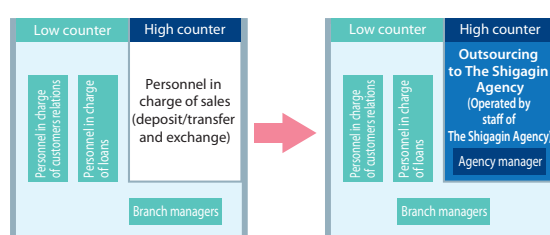
In November 2019, we announced that we would consolidate our branches into about 75% to build a sustainable business model, and began efforts to do so. Specifically, we have been integrating branches via the branch-in-branch method to build an efficient branch network while keeping any inconvenience to customers at a minimum.

Under the Operational Overhaul Project launched in April 2019, we have radically overhauled all administrative processes of branches and greatly reduced administrative workload and costs. In addition, we have launched in-store agents operated by The Shigagin Agency Co., Ltd. (a Group company), which handles over-the-counter operations (deposits, transfers, etc.) for large-scale branches. This has enabled employees to focus on consulting services and more attentively respond to customer needs and resolve their issues. The launch has thus helped the Bank provide higher value-added services to its customers than before.

Integration via the branch-in-branch method



In-store agent



* Low counter: Consultation about financing, asset management, etc.
High counter: Processing of deposits/withdrawals/transfers (general bank counter operations)

▷ Strengthening non-face-to-face channels

In line with rebuilding the branch network, we are shifting to the online channel by strengthening non-face-to-face channels to ensure and improve customer convenience. 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 January 2022, the Bank and Kansai Mirai Bank stopped charging each other's customers for using their ATMs (from 8:45 AM to 6:00 PM on weekdays).



TOPICS

Accommodating customers across Japan with a completely non-face-to-face contract scheme

The Bank established a unique contract scheme that enables the entire contract process to be carried out on a smartphone—from prescreening to formally entering into the agreement. Using this for purposes such as consumer credit card loans or purpose-oriented loans will help improve customer convenience and streamline loan operations.

Our real estate collateralized loan “Just Support” is used by many customers thanks to its convenience of being able to use it with properties across Japan, as it does not set limits on where the customer lives or where the collateral is.

Going forward, we will work to strengthen non-face-to-face channels through more extensive use of digital technology and partnerships with other companies, and strive to build a business model that transcends the idea of the conventional regional bank.



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: to realize sustainable growth of the region and upgrade financial systems; to build an alliance contributing to the enhanced corporate value of the participant bank groups; to achieve growth of the top line; and to plan and promote cost-cutting measures. Today it is a broad alliance consisting of ten regional banks across Japan. Going forward, we will continue to offer cutting edge financial services including digitalization to create a sustainable future for regional communities by leveraging the insights from the participating banks and economies of scale.



▷ Establishment of a business strategy department within TSUBASA Alliance Corporation

In October 2021, we established a business strategy department within TSUBASA Alliance Corporation, a company jointly owned by the banks of the TSUBASA Alliance. The department is made up of staff assigned from member banks, and carries out activities such as planning and making recommendations on common important issues. We will improve the sophistication of the TSUBASA Alliance's collaborative initiatives by combining the knowledge of member banks.

▷ Formulation of the TSUBASA Diversity & Inclusion Declaration

In April 2022, TSUBASA Alliance banks jointly established the TSUBASA Diversity & Inclusion Declaration. The TSUBASA Alliance will drive initiatives further to generate new value and ideas and contribute to resolving regional and societal issues by accepting each other's diverse personalities and values, and closely coordinating and collaborating with each other.

TSUBASA Diversity & Inclusion Declaration

Viewing diversity and inclusion as sources of competitiveness, the TSUBASA Alliance pledges to actively work to achieve the sustainable growth of regional communities, one of the objectives of the Alliance.

1. We will overcome unconscious biases, accept each other's diverse personalities and values, and deepen mutual understanding.
2. We will promote the creation of organizations and work environments that are truly impartial, where people can fulfill their unique potential and achieve their aspirations to the fullest extent.
3. We will strive to bring about innovation and sustainable growth by combining and enhancing each other's diverse capabilities.
4. We will contribute to the development of affluent communities by leading the way in promoting diversity and inclusion based on mutual understanding and collaboration between member banks.

STAKEHOLDERS' VOICE



Nobuhisa Miyaki, General Manager of the Finance Office, Financial Markets & International Dept.

The Finance Office takes on challenges in new fields the Bank had not tackled previously while maximizing the information network and other strengths of the TSUBASA Alliance. Recently, the global economy has undergone dramatic changes such as surging prices, fluctuations in exchange rates, and rising interest rates. We will develop talent that can respond flexibly and consider issues with a long-term perspective without being overly influenced by the immediate economic situation, and strive to create an organization where every employee can reach their full potential and do work that is fulfilling and meaningful.

05

The 7th Medium-Term Business Plan

Basic Strategy #5

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.

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.

Diversity and inclusion initiatives

—from the Diversity Promotion Team—



The Bank is driving diversity and inclusion initiatives to create an organization where everyone can fulfill their potential in their own way without regard to factors like gender or age and contribute to enhancing corporate value.

We talked with three members of the Diversity Promotion Team, who have joined the team in October 2020 after responding to an open call to employees to translate their opinions on how to make the Bank better into action, and Senior Managing Director Shinya Kubota about their activities and the direction the Bank should be moving. At the time, Shinya Kubota was chairperson of the Diversity Promotion Committee, which the Committee for Advancing Women's Success was reorganized into in April 2020.

Tell us about the process leading to the creation of the Diversity Promotion Team.

Kubota: The Bank launched the Committee for Advancing Women's Success in 2006, which I was involved with as Manager of the Personnel Affairs Section. At the time, the idea had become rapidly widespread among the public that an age was coming where people would be able to pursue careers regardless of gender. The Committee had been working to enhance programs such as childcare leave and reduced working hours. To

me, gender has nothing to do with having your own values and working with vigor. And I wanted to continue initiatives to empower women but also create an organization where all employees, not only women, can fulfill their potential. For these reasons we reorganized the Committee for Advancing Women's Success into the Diversity Promotion Committee.

We launched the Diversity Promotion Team based on the idea that the first step in achieving diversity is to respect and reflect the opinions of those working in the branches instead of having headquarters thinking of measures. Eight people of varying ages and positions volunteered to join despite their busy schedules with their regular duties.

Why did you join the team?

Kurokawa: I work in customer relations, so my job is to think about what I can do for customers, but when I saw the call to join the team I realized I didn't have much experience thinking about what I can do for the bank as a whole. That's why I joined. The reason I joined at first was because I wanted to grow, but actually through the team's activities I broadened my horizons by engaging in dialogue with different people, so it has been a valuable experience for me.

Saito: I don't think the world will be able to survive unless we make it so everyone can participate, which is not just limited to companies, and I have been interested in diversity and inclusion for a while. Companies tend to evaluate people based on their sales performance, but everyone has strong points and weak points and things that only they can do. If that can be recognized as a person's individuality, they will be able to work without worry and it will build motivation, and I think, by building such a corporate culture, Shiga Bank will become a company that society needs. Partly for this reason, I joined because I wanted to create a workplace where people feel that their jobs are even more fulfilling and meaningful than they do now.

Kubota: Recently the concept of "well-being" has become widespread. This refers to a state where all physical, mental, and social needs are met. My hope is for everyone working in the Shiga Bank Group to achieve well-being, but this requires each person's ability to feel happiness and enjoyment in his or her situation, whether at work or in personal life. It is up to you to determine whether you are happy. I want this bank to be a company where people have the ability to feel happiness and enjoyment and accept each other's individuality and values, creating a virtuous circle of well-being.

Kurokawa: This may not be the same thing, but my co-worker once confided in me that work was not fun at all. They hadn't found anything interesting about office work. At the

time I received an inquiry from a customer about a loan, so I asked the co-worker to come with me, and we went together. After that we wrote the approval request form together, too. The co-worker told me with eyes full of excitement that the work was truly interesting. Everyone finds different things interesting, so I think it is important to help people discover and experience that.

Kubota: That must have been a valuable experience for you too. Providing opportunities to people is an essential part of nurturing them. Now Shiga Bank is undertaking a very important and large project of developing a next-generation core system. A large number of young employees are involved in the project who responded to an open call for participation. Most of the members have been at the bank no more than four years, so they started out with learning and studying. I'm sure they will face many hardships before it launches, but through the experience of overcoming challenges one by one toward the same goal, I expect that the future leaders of the Shiga Bank Group will grow.

Nishikawa: The reason I joined was that several coworkers I was close to who started at the same time as I and newer employees I had hopes for had quit, and I was thinking about how to engage in my work and the work environment. They were all enthusiastic about their jobs, so I think it would be unfortunate if they felt they could not fulfill their potential in the field they were in. I had never responded to an open call for participation before, but I applied because I wanted to help make the company better, even if just a little.

Kubota: I can empathize with the great shock of seeing someone close quit. I've seen a lot of people with whom I wondered if there could have been better opportunities at the Bank that suit them, and as a member of the management team I wish to prevent such case as much as possible. On the other hand, in this era of 100-year lifespans we need to consider life plans over a longer span, so it is very import to have the mindset to make decisions yourself and pave your own way in life. I want to bring more people in



from the outside as well. Having more people with a variety of knowledge and experience will also bring about change and lead to increasing diversity. For this reason, unlike the past, we need a culture that makes it easy for people to temporarily work outside the Bank, gain a variety of experiences and grow, and come back. Using the job return program* will also contribute to the growth of the company.

*Job return program: a reemployment system for those who leave mid-career.

What implications does promoting diversity have for Shiga Bank?

Nishikawa: The members of the Diversity Promotion Team include mid-career hires that have come here from other companies. Their comments often give me new perspectives on the Bank's corporate culture. Since there is sometimes a gap between what you think is the norm and outside views, I believe driving diversity can close that gap and turn us into a company that meets the needs of the community and customers even more than now.

Kubota: There are many things that may seem normal to those who have been in this business for a long time and go unnoticed, so I too think such new perspectives and realizations are important. Banking has always been an industry with little turnover, so old-fashioned ways of thinking are still deeply ingrained in some areas. I encourage you to take the initiative in shifting your focus to the outside, gain a variety of experiences, and then actively incorporate good ideas into the Bank's operations.

Kurokawa: The branch General Manager of the branch I work at used to work at a major bank, so they often bring in a fresh perspective. I think that gathering people from a variety of companies with different cultures, such as manufacturers and securities firms, will increase diversity more and enable us to see things from a variety of angles.



Saito: I want people to have a mindset where they accept each other's differences and naturally nurture the good parts. The bank's motto, "Be tough on ourselves, kind to others and serve society," expresses the key principles of diversity, that of respecting those around you, and I think that if you can act based on that motto it will automatically lead to well-being.

Kubota: The motto was made incredibly simple so it would be easy to understand, but it is essentially about altruism. It's like the saying "those who are kind benefit themselves." In the end, it leads to your own growth. And the reason for growing is to serve society. It is not enough for just myself to grow, I want to grow together with others in the spirit of mutual respect and gratitude with the goal of serving society.

Tell us about the current state and challenges of Shiga Bank from your perspective.

Kubota: The way women work has changed greatly compared to before thanks to expanding assets under custody operations. In the past most female workers were engaged in in-office work, but they gradually became involved in outside jobs and the number of women in so-called sales positions has increased. However, some have the stereotype that assets under custody is a woman's job, so many basic challenges in diversity still remain to break down the walls of gender in work. The ultimate objective is not to break down the walls, but to create an environment that encourages innovation, where a variety of values and mindsets coexist in one organization and contribute to enhancing corporate value. And the many companies that are trying to increase the number of female managers and executives are doing so with such goal in mind. Simply increasing the percentage of women will not lead directly to enhancing value; rather, what is important is to incorporate

the issues and opinions that this will uncover to build a more comfortable work environment and create a company where both men and women proactively assert what they want, such as expressing that they want to become branch General Manager or take on new roles. Right now I feel that there are still many women who do not want to be a manager, so I want to identify the reasons and resolve them one by one.

Saito: I have done many different types of work and have also taken childcare leave. Every job I have tried I engaged in with real interest despite the pressures, but I had trouble coming up with a clear idea of a career. Then during an interview which was held in the process of creating a Career sheet* as part of this team's activities, one interviewee told me that there are things that have become clear to them only after actually going through an experience, despite troubles and suffering. It made me realize that I don't have to worry so much and gave me encouragement.

*Career sheet: a summary of work history, values, and experience of various workers

What is your impression of the team's activities so far and thoughts for its future?

Nishikawa: Major activities carried out by the team so far includes discussions on implementing a "One-on-One Meeting" system and formulation of career sheets. Personally, the experience of creating career sheets has taught me a lot and also left the biggest impression on me. I was involved in making sheets for and interviewing four people, and it made me realize just how narrow-minded I was in my work. After every interview I felt encouraged. being able to talk with others not as superior and subordinate or even as co-workers at the same branch, but simply as people working at Shiga Bank, with nothing to do with our normal duties, was a new experience and made me feel more at ease. Joining the team definitely steered me in a good direction.

Kubota: I think that that can be said to be a kind of innovation. Nothing makes me happier than hearing that the team's activities have been a good influence on you and gave you energy.

Saito: I decided to take part in making career sheets with the hope that people could use them as a tool to choose their own career themselves. I want people who are unsure or apprehensive to know that there is more to a bank than where they are now. There are a wide range of people, environments, and jobs and much more interesting things waiting for them, and it would make me happy if the career

sheets lead to making new goals and dreams.

Kurokawa: We really started from zero, but after everyone came together and exchanged opinions, it gradually took shape over time. Banks have kind of a rigid image, and I often hear that old cultures do not change easily. However, what I've realized by seeing my opinions being reflected in the bank's measures is that it is important to have a space where people can speak frankly without worry regardless of age or position. Thanks to the team leader and members, I have been able to express my views without hesitation even though I am the youngest member.

Kubota: I too believe that it is essential to have a worry-free environment for opinion exchange. Changing something that has been built up over time naturally entails a lot of resistance, and therefore requires a tremendous amount of energy, even more than when creating something new. But we can produce that energy by fostering understanding amongst people involved that such change is needed for the future and aligning their goals.

Nishikawa: Activities with the members of this group were completed in May after putting together suggestions. There were few occasions to meet face-to-face due to the COVID-19 pandemic, so I truly wish we could have had opportunities to speak with each other directly like today. I also wish more people in the Group knew about our activities and awareness was raised about diversity.

Kubota: I encourage you to participate next time as an observer. You could, for example, share your experience of having similar discussions with your team and what your views were then. I don't think participation should be limited to members. It would be wonderful if a wide variety of people joined and you created your own open community. Thank you all for joining the conversation today.



Encouraging employees to think and work on their own for the region and for customers

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

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

<Guidelines for action and thinking>

Stance	Staying close to customers
Goal	Customers' dreams
What is 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



▷ Performance evaluation system that gives due credit to those who think and work on their own

In the 7th Medium-Term Business Plan, we have incorporated a performance evaluation system that gives due credit to those who think and work on their own and take the initiative to resolve issues faced by the region and customers. The Bank will further improve the literacy of its employees so that they can think and work on their own from a region- and customer-oriented perspective, and will also implement “Goal-based Support.”

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

▷ Human resources policy

To accurately identify 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. The key to accomplishing this is training our employees so that they understand the essence of matters and think and work on their own. By holding group work sessions and active discussions in many training sessions, including onboarding and rank-based training programs, and building a goal-based management and evaluation system to encourage employees to think and work autonomously, we will develop employees who can take ownership of matters and think and work on their own with a customer-centric approach.

▷ Enhancing the career support system

Developing autonomous talent with the mindset to develop their careers on their own is key to ensuring every employee feels their job is fulfilling and meaningful. We provide personal and attentive career development support to every employee through various training courses and seminars and the “Discussion Program,” a program to help employees grow and boost their motivation through means such as “One-on-One Meetings”.

▷ Providing opportunities to learn and take on challenges

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 assigned our employees temporarily 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. This gives them opportunities to gain experience that cannot be acquired in the Bank's operation and acquire knowledge and skills.



Scene at a discussion

▷ Human resources recruitment system and secondment

Our internal recruiting system is a program that enables employees to proactively broaden their careers. It also helps improve engagement and raise the growth curve of every individual. In recent years, we have been encouraging a wide range of age groups to apply and raising awareness in career development through means such as establishing divisions where young employees can take on challenges.

We also proactively create opportunities such as secondments and temporary training assignments in external organizations such as government agencies and consulting firms, and we accept employees seconded from external companies to accumulate expert knowledge.

<Public offering departments and seconded companies (selected)>

Branch Feasibility Sales, Personnel Planning division, Regional Promotion division, Digital Promotion division, SDGs & ESG Support division, various consulting divisions, Finance division, Credit Supervision division, Overseas division, Next Generation Core System division, TSUBASA Alliance, Graduate School of Shiga University, overseas consulting firms, etc.

FY 2021 Applications: 29

Evolving Into a company supportive of diverse mindsets and work styles

▷ Work-life balance

We have implemented a work environment supportive of diverse and flexible work styles so that our employees can achieve a balance between work and private life while working with a sense of satisfaction and fulfillment, and choose a lifestyle that suits them.

Our “Select-time system,” which allows employees to select their working hours, enables flexible work styles and contributes to streamlining operations and improving productivity. The aim of this system is to reduce total work hours, which would lead to improved health of employees and better work-life balance. We also engage in efforts to enable work styles not restricted to the workplace, such as working from home with tablets, and are working to build a flexible work system tailored to each employee's lifestyles and life stage needs such as childcare and nursing care.

▷ Side job program (sole proprietor type)

Respecting the diverse needs and values of employees in regard to work styles, we have implemented a side job program (sole proprietor type) to help them find fulfillment and satisfaction in their work.

The system is gradually being utilized for a wider range of purposes. For example, one employee used the system to start a blueberry growing business with locals, and is working to revitalize the community by making it a tourist farm that people can enjoy with children.

This will allow our employees to utilize their diverse skills in revitalizing the regional economy, while also providing them with opportunities to enhance their human competence by gaining a sense of fulfillment and accomplishment from the second job and through new discoveries and encounters, leading to producing the autonomous talent the Bank needs.

▷ Diversity Promotion Committee & Diversity Promotion Team

We established the Diversity Promotion Committee to create a work environment where each individual can feel a sense of fulfillment in life and work by demonstrating his or her potential. And to incorporate diverse opinions into the activities of the Committee, we established the Diversity Promotion Team consisting of members recruited from sales branches to actively share their opinions. In fiscal 2021, the team played a key role in implementing support tools to promote understanding of the differences between the careers and values of employees with wide range of backgrounds, enhance autonomous career development, and further mutual understanding between employees through means such as visually displaying the business operations of the Head Office and releasing model cases of employees.

Creating a mentally and physically healthy work environment

Viewing the mental and physical health of employees as essential for the sustainable development of the Bank, we are working to create an environment where everyone can work healthily and with vigor.

▷ External counseling program

In order to prevent mental health problems, we implemented a counseling program that enables employees to talk to external specialists without worry and free of charge.

▷ Mental health training

We hold regular training courses on mental health. Teaching employees how to perform self-checks and supervisors how to provide mental health care promotes awareness among employees of their own and others' mental health, and helps create a better work environment for all employees.

▷ Follow-up consultations

Nurses and occupational physicians interview employees, providing consultation on a wide range of matters. New employees often experience stress due to the unfamiliar environment, so we provide many opportunities for consultation at times such as during group training sessions.

▷ Regular health management

Once per year, we provide employees the opportunity to take regular health checkups or complete medical checkups to help prevent and detect illness early. We recommend to employees who are over 30 to receive complete medical checkups about once every two years and provide special leave to do so. To help prevent cancer, we are working to create an environment where employees can continue working healthily through means such as providing free cancer screening to employees over a certain age during their regular checkups to help ensure early detection and early treatment.

POWERS SUPPORTING VALUE CREATION

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 Omi Merchants, 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

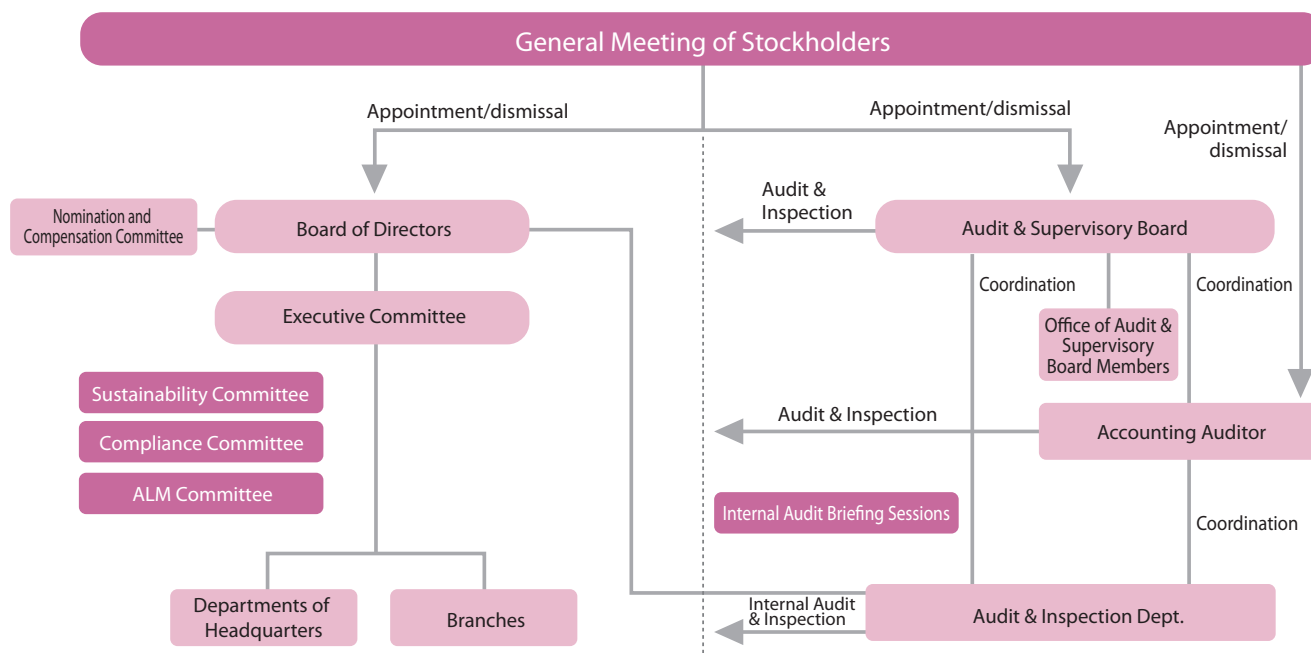
Overview of corporate governance system

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.

In December 2021, the “Nomination and Compensation Committee” was established as an Independent advisory body to the Board of Directors.

Shiga Bank’s corporate governance system (as of June 30, 2022) is shown in the chart below.



Organizational structure

1. Board of Directors

The Board of Directors, with eight 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. Nomination and Compensation Committee

The Nomination and Compensation Committee consists of the Chairman (currently vacant), President, and Outside Directors (the majority of the members are Outside Directors). It deliberates matters concerning nomination and compensation upon requests from the Board of Directors, and provides advice and recommendations to the Board of Directors.

4. Executive Committee

The Executive Committee consists of the Chairman (currently vacant), President, Deputy President (currently vacant), 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.

5. 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.

6. 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.

7. 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.

8. 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.

9. Accounting Auditor

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

Status of the Nomination and Compensation Committee

Meetings since December 2021

	Date of meeting	Activity description
1st	December 17, 2021 (Fri.)	Matters concerning nomination
2nd	January 28, 2022 (Fri.)	
3rd	February 24, 2022 (Thurs.)	
4th	March 24, 2022 (Thurs.)	Matters concerning compensation
5th	April 21, 2022 (Thurs.)	
6th	May 12, 2022 (Thurs.)	

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, taking into account reports by the Nomination and Compensation Committee.

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; Restricted stock compensation, 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 is determined based on the deliberation among the Members in reference to the actual payment.

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

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. Restricted stock

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, taking into account recommendations made by the Nomination and Compensation Committee.

(2) Audit & Supervisory Board Members

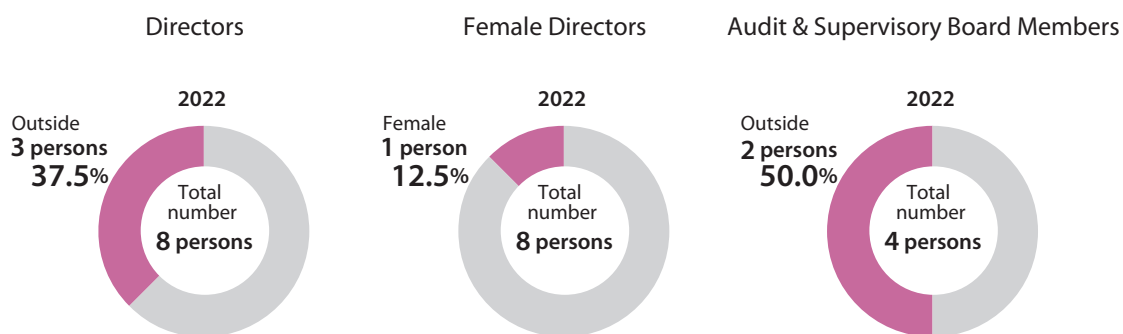
Determined by discussions by Audit & Supervisory Board Members, within the limits of the amount of compensation set by the General Meeting of Stockholders.

Composition and skill matrix of the Board of Directors

Name		Expertise and Experience						
		Management Strategy	SDGs/ESG Sustainability	DX & ICT Strategy	Domestic Operating Sales	Risk Management	HR & Diversity	International Market
Director	Shojiro Takahashi	●	●		●	●	●	
	Shinya Kubota	●		●	●		●	
	Takahiro Saito	●	●		●	●		
	Katsuyoshi Horiuchi	●			●	●		●
	Katsuyuki Nishikawa			●	●	●		
Outside Director	Minako Takeuchi	●		●			●	
	Rikiya Hattori	●			●	●		
	Sawaichiro Kamata			●		●		●

* This table does not show all of the skills possessed by each Board of Director.

Number of Officers and Ratio of Outside Officers



Independent Outside Officers

Name	Position	Reason for appointment	The rate of attendance at meetings of Board of Directors in fiscal 2021
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.	● 11 out of 12 regular meetings of the Board of Directors (attendance ratio: 91%)
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.	● 10 out of 10 regular meetings of the Board of Directors (attendance ratio: 100%)
Yasuhiro 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.	● 12 out of 12 regular meetings of the Board of Directors (attendance ratio: 100%)

Message from Outside Directors

Outside Director
Minako Takeuchi



What is your evaluation of the effectiveness of the Bank's Board of Directors?

The Bank's Board of Directors carries out creative measures to ensure it has enough time to discuss important issues such as mid- to long-term business strategies, business portfolios, internal controls, and risk management in response to issues identified in the annual evaluation of effectiveness. Last year, the Board held extensive discussions and made preparations for making big decisions early on in response to the revision of the Corporate Governance Code and move to the Prime Market. I think the Board strove to improve its effectiveness in the following ways: (1) broadly providing information needed for making important decisions and monitoring in a timely manner through means such as preliminary briefings, (2) sharing information and discussion points early on before adopting a resolution in order to ensure sufficient discussion is carried out on important matters, and (3) sharing issues they want to resolve and directions to strive for over the short term and the mid- to long-term through repeated discussion.

However, going forward I think the Board should work further on cultivating a corporate culture that will contribute to changing the business model and enhancing corporate value, and on having more in-depth discussions on human capital based on a human resources strategy that is linked to its business strategy. I want the Board of Directors to be able to contribute to creating a flexible but strong corporate foundation that continuously meets the expectations of local customers and is trusted by stakeholders, where a truly diverse range of talent can work with vigor.

What is your evaluation of the Nomination and Compensation Committee that the Bank established last December?

Improving the effectiveness of the committee's activities is essential for transforming the Board of Directors to function as a "monitoring board." Establishing the Nomination and Compensation Committee is a key to achieving this. It represents a significant turning point for the Bank's Board of Directors. When the committee was established, it spent considerable time preparing and discussing visualizing and describing the "transparent, objective, and fair selection process" and "required skill sets and competencies linked to management issues and strategies." Demonstrating its commitment to provide detailed explanations and take the initiative to discuss with external parties while also taking into consideration internal concerns and psychological resistance that often occur when establishing such a committee, it got off to a good start. All employees above the level of executive officers are using these to do self-assessments. Since it is only its first year, there are still aspects that are difficult to understand and use, but I think that through its continued operation, the Bank will be able to identify issues and make improvements.

I hope it provides an opportunity to make successor plans and the realization of a diverse Board of Directors more objective and convincing. The functions of the Compensation Committee are still under development. I hope that by making such improvements step by step, the Bank becomes a company where young people can fulfill their dreams and do rewarding work, and that communicates its message with, meets the expectations of, and earns the trust of local customers and stakeholders.

Outside Director
Rikiya Hattori



What do you think the role expected of you as an Outside Director is?

Currently, the Bank has three Outside Directors, each with differing careers and backgrounds. For instance, I have practical experience from working many years in sales and planning in the corporate sales division of a bank and being involved in managing a bank as a representative director. I think my main role is to use this experience to try to help the Bank earn even higher praise and even more support from customers and shareholders and be even more profitable.

The Bank's main strengths and features are: (1) it has a clear motto that serves as a code for conduct for all employees and the starting point for all of its CSR activities, and it advocates and practices SDG management that strives for mutual prosperity with regional communities, (2) it has a high market share in Shiga Prefecture and a strong customer base, (3) it engages in trailblazing risk management and has a rock solid management style, and (4) it employs a large number of highly skilled people who have integrity. However, having these strengths is not enough in today's rapidly changing environment. The Bank must make continuous improvements and build new strengths and added value.

The Bank has declared that it aims to become a "sustainability design company" that transcends the category of a conventional bank, and will strengthen initiatives in DX and problem-solution type financial information services provider. These strategies are very fitting; the key will be how to implement the strategies and achieve results. There are many things that will not go smoothly with conventional frameworks and steps. I hope I can provide advice to the management team to ensure they achieve better results by implementing the PDCA cycle for the execution and management of actions to address things such as: (1) what strategies need to be added, (2) what to do with specific strategies, (3) how to translate those strategies into improving practical skills of first-line employees.

Do you have any opinions or advice on striving to enhance corporate value over the mid-to long-term?

With regard to the environment surrounding banks, other industries have become involved in banking due to the advancement and spread of AI, IoT, and DX, business formats have changed dramatically, the pace of change has increased, and the ephemerization of added value has accelerated. Therefore, adhering to conventional business models and management methods has its limits. It is essential to have flexible ideas and the maneuverability and diversity to respond immediately to change. We need to build a culture where people think outside the box and are brimming with determination to drive change with an enterprising spirit.

To accomplish this, actions such as the following are key: (1) quickly and continuously sensing future markets, customer trends, and changes in needs through internal and external exchange of personnel, (2) promoting diverse talent who can grasp diverse needs (expanding IT personnel is especially important), (3) having flexible organizations and policies that enable immediate response to change (taking on challenges with a trial and error mindset is needed as well), and (4) carrying out advanced risk management that enables risk-taking. Other important keywords include "information capabilities and information development capabilities," "speed," "capability to realize ideas," and "transformational capabilities." I firmly believe that cultivating these in the organization, human resources, and management will result in further improving the Bank's strengths and features and creating new value.



Outside Director

Sawaichiro Kamata

What is your evaluation of the Bank's initiatives to contribute to achieving SDGs and address sustainability?

The Bank has been practicing environmentally friendly management since early on. For example, in 2005 it implemented its own unique environmental rating system. More recent efforts include releasing the SDGs Declaration in 2017 — making it the first regional bank to do so — and launching and expanding sustainability linked loan (SLL) products ahead of other banks. These activities have received high acclaim from third parties.

I think the origin of the Bank's SDG management practices can be traced to two things. The first is the merchants of the Omi region. Omi region merchants engaged in wholesale business with other regions outside Omi. They passed down a philosophy called "Sampo yoshi" that places importance on generating profit not only for the businesses but also for the community. This philosophy lives on in the Bank. The other is Lake Biwa. An essential part of life in the region since the days of old, Lake Biwa has been utilized for fishing, transportation, and more. In the late 1970s, urbanization had caused a red algae bloom in the lake. Discussions among local residents led to the establishment of regulations on synthetic detergent and factory wastewater, which provided an opportunity for the Bank to change course towards environmental management early on. Considering this, I can see why the Bank's SDG management is a step ahead of others.

Plant closures due to natural disasters have led to the recent supply chain disruption, and the risk of climate change is becoming a more immediate problem. And there is a pressing need to solve societal problems like the increasing aged population faced by regional communities. The Bank has positioned SDG management as a source of competitiveness, and going forward, all eyes will be on the Bank to see if the "turning SDGs into business" philosophy it advocates yields results.

What is your evaluation of the Bank's efforts with the Flexsus next-generation core system?

The Bank has been using the current core system for many years and it was designed based on 30-year-old concepts, so its programs have become bloated and more complex and the size of the workload for testing and researching impact when adding new products has come to hinder flexibility in business operations. In order to eliminate such problems, the Bank is carrying out a project to rebuild the current core system into a next-generation core system called Flexsus.

Specifically, in terms of hardware, the new system will employ an across-the-board open platform based on global standards with a mainframe that has proprietary specifications, and in terms of software, it will use loosely integrated compartmentalized programs and meet business operation requirements with set parameters. The result will undoubtedly be a cutting-edge system, but since it will be a huge technological jump, the Bank will need to overcome many challenges.

The key to success will be whether a bank-wide team can be built that includes not only IT staff but the employees who will be using the system. Fortunately, the project is currently moving forward with astonishing solidarity. At present, the Bank is putting all its strength into bringing the system online on schedule, but it is also important to start considering options for new products, new services, and partnerships with external parties now in anticipation of postlaunch to leverage the new system's flexibility, which is one of its greatest strengths. I expect that once Flexsus successfully launches it will be a formidable weapon in the Bank's management strategy.

Capital Policy

1. Basic policy

Securing soundness, returning to shareholders, and making growth investment in a well-balanced manner

- Aiming for a shareholder return ratio of 40% for the total of dividends and share buybacks, while continuing stable dividends

Shareholder return

"Sampo yoshi" philosophy

Soundness

- Adequacy of capital toward realization of regional sustainability
- Aiming for the consolidated Common Equity Tier 1 capital ratio (excluding comprehensive income) in the 11% range

Economic value
Social value

Growth investment

- Supporting growth of the region and customers
- Alternative investments and loans
- Investment in the Flexsus Project
- Investment in human capital

Improving corporate value
Increasing shareholder value

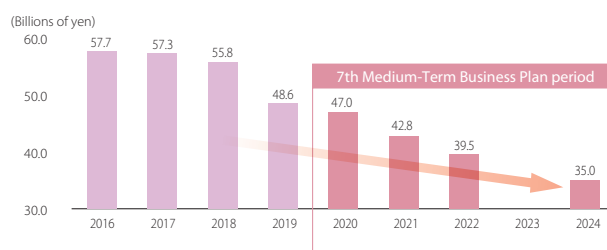
2. Reduction of cross-shareholdings

It is our policy to reduce cross-shareholdings in a planned manner.

We are planning to reduce the amount by approximately ¥13.6 billion (about 30%) on a book-value basis during the five years covered by the 7th Medium-Term Business Plan.

Policy on reduction of cross-shareholdings

We will determine whether to continue any cross-shareholdings in comprehensive consideration of the economic rationality and the relevance of regional economy as well as the capital policy of the Bank, and strive to reduce cross-shareholdings. We will proceed with selling of any cross-held shares after thorough discussion with our customers.

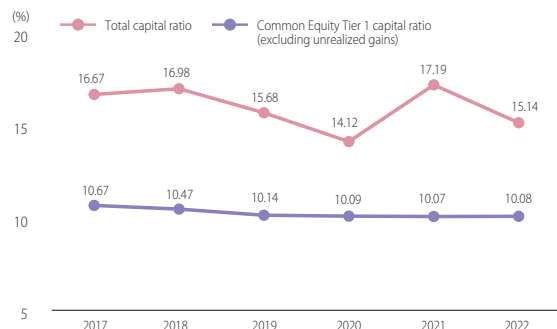


3. Capital management

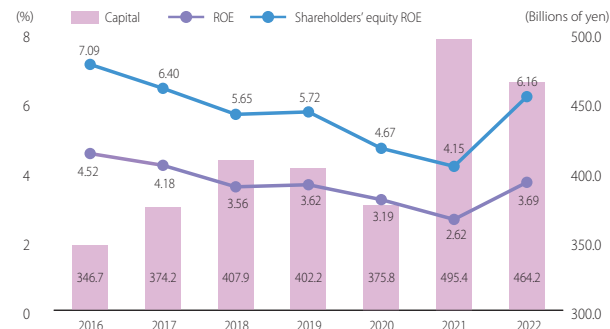
Our consolidated capital ratio in fiscal 2021 maintained at a high level of 15.14%. On the other hand, the consolidated Common Equity Tier 1 capital ratio (excluding comprehensive income) was 10.08%; and we consider that the capital continues to needs to be reinforced.

ROE improved to 3.69% following an increase in net income and a decrease in capital. We will continue to strive for efficient management to achieve one of our long-term benchmark challenges, ROE of "5% or more."

Consolidated capital ratio



Consolidated ROE



4. Shareholder return policy

The Bank strives to ensure transparency and soundness of corporate management with "mutual prosperity with the regional communities" as the pillar. Furthermore, our basic policy is to we continuously pay stable dividends to shareholders twice in a fiscal year 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.

Our dividend policy for the period covered by the 7th Medium-Term Business Plan is to aim for a shareholder return ratio of 40% for the total of dividends and share buybacks, while continuing stable dividends.

A shareholder special benefit plan also commenced in 2022.



Item	2019	2020	2021	2022
Consolidated net income (Billions of yen)	14.6	12.4	11.4	17.7
Total dividends paid (Billions of yen)	2.19	2.02	1.99	3.89
Annual dividend per share (Yen)	42.5	40	40	80
(Ordinary dividend)	35	35	35	35
(Special dividend)	5	5	5	45
(Commemorative dividend)	2.5	0	0	0
Consolidated payout ratio (%)	15.1	16.5	17.5	22.2
Share buyback (Millions of yen)	2,462	2,283	1,000	2,499
Total return ratio (%)	31.6	34.7	26.2	36.1

Directors and Executive Officers

(as of June 24, 2022)

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 & 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 Katsuyoshi Horiuchi

April 1987 Joined the Bank
 June 2014 General Manager of Risk supervisory division
 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.
 February 2022 Managing Director (current position)



Managing Director 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.
 June 2022 Managing Director (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)
 June 2022 Assumed office as an Outside Director, Mitsubishi Steel Mfg. Co., Ltd. (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.
 June 2015 Deputy President, Sumitomo Mitsui Trust Bank, Limited
 June 2017 Deputy President, Sumitomo Mitsui Trust Holdings, Inc.
 April 2017 Director, Sumitomo Mitsui Trust Holdings, Inc. 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
 June 2018 Chairman, Sumitomo Mitsui Trust Panasonic Finance Co., Ltd.
 June 2018 Corporate Auditor, SUMITOMO DENSETSU CO., LTD.
 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.
 June 2021 Retired as Corporate Auditor, SUMITOMO DENSETSU CO., LTD.
 June 2021 Outside Director, SUMITOMO DENSETSU CO., LTD. (current position)



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 Members

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)



Audit & Supervisory Board Member Hideki Sugie

April 1985 Joined the Bank
June 2012 Secretary, Secretariat
June 2016 Retired from the Bank
June 2016 Managing Director, Biwako Broadcasting Co., Ltd.
March 2022 Retired as Managing Director, Biwako Broadcasting Co., Ltd.
April 2022 Deputy Director-General, the Bank
June 2022 Audit & Supervisory Board Member, the Bank (current position)



Outside Audit & Supervisory Board Member Yasuhito 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 Audit & Inspection Dept.



Hidekazu Toda

Managing Executive Officer and General Manager of Administration Dept.



Yoshinori Endo

Managing Executive Officer and General Manager of Kyoto Branch



Hiroyoshi Inoue

Managing Executive Officer and General Manager of Credit Supervision Dept.



Toshihiro Fukuda

Executive Officer and General Manager of Personnel Affairs Dept.



Yasuhiko Nakamura

Executive Officer and General Manager of Financial Markets & International Dept.



Kazuaki Kataoka

Executive Officer and General Manager of Business Promotion Dept.



Isokazu Yamamoto

Executive Officer and General Manager of Head Office Business Dept.



Tomohito Takatsu

Executive Officer and General Manager of Computer System Dept.



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, Ratings Communication Service, ESG assessment system, and local social 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

Kakehashi, a general information magazine for the region, CSR reports, Shigagin Welfare Fund, participation in various civil activities, local economic associations, 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

Discussion program; one-on-one meetings; Diversity Promotion Committee; human resources recruitment system; internal reporting system; proposal system



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; 21st Century Financial Behavior Principles; Principles for Responsible Banking, etc.



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 the global environment

We will strive to create a society where children who will lead the next generation can live with peace of mind by discussing how to cope with environmental issues such as climate change and crises to regional resources and ecosystems with external parties and conducting direct and indirect activities through volunteering and our main business.

◇ Communication channel

Volunteering in local community, participation in and dialogue with various initiatives, lectures on SDGs and the environment, disclosure of environmental accounting, environmental management organizations, etc.



Risk Management

Basic views

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

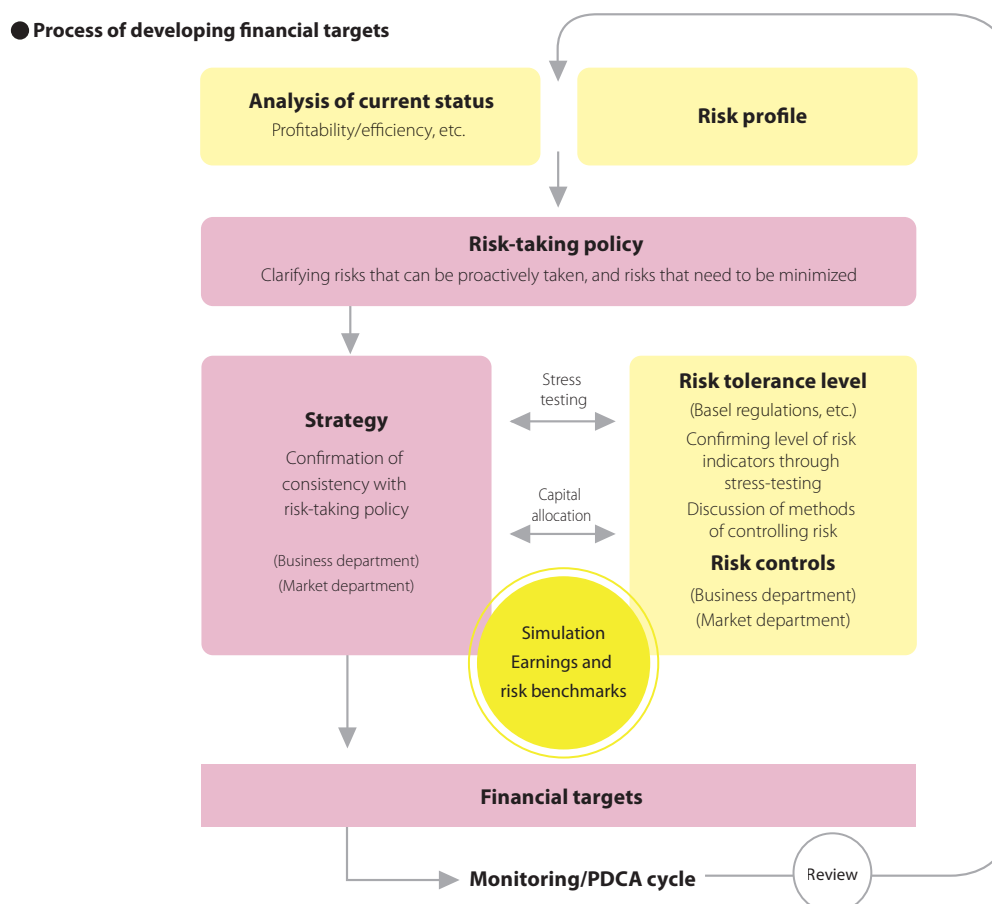
We are building Internal Rating System and Comprehensive Risk Management System in order to accurately assess and control risk using rational criteria without undue reliance on personal intuition or experience. We have also introduced a “Risk Appetite Framework” that will incorporate business strategy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

Risk Appetite Framework (RAF)

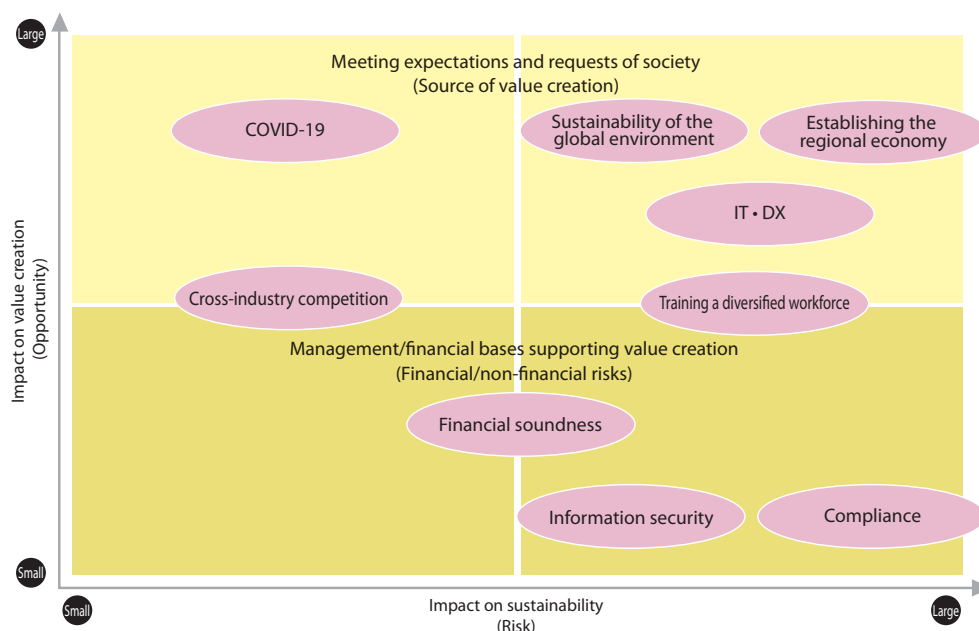
The Risk Appetite Framework refers to frameworks for business and risk management that enable clarification of risk by type and level that the Bank is prepared to take on, as well as sharing and monitoring of it for the purposes of accomplishing business strategy and financial targets.

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.



From a sustainability point of view, we also consider events that may significantly affect corporate value over the medium to long term as “Risks and Opportunities,” and the management team members discuss and share them through the “Risk Appetite Framework.” By so doing, we minimize risks by taking necessary measures in advance and confirm that how we proceed with our strategies and take risks is consistent with the management policy and purposes of the Bank.



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.



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 level of 99% and a holding period of one year in its internal management.

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.

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 Risk supervisory division 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

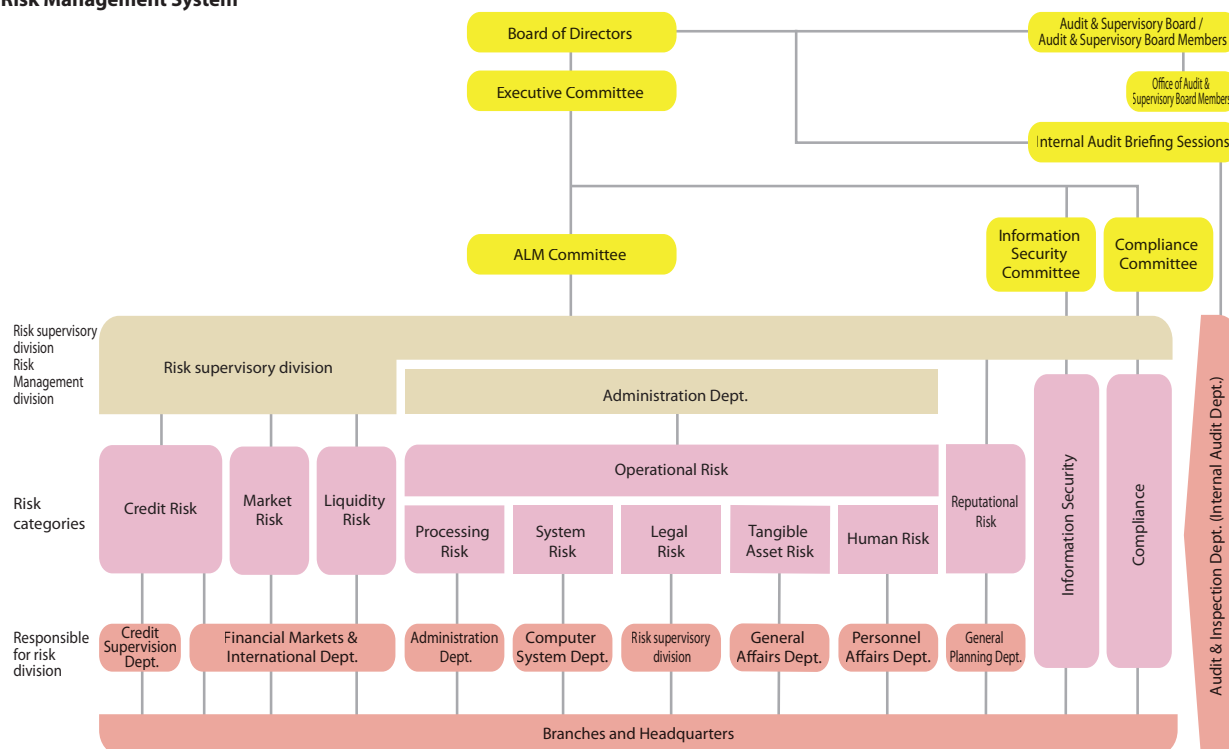
The Bank allocates its own capital to risk generated by holding financial products such as loans, securities and deposits (credit risk, market risk, etc.) and risk generated from operational execution (operational risk, etc.) by business division and risk category.

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.

● 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.

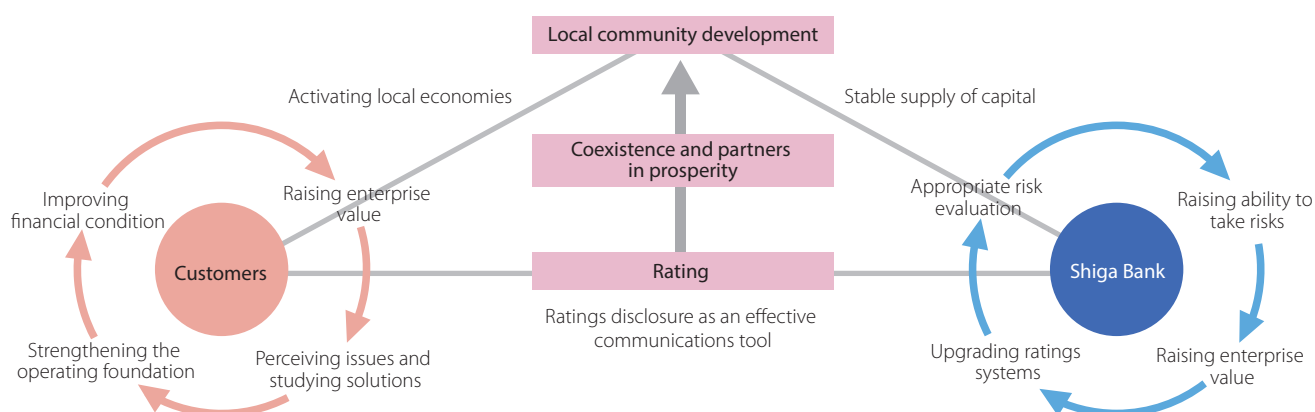
For organizational aspects, the credit risk control unit independent of the business promotion and credit supervision units has designed a self-assessment system of credit ratings and conducted various verification to check the operations of the others and build a solid operation system.

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 Risk supervisory division 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 Rules, divided operational risk into five kinds of risk:

(i) processing risk, (ii) system 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

▷ Management systems for system risk and cybersecurity

The Bank has established management systems for system risk*¹ and cybersecurity*² to operate financial services safely and stably and protect customers' valuable assets from cyber-attacks, concerns over which are increasing in a digital society.

As for system risk, we work to prevent recurrence of any system failure which occurred by analyzing the cause(s) and using the result in improving the development and operation of the system. In addition, we conduct self-assessment of system risks to prevent system failures from occurring, whereby identifying latent risks in systems and taking measures against them. Through these measures, we strive to mitigate system risk.

As for cybersecurity, the Bank has deployed antivirus software and receives monitoring of telecommunication, etc. through services of external parties. The Bank takes actions against cyberattacks with the cross-departmental team "Shigagin CSIRT" playing a central role, and has been preparing for emergency by conducting drills to counter cyberattacks and improving its contingency plan*³. We strive to improve literacy of officers and employees by conducting drills for targeted email attacks and providing security education on a periodic basis.

A system has been in place in which the status of system risk and cybersecurity is reported to the Management Meeting regularly to enable appropriate management decision-making.

Through these measures, we strive to realize digitalization in a safe and reliable manner.

*¹ Risk that customers and/or the Bank suffers loss due to a system failure, etc.

*² A state in which safety control measures for digital information and information systems (prevention of leakage, etc.) have been in place and a fact that the state is appropriately maintained and managed

*³ An emergency response plan. Predetermined procedures to cope with such events as disasters and accidents

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.

Legal compliance system

Each department and branch has its "Compliance Officer" in place who works to maintain and improve the legal compliance system in cooperation with the Legal Affairs Office of the Risk supervisory division.

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 all officers and employees of the Group 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. In addition, the Bank stipulates matters such as confidentiality of whistleblower information and prohibition of disadvantageous treatment of whistleblowers in its internal regulations, and thereby works to build and operate an effective whistle-blowing system.

[illegible]

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.

▷ The Bank's main efforts

- In July 2018, the "Project team for Anti-money Laundering and Financing of Terrorism" was launched to promote cross-organizational efforts.
- In January 2019, the "Anti-Money Laundering Office" was established and installed as a specialized supervisory organization to strengthen the anti-money laundering system in the Assets & Liabilities Managing Dept.
- In April 2020, the Bank introduced the system to detect illegal transactions involving money laundering, etc.
- In October 2020, the system for evaluating and determining the degree of the risk of money laundering, etc. based on our bank's standards, and information that meets certain conditions were extracted. Our bank introduced the system to record transaction response and collected information.
- In January 2021, the Bank began regularly updating customer information with the "Customer Information Confirmation Letter."
- In March 2021, the Bank began running newspaper advertisements about the "Confirming Customer Information."
- In July 2021, the relevant departments were expanded and the "Project for Responding to Guidelines for Measures Against Anti-Money Laundering, etc." in order to develop more sophisticated countermeasures against money laundering, etc.
- In December 2021, the Anti-Money Laundering, Terrorist Financing and Proliferation Financing Policy" was revised.
- In March 2022, we launched a banner advertisement on our bank ATM screen asking customers for their cooperation in "Customer Information Confirmation."

In addition to enhancing various training programs and encouraging officers and employees to acquire related qualifications, measures to reduce our bank's money laundering and other risks based on risk assessment reports in order.

Special fraud prevention system

In order to protect customers' important deposits from "special fraud," which has become a social problem, and to ensure that customers receive our services with peace of mind, we offer a variety of services. We are working on it.

▷ The Bank's main efforts

- In the Bank's branches and at ATM corners, employees call out to customers and pay attention to their facial expressions, behavior carefully.
- Posting of alerts on the Bank's website
- Adoption of the "Casher's Check Plan"
- Restrictions on some ATM transfer functions
- Strengthening cooperation with police and related organizations (holding study sessions, distributing of fraud alert flyers, use of automated calls, etc.)
- Conducting internal training programs
- Conducting lectures at each branch
- Timely recognition of recipients of special fraud prevention thank-you notes within the bank and timely sharing of good practices for prevention

As a result, during the 1 year period from January 2021 to January 12, we received 11 letters of appreciation from police stations in Shiga Prefecture for the prevention of special fraud.

Measures to eliminate anti-social forces

The Bank takes active measures to eliminate anti-social forces, specifying 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

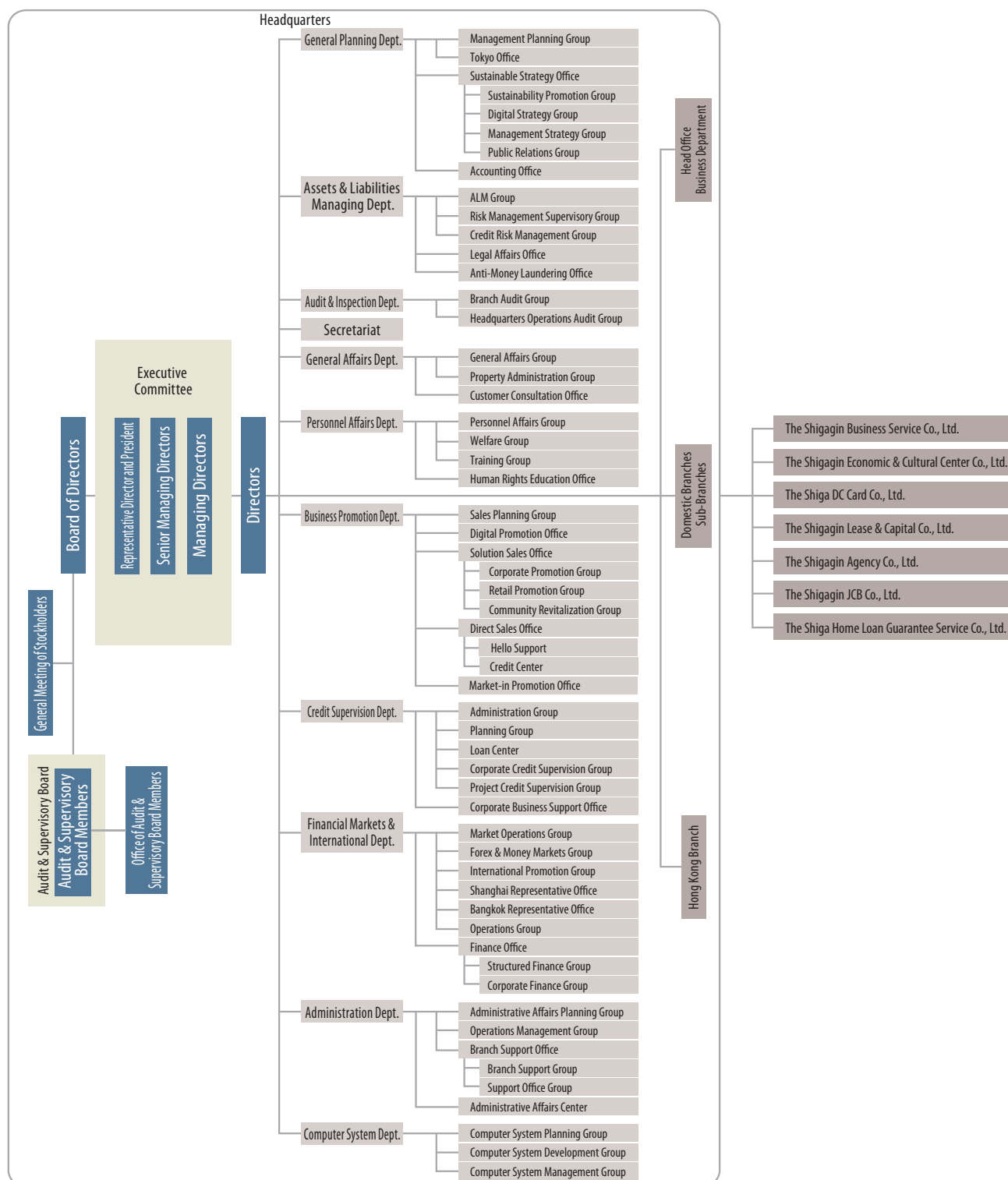
While advanced information and communication technology represented by the Internet, social media, cloud services and FinTech has brought more convenient services, it has also been pointing to growing importance of appropriate protection and management of personal information.

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 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.

FINANCIAL SECTION

Organization Chart As of July 1, 2022



Profile

(As of March 31, 2022)

Corporate Name :	THE SHIGA BANK, LTD.
Head Office :	1-38, Hamamachi, Otsu, Shiga 520-8686, Japan
Established :	October 1, 1933
Total Assets :	¥7,517.7 billion
Deposits (including negotiable certificates of deposits)* :	¥5,672.3 billion
Loans* :	¥4,082.7 billion
Common Stock :	¥33.0 billion
Employees :	1,965
Offices and Branches :	133 (including 33 agents)

* Balances as of the end of the term

Financial Section

The Shiga Bank, Ltd. and Consolidated Subsidiaries

Consolidated Five-year Summary

	Millions of yen				
	2022	2021	2020	2019	2018
As of March 31					
Total assets	¥7,537,956	¥7,793,748	¥6,285,002	¥6,115,271	¥5,875,040
Investment securities	1,511,864	1,586,506	1,307,107	1,352,017	1,346,672
Loans and bills discounted	4,064,683	4,001,698	3,859,363	3,779,056	3,618,866
Deposits	5,611,084	5,398,851	4,886,433	4,849,187	4,685,466
Total equity	464,214	495,469	375,801	402,227	407,905
Years ended March 31					
Total income	98,307	88,127	93,873	98,586	90,537
Total expenses	74,899	75,075	76,084	77,587	70,644
Income before income taxes	23,408	13,051	17,788	20,998	19,892
Net income attributable to owners of the parent	17,715	11,448	12,412	14,681	13,884
Per share data (in yen)					
Cash dividends	¥ 80.00	¥ 40.00	¥ 40.00	¥ 42.50	¥ 40.00
Net income	359.50	228.12	243.05	282.24	266.68
Net equity	9,552.14	9,958.46	7,482.34	7,863.37	7,832.18
Ratio					
Capital ratio	15.14%	17.19%	14.12%	15.68%	16.98%
ROE	3.69%	2.62%	3.19%	3.62%	3.56%

Financial review (Consolidated basis)

The Japanese economy in the fiscal year ended March 31, 2022, followed an overall trajectory of recovery from the adversity caused by the novel coronavirus infection both inside and outside the country, though there were some areas which showed weakness. The rise in geopolitical risk caused by the Ukraine crisis and soaring resource prices placed downward pressure on the economic sentiment of the manufacturing sector. In the non-manufacturing sector, the service sector suffered a significant decline due to the novel coronavirus pandemic, but the economic sentiment of the lodging and dining service sector is expected to improve with the lifting of quasi-emergency measures.

Production in Shiga Prefecture's manufacturing industry is moving towards recovery in some areas, although it remains weak in industries such as the automotive industry. On the demand side, growth remained sluggish for most products, especially consumer durables. Although private capital expenditures and public investment have increased significantly, housing investments have declined by a large margin, and the economy of the prefecture as a whole remains at a standstill.

Balance sheets

Total assets at fiscal year-end stood at ¥7,537,956 million, a year-on-year decrease of ¥255,791 million. With regards to the main account balance of assets, securities stood at ¥1,511,864 million (a decrease of ¥74,642 million from the end of the previous fiscal year), and loans and bills discounted totaled ¥4,064,683 million (an increase of ¥62,984 million from the end of the previous fiscal year).

In liabilities, total liabilities decreased by ¥224,536 million from the end of the previous fiscal year to ¥7,073,742 million.

With regards to the main account balance of liabilities, deposits totaled ¥5,611,084 million (an increase of ¥212,232 million from the end of the previous fiscal year), negotiable certificates of deposit ¥41,880 million (a decrease of ¥7,679 million from the end of the previous fiscal year), call money and bills sold ¥145,809 million (a decrease of ¥370,267 million from the end of the previous fiscal year), payables under securities lending transactions ¥185,680 million (a decrease of ¥86,974 million from the end of the previous fiscal year), and borrowed money ¥936,840 million (an increase of ¥37,785 million from the end of the previous fiscal year).

Total equity amounted to ¥464,214 million, a decrease of

¥31,254 million from the end of the previous fiscal year.

This is mainly due to a year-on-year decrease of ¥46,218 million in net unrealized gains on available-for-sale securities despite a year-on-year increase of ¥15,800 million in retained earnings.

Statements of operations

Regarding income, total income posted a year-on-year increase of ¥12,591 million to ¥98,306 million, mainly due to an increase in other income primarily resulting from an increase in gains on sales of stocks. Meanwhile, total expenses decreased by ¥337 million from the previous fiscal year to ¥74,307 million, mainly due to a decrease in other expenses primarily resulting from a decrease in provision of allowance for possible loan losses, offsetting an increase in operating expenses primarily resulting from investments related to next-generation core systems.

As a result, the Bank posted income before income taxes for the fiscal year under review of ¥23,999 million, up ¥12,929 million year-on-year. Net income attributable to owners of parent was ¥17,715 million, up ¥6,267 million year-on-year.

Furthermore, comprehensive income decreased by ¥149,352 million from the previous fiscal year to ¥(26,692) million, primarily resulting from a decrease 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.

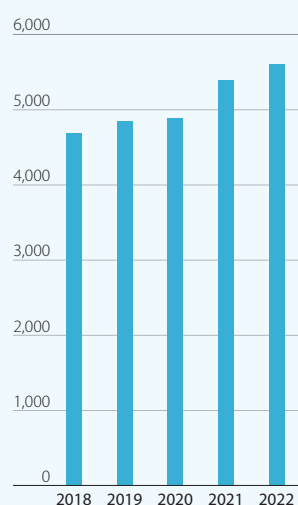
Cash flows

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

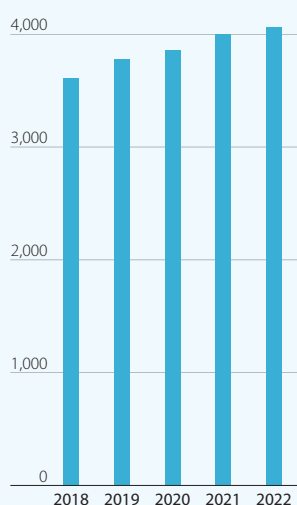
Net cash used in operating activities was ¥278,958 million, a decrease in inflow of ¥1,519,376 million year-on-year, mainly due to a decrease in call money. Net cash provided by investing activities was ¥21,823 million, an increase in inflow of ¥149,698 million year-on-year, mainly because proceeds from sales and redemptions of securities exceeded purchases of securities. Net cash used in financing activities was ¥4,483 million due to an increase in purchases of treasury stock for shareholder returns. Compared to the previous fiscal year, the outflow decreased by ¥29,853 million year-on-year, primarily due to redemption of bonds with stock acquisition rights (¥21,392 million) in the previous fiscal year.

As a result, cash and cash equivalents as of the end of the fiscal year under review amounted to ¥1,750,676 million, a decrease of ¥261,618 million year-on-year.

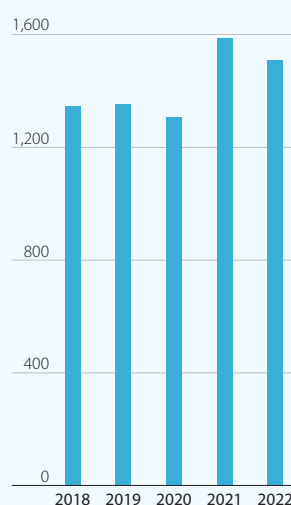
Deposits
(Billions of yen)



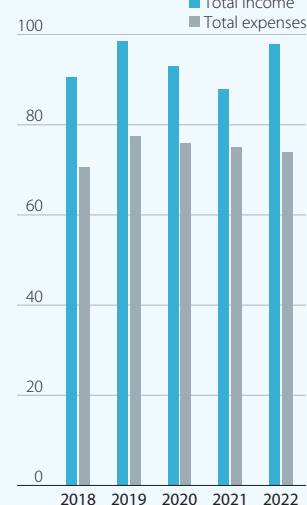
Loans and bills discounted
(Billions of yen)



Investment securities
(Billions of yen)



Total income and expenses
(Billions of yen)



Consolidated Balance Sheet

As of March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Assets			
Cash and due from banks (Notes 3 and 33)	¥1,751,539	¥2,013,251	\$14,311,128
Call loans and bills bought	8,444	10,000	68,992
Debt purchased	3,594	4,218	29,365
Trading securities (Note 4)	468	567	3,823
Money held in trust (Note 5)	15,359	14,476	125,492
Investment securities (Notes 4, 7, 12, 19 and 33)	1,511,864	1,586,506	12,352,839
Loans and bills discounted (Notes 7, 12, 13, 33 and 39)	4,064,683	4,001,698	33,210,907
Foreign exchange assets (Notes 7 and 8)	7,063	8,334	57,708
Other assets (Notes 7, 9, 12 and 39)	109,742	98,021	896,658
Tangible fixed assets (Notes 10, 11, and 14)	50,114	47,667	409,461
Intangible fixed assets	1,641	1,855	13,407
Asset for retirement benefits (Note 31)	13,323	12,969	108,856
Deferred tax assets (Note 32)	593	626	4,845
Customers' liabilities for acceptances and guarantees (Notes 7, 19 and 39)	32,340	27,246	264,237
Allowance for loan losses	(32,815)	(33,692)	(268,118)
Total assets	7,537,956	7,793,748	61,589,639
Liabilities			
Deposits (Notes 12, 15 and 33)	5,611,084	5,398,851	45,845,935
Negotiable certificates of deposit (Note 33)	41,880	49,560	342,184
Call money and bills sold (Note 33)	145,809	516,077	1,191,347
Payables under securities lending transactions (Notes 12 and 33)	185,680	272,654	1,517,117
Borrowed money (Notes 12, 16 and 33)	936,840	899,055	7,654,546
Foreign exchange liabilities (Note 8)	246	303	2,009
Borrowed money from trust account (Note 17)	214	166	1,748
Other liabilities (Notes 18 and 39)	59,226	53,645	483,912
Liability for retirement benefits (Note 31)	157	143	1,282
Liability for retirement benefits of directors and Audit & Supervisory Board Members	4	5	32
Liability for reimbursement of deposits	83	267	678
Allowance for repayment of excess interest	12	20	98
Reserve for other contingent losses	134	156	1,094
Deferred tax liabilities (Note 32)	54,507	74,522	445,355
Deferred tax liabilities for land revaluation (Note 14)	5,520	5,602	45,101
Acceptances and guarantees (Notes 19 and 39)	32,340	27,246	264,237
Total liabilities	7,073,742	7,298,278	57,796,731
Equity (Notes 20, 21 and 37)			
Common stock, authorized, 100,000,000 shares; issued, 53,090,081 shares as of March 31, 2022 and 2021	33,076	33,076	270,250
Capital surplus	24,536	24,536	200,473
Stock acquisition rights	103	84	841
Retained earnings	248,089	232,289	2,027,036
Treasury stock – at cost 4,502,938 shares and 3,345,006 shares as of March 31, 2022 and 2021, respectively	(11,619)	(9,116)	(94,934)
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities (Notes 4 and 6)	148,955	195,174	1,217,052
Deferred gains on derivatives under hedge accounting	6,045	1,634	49,391
Land revaluation surplus (Note 14)	8,369	8,532	68,379
Defined retirement benefit plans	6,656	9,257	54,383
Total equity	464,214	495,469	3,792,907
Total liabilities and equity	¥7,537,956	¥7,793,748	\$61,589,639

See Notes to Consolidated Financial Statements.

Consolidated Statement of Income

Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Income (Notes 22 and 38)			
Interest income:			
Interest on loans and discounts.....	¥33,414	¥34,569	\$273,012
Interest and dividends on securities	14,521	12,531	118,645
Other interest income.....	1,792	312	14,641
Trust fees	0	2	0
Fees and commissions.....	17,366	16,539	141,890
Other operating income (Note 23)	16,198	15,210	132,347
Other income (Note 24)	15,013	8,960	122,665
Total income	98,307	88,127	803,227
Expenses			
Interest expenses:			
Interest on deposits.....	632	917	5,163
Interest on borrowing and rediscounts	418	1,023	3,415
Other interest expenses.....	1,897	1,343	15,499
Fees and commissions.....	4,092	4,563	33,434
Other operating expenses (Note 25)	15,818	14,257	129,242
General and administrative expenses (Note 26)	46,382	41,670	378,968
Other expenses (Note 27)	5,657	11,299	46,221
Total expenses	74,899	75,075	611,969
Income before income taxes	23,408	13,051	191,257
Income taxes (Note 31)			
Current	6,186	6,390	50,543
Deferred	(493)	(4,787)	(4,028)
Net income	17,715	11,448	144,742
Net income attributable to owners of the parent	¥17,715	¥11,448	\$144,742
	Yen		U.S. dollars
	2022	2021	2022
Per share information (Note 36)			
Basic net income.....	¥359.50	¥228.12	\$ 2.937
Diluted net income	359.20	220.43	2.934
Cash dividends applicable to the year	80.00	40.00	0.653

See Notes to Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Net income	¥ 17,715	¥ 11,448	\$ 144,742
Other comprehensive income (Note 35):			
Net unrealized gains (losses) on available-for-sale securities	(46,218)	92,863	(377,628)
Deferred gains on derivatives under hedge accounting	4,410	9,985	36,032
Defined retirement benefit plans.....	(2,600)	8,362	(21,243)
Total other comprehensive income (loss)	(44,408)	111,212	(362,840)
Comprehensive income (loss)	¥(26,692)	¥122,660	\$ (218,089)
Attributable to			
Owners of the parent.....	¥(26,692)	¥122,660	\$ (218,089)

See Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

Years ended March 31, 2022 and 2021

	Thousands	Millions of yen									
							Accumulated Other Comprehensive Income				
	Outstanding number of shares of common stock	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Net unrealized gains (losses) 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, 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
Cumulative effects of changes in accounting policies					(97)						(97)
Restated balance	49,745	33,076	24,536	84	232,191	(9,116)	195,174	1,634	8,532	9,257	495,372
Changes during the year:											
Net income attributable to owners of the parent					17,715						17,715
Cash dividends, ¥40.00 per share					(1,981)						(1,981)
Purchase of treasury stock	(1,158)					(2,502)					(2,502)
Sales of treasury stock					(0)	0					0
Reversal of land revaluation surplus					162						162
Other changes	0			18			(46,218)	4,410	(162)	(2,600)	(44,552)
Net change in the year		—	—	18	15,897	(2,502)	(46,218)	4,410	(162)	(2,600)	(31,157)
Balance as of March 31, 2022	48,587	¥33,076	¥24,536	¥103	¥248,089	¥(11,619)	¥148,955	¥6,045	¥ 8,369	¥6,656	¥464,214

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 (losses) 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, 2021		\$270,250	\$200,473	\$686	\$1,897,941	\$(74,483)	\$1,594,689	\$13,350	\$69,711	\$75,635	\$4,048,280
Cumulative effects of changes in accounting policies					(792)						(792)
Restated balance		270,250	200,473	686	1,897,140	(74,483)	1,594,689	13,350	69,711	75,635	4,047,487
Changes during the year:											
Net income attributable to owners of the parent					144,742						144,742
Cash dividends, \$0.32 per share					(16,185)						(16,185)
Purchase of treasury stock						(20,442)					(20,442)
Sales of treasury stock					(0)	0					0
Reversal of land revaluation surplus					1,323						1,323
Other changes				147			(377,628)	36,032	(1,323)	(21,243)	(364,016)
Net change in the year		—	—	147	129,888	(20,442)	(377,628)	36,032	(1,323)	(21,243)	(254,571)
Balance as of March 31, 2022		\$270,250	\$200,473	\$841	\$2,027,036	\$(94,934)	\$1,217,052	\$49,391	\$68,379	\$54,383	\$3,792,907

See Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Operating activities:			
Income before income taxes	¥ 23,408	¥ 13,051	\$ 191,257
Depreciation	2,247	2,445	18,359
Losses on impairment of long-lived assets	509	316	4,158
Increase (decrease) in allowance for loan losses	(877)	5,739	(7,165)
Decrease in reserve for other contingent losses	(22)	(25)	(179)
Increase in asset for retirement benefits	(353)	(12,969)	(2,884)
Increase (decrease) in liability for retirement benefits	14	(1,698)	114
Decrease in liability for retirement benefits of directors and Audit & Supervisory Board Members	(0)	(0)	(0)
Decrease in liability for reimbursement of deposits	(184)	(111)	(1,503)
Decrease in allowance for repayment of excess interest	(7)	(4)	(57)
Interest income	(49,728)	(47,413)	(406,307)
Interest expense	2,948	3,284	24,086
Gains on sales and write-down of investment securities	(8,307)	(2,174)	(67,873)
Gains on money held in trust	(265)	(82)	(2,165)
Foreign exchange gains	(2)	(1)	(16)
Losses (gains) on disposals of fixed assets – net	81	(2,297)	661
Net increase in loans and bills discounted	(62,984)	(142,335)	(514,617)
Net increase in deposits	212,232	512,417	1,734,063
Net decrease in negotiable certificate of deposits	(7,679)	(17,123)	(62,742)
Net increase in borrowed money (excluding subordinated loans)	37,785	457,975	308,726
Net decrease (increase) in due from banks (excluding deposits in Bank of Japan)	94	(209)	768
Net decrease (increase) in call loans and others	2,178	(5,733)	17,795
Net increase (decrease) in call money and bills sold	(370,267)	379,691	(3,025,304)
Net increase (decrease) in payables under securities lending transactions	(86,974)	37,116	(710,629)
Net decrease (increase) in foreign exchange assets	1,271	(424)	10,384
Net increase (decrease) in foreign exchange liabilities	(57)	263	(465)
Net increase in borrowed money from trust account	48	166	392
Interest received (cash basis)	50,756	48,871	414,707
Interest paid (cash basis)	(2,970)	(4,427)	(24,266)
Other	(14,678)	20,748	(119,928)
Subtotal	(271,786)	1,245,054	(2,220,655)
Income taxes – paid	(7,172)	(4,637)	(58,599)
Net cash provided by (used in) operating activities	(278,958)	1,240,417	(2,279,254)
Investing activities:			
Purchases of securities	(1,003,543)	(866,123)	(8,199,550)
Proceeds from sales of securities	915,771	585,170	7,482,400
Proceeds from redemptions of securities	115,356	148,908	942,527
Increase in money held in trust	(681)	—	(5,564)
Purchases of tangible fixed assets	(4,660)	(1,094)	(38,075)
Proceeds from sales of tangible fixed assets	32	5,927	261
Purchases of intangible fixed assets	(451)	(663)	(3,684)
Net cash provided by (used in) investing activities	21,823	(127,874)	178,307
Financing activities:			
Repayment of subordinated loans	—	(10,000)	—
Redemption of bonds with stock acquisition rights	—	(21,392)	—
Purchases of treasury stock	(2,502)	(1,003)	(20,442)
Proceeds from sales of treasury stock	0	67	0
Dividends paid	(1,981)	(2,008)	(16,185)
Net cash used in financing activities	(4,483)	(34,337)	(36,628)
Foreign currency translation adjustments on cash and cash equivalents	0	1	0
Net increase (decrease) in cash and cash equivalents	(261,618)	1,078,207	(2,137,576)
Cash and cash equivalents, beginning of year	2,012,295	934,088	16,441,661
Cash and cash equivalents, end of year (Note 3)	¥ 1,750,676	¥ 2,012,295	\$ 14,304,077

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Years ended March 31, 2022 and 2021

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 ¥122.39 to U.S.\$1, the rate of exchange at March 31, 2022, 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 include the accounts of the Bank and seven consolidated subsidiaries for the years ended March 31, 2022 and 2021.

The consolidated subsidiaries' respective fiscal periods end March 31 for the years ended March 31, 2022 and 2021.

The Bank has two and four other nonconsolidated subsidiaries in 2022 and 2021, respectively, 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 are stated at fair value (cost of sales, in principle, is computed by the moving-average method). Shares, etc. that do not have a market price are stated at cost using the moving-average method. Investment in capital of investment partnership and others are recorded at the net amount of the Bank's share of their assets based on the most recent financial statements of the partnership and others. 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. Securities that constitute trust assets in money held in trust are stated using the same methods described in (i) above.

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, March 17, 2022).

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.

To hedge foreign exchange fluctuation risks of foreign currency-denominated securities (other than bonds), the Bank identifies in advance the issues of foreign currency-denominated securities to be hedged and applies fair value hedging as a comprehensive hedge on the condition that the Bank has direct liabilities for such foreign currency-denominated securities in excess of the acquisition cost on a foreign currency basis, etc.

(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 (\$28,907 thousand) and ¥3,538 million at March 31, 2022 and 2021, 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 risk management sector, which is independent from the branches and the operating divisions, subsequently verifies the appropriateness of self-assessment results, write-offs and allowances.

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 ¥9,235 million (\$75,455 thousand) and ¥9,584 million as of March 31, 2022 and 2021, 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, which is 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

Allowance for loan losses was ¥32,815 million (\$268,118 thousand) and ¥33,692 million at March 31, 2022 and 2021, respectively.

(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, 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 in order to prepare for expected losses due to such impacts based on the following assumptions. For certain borrowers in specific industries that have been materially impacted by the spread of the novel coronavirus infection, an additional allowance for loan losses is provided based on the expected loss ratio, with necessary adjustments to the loan loss ratio, in consideration of the expected deterioration in their business performance.

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 March 2021, 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 2022 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 2022, 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 2022

The spread of the novel coronavirus infection continues to be a constraint on various economic activities, and its impact will continue until at least March 2023.

In addition, it is assumed that the credit risk inherent in loans to certain borrowers in specific industries affected by the spread of the novel coronavirus infection has increased.

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, 2023) 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) Changes in accounting policies

(Application of Accounting Standard for Revenue Recognition, etc.)

The Bank has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 issued on March 31, 2020; hereinafter "Revenue Recognition Standard") and other standards from the beginning of the current fiscal year. The Bank recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Bank expects to be entitled in exchange for the good or service.

The Bank applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. There is no effect on retained earnings at the beginning of the current fiscal year.

The application of the accounting standards has also no impact on profit/loss or per share information.

In accordance with the transitional treatment set forth in Paragraph 89-3 of the Revenue Recognition Standard, notes on revenue recognition for the previous period are not presented.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Bank has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30 issued on July 4, 2019; hereinafter "Fair Value Measurement Standard") and other standards from the beginning of the current fiscal year. In accordance with Paragraph 8 of the Fair Value Measurement Standard, the Bank has revised its method of adjusting the fair value of derivatives to a method that uses observable inputs estimated from derivatives and other instruments traded in the market to the greatest extent possible.

This revision is due to the application of the Fair Value Measurement Standard, etc. In accordance with the transitional treatment provided for in the additional clause in Paragraph 20 of the Fair Value Measurement Standard, the cumulative impact of retrospectively applying the new accounting policies to periods prior to the beginning of the current fiscal year is adjusted to retained earnings at the beginning of the current fiscal year.

As a result, retained earnings at the beginning of the current fiscal year decreased by ¥97 million (\$792 thousand), other assets decreased by ¥183 million (\$1,495 thousand), other liabilities decreased by ¥44 million (\$359 thousand), deferred tax liabilities decreased by ¥42 million (\$343 thousand) and net assets per share decreased by ¥1.95 (\$0.01).

In addition, the Bank has decided to include notes on fair value information by level within the fair value hierarchy in the notes on financial instruments. However, in accordance with the transitional treatment provided for in Paragraph 7-4 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019), notes on fair value information by level within the fair value hierarchy pertaining to the previous period are not presented.

(x) New accounting pronouncements

"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31 issued on June 17, 2021)

(1) Summary

The treatment of calculation of fair value of investment trusts and related notes and the treatment of notes to fair value of investments in partnerships, etc., in which the net amount equivalent to the equity interest is recorded on the balance sheet are established.

(2) Effective date

The Group expects to apply the new guidance effective from the beginning of the year ending March 31, 2023.

(3) Effects of application of the standards and guidance

The impact of the application of the guidance is currently being evaluated.

(y) Changes in presentation

(Consolidated Statement of Income)

Previously, gains on investment in investment partnership and others were included in "other income" and losses on investment in investment partnership and others were included in "other expenses" for each individual partnership. However, investment in investment partnership and others is strongly characterized as the core business for a regional financial institution since it is growth investment in regional companies mainly in Shiga Prefecture in which the Bank is based. After performing a review from this perspective, the Bank decided to include them in "interest and dividends on securities" in "interest income" from the current fiscal year in order to present its operating results more appropriately.

To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, the gain on investment in investment partnership and others of ¥746 million included in "other income" and the loss on investment in investment partnership and others of ¥369 million included in "other expenses" in the consolidated statement of income for the previous fiscal year have been reclassified as "interest and dividends on securities" of ¥377 million (net) in "interest income."

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, 2022 and 2021, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Cash and due from banks	¥1,751,539	¥2,013,251	\$14,311,128
Other due from banks	(862)	(956)	(7,043)
Cash and cash equivalents.....	¥1,750,676	¥2,012,295	\$14,304,077

4. Securities

Securities at March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Japanese government bonds.....	¥ 334,714	¥ 319,781	\$ 2,734,814
Japanese local government bonds	198,178	255,705	1,619,233
Japanese corporate bonds.....	307,851	348,263	2,515,328
Corporate stocks	315,263	350,016	2,575,888
Other securities.....	355,857	312,738	2,907,565
Total	¥1,511,864	¥1,586,506	\$12,352,839

Securities lent under unsecured loan (bond lending transactions) amounted to ¥53,103 million (\$433,883 thousand) and ¥16,159 million are included in Japanese government bonds of securities at March 31, 2022 and 2021, respectively.

Fair value and other information on securities at March 31, 2022 and 2021 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
	2022	2021	2022
Losses included in loss during the fiscal year			
Trading securities.....	¥(1)	¥(0)	\$(8)

(2) Held-to-maturity securities

Held-to-maturity securities as of March 31, 2022 and 2021 were as follows:

	Millions of yen		
	2022		
	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeding consolidated balance sheet amount:			
Japanese government bonds.....	¥ 4,816	¥ 4,826	¥ 10
Japanese local government bonds	—	—	—
Japanese corporate bonds.....	—	—	—
Others.....	—	—	—
Subtotal	¥ 4,816	¥ 4,826	¥ 10
Fair value not exceeding consolidated balance sheet amount:			
Japanese government bonds.....	¥55,130	¥52,953	¥(2,177)
Japanese local government bonds	—	—	—
Japanese corporate bonds.....	—	—	—
Others.....	—	—	—
Subtotal	55,130	52,953	(2,177)
Total	¥59,946	¥57,779	¥(2,166)

	Millions of yen		
	Consolidated balance sheet amount	Fair value	Difference
2021			
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		
	Consolidated balance sheet amount	Fair value	Difference
2022			
Fair value exceeding consolidated balance sheet amount:			
Japanese government bonds.....	\$ 39,349	\$ 39,431	\$ 81
Japanese local government bonds.....	—	—	—
Japanese corporate bonds.....	—	—	—
Others.....	—	—	—
Subtotal.....	\$ 39,349	\$ 39,431	\$ 81
Fair value not exceeding consolidated balance sheet amount:			
Japanese government bonds.....	\$450,445	\$432,657	\$(17,787)
Japanese local government bonds.....	—	—	—
Japanese corporate bonds.....	—	—	—
Others.....	—	—	—
Subtotal.....	450,445	432,657	(17,787)
Total.....	\$489,794	\$472,089	\$(17,697)

(3) Available-for-sale securities

Available-for-sale securities as of March 31, 2022 and 2021 were as follows:

	Millions of yen		
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)
2022			
Consolidated balance sheet amount exceeding cost:			
Stocks.....	¥ 301,821	¥ 79,211	¥222,609
Bonds:.....	307,718	305,449	2,269
Japanese government bonds...	119,049	118,626	422
Japanese local government bonds.....	61,590	61,190	399
Japanese corporate bonds.....	127,078	125,631	1,446
Others.....	104,200	101,487	2,713
Subtotal.....	¥ 713,740	¥ 486,147	¥227,592
Consolidated balance sheet amount not exceeding cost:			
Stocks.....	¥ 9,564	¥ 9,961	¥ (396)
Bonds:.....	473,078	479,149	(6,071)
Japanese government bonds...	155,718	159,323	(3,605)
Japanese local government bonds.....	136,588	137,612	(1,024)
Japanese corporate bonds.....	180,772	182,213	(1,441)
Others.....	244,062	255,439	(11,377)
Subtotal.....	726,705	744,550	(17,845)
Total.....	¥1,440,446	¥1,230,698	¥209,747
	Millions of yen		
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)
2021			
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

	Thousands of U.S. dollars		
	2022		
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)
Consolidated balance sheet amount exceeding cost:			
Stocks.....	\$ 2,466,059	\$ 647,201	\$1,818,849
Bonds:.....	2,514,241	2,495,702	18,539
Japanese government bonds...	972,702	969,245	3,447
Japanese local government bonds.....	503,227	499,959	3,260
Japanese corporate bonds.....	1,038,303	1,026,480	11,814
Others.....	851,376	829,209	22,166
Subtotal.....	\$ 5,831,685	\$ 3,972,113	\$1,859,563
Consolidated balance sheet amount not exceeding cost:			
Stocks.....	\$ 78,143	\$ 81,387	\$ (3,235)
Bonds:.....	3,865,332	3,914,935	(49,603)
Japanese government bonds...	1,272,309	1,301,764	(29,455)
Japanese local government bonds.....	1,116,006	1,124,372	(8,366)
Japanese corporate bonds.....	1,477,016	1,488,789	(11,773)
Others.....	1,994,133	2,087,090	(92,956)
Subtotal.....	5,937,617	6,083,421	(145,804)
Total.....	\$11,769,311	\$10,055,543	\$1,713,759

(4) Bonds classified as held to maturity were not sold for the years ended March 31, 2022 and 2021.

(5) Available-for-sale securities sold

	Millions of yen		
	2022		
	Sales amount	Gains on sales	Losses on sales
Stocks.....	¥ 41,071	¥13,560	¥2,652
Bonds:.....	596,745	958	2,469
Japanese government bonds.....	548,481	780	2,459
Japanese local government bonds.....	45,087	131	9
Japanese corporate bonds.....	3,176	46	—
Others.....	223,406	3,131	4,126
Total.....	¥861,223	¥17,650	¥9,248
	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

	Thousands of U.S. dollars		
	2022		
	Sales amount	Gains on sales	Losses on sales
Stocks.....	\$ 335,574	\$110,793	\$21,668
Bonds:.....	4,875,765	7,827	20,173
Japanese government bonds.....	4,481,420	6,373	20,091
Japanese local government bonds.....	368,387	1,070	73
Japanese corporate bonds.....	25,949	375	—
Others.....	1,825,361	25,582	33,711
Total.....	\$7,036,710	\$144,211	\$75,561

(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, 2022 and 2021.

(7) Impairment losses on securities

For available-for-sale securities with market quotations (other than shares, etc. that do not have a market price and investment in capital of investment partnership and others), 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 ¥83 million (\$678 thousand) which consisted of stocks of ¥82 million (\$669 thousand) and bonds of ¥1 million (\$8 thousand); and ¥1,580 million which consisted of stocks of ¥1,574 million and bonds of ¥5 million; as of March 31, 2022 and 2021, 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			
	2022		2021	
	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.....	¥14,630	¥49	¥14,476	¥(78)

	Thousands of U.S. dollars	
	2022	
	Consolidated balance sheet amount	Gains (losses) included in profit (loss) during the fiscal year
Money held in trust classified as trading.....	\$119,535	\$400

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

(3) Other money held in trust (other than money held in trust for trading purposes and money in trust held to maturity).

	Millions of yen				
	2022				
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)	Consolidated balance sheet amount exceeding cost	Consolidated balance sheet amount not exceeding cost
Other money held in trust	¥ 729	¥ 729	—	—	—

	Thousands of U.S. dollars				
	2022				
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)	Consolidated balance sheet amount exceeding cost	Consolidated balance sheet amount not exceeding cost
Other money held in trust	\$ 5,956	\$ 5,956	—	—	—

(Note) "Consolidated balance sheet amount exceeding cost" and "consolidated balance sheet amount not exceeding cost" are components of unrealized gains (losses).

No other money held in trust (other than money held in trust for trading purposes and money in trust held to maturity) as of March 31, 2021.

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
	2022	2021	2022
Net unrealized gains on investment securities.....	¥209,459	¥275,998	\$1,711,406
Deferred tax liabilities	(60,503)	(80,824)	(494,345)
Noncontrolling interests	—	—	—
Net unrealized gains on available-for-sale securities.....	¥148,955	¥195,174	\$1,217,052

7. Loans and bills discounted

Loans and bills discounted at March 31, 2022 and 2021, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Bills discounted.....	¥ 7,522	¥ 6,689	\$ 61,459
Loans on bills.....	73,481	80,025	600,384
Loans on deeds.....	3,603,514	3,570,766	29,442,879
Overdrafts.....	380,163	344,217	3,106,160
Total.....	¥4,064,683	¥4,001,698	\$33,210,907

Claims under the Banking Act and the Act on Emergency Measures for the Revitalization of the Financial Functions are as follows. The claims include corporate bonds in "investment securities" in the consolidated balance sheets (limited to those for which redemption of the principal and payment of interest is guaranteed in whole or in part, and for which the bonds were issued through private placement of securities (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act)), loans and bills discounted, foreign exchange assets, accrued interest and suspense payments in "other assets," customers' liabilities for acceptances and guarantees and the securities in the case of a loan of securities (limited to those under a loan-for-use or lease agreement) that is indicated in the notes.

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Claims subject to legal bankruptcy proceedings and reorganization proceedings and any other type of claims equivalent thereto.....	¥ 1,916	¥ 2,020	\$ 15,654
Claims with risks.....	45,107	44,049	368,551
Loans overdue for three months or more.....	57	136	465
Restructured loans.....	36,429	25,553	297,646
Total.....	¥ 83,510	¥ 71,759	\$ 682,326

Claims subject to legal bankruptcy proceedings and reorganization proceedings and any other type of claims equivalent thereto mean the claim held against debtors with failed business status due to the grounds such as commencement of bankruptcy proceedings, commencement of reorganization proceedings, or commencement of rehabilitation proceedings, and any other type of claims equivalent thereto.

Claims with risks mean the claims whose debtor is not yet in the status of failure in business although such debtor's financial conditions and business performance are worsening, and for which it is highly likely that the collection of principal or receipt of interest in accordance with the contract is impossible, excluding the claims subject to legal bankruptcy proceedings and reorganization proceedings and any other type of claims equivalent thereto.

Loans overdue for three months or more mean loans for which payment of principal or interest has been delayed for three months or more from the date following the agreed payment date, excluding the claims subject to legal bankruptcy proceedings and reorganization proceedings and any other type of claims equivalent thereto and the claims with risks.

Restructured loans mean 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, excluding the claims subject to legal bankruptcy proceedings and reorganization proceedings and any other type of claims equivalent thereto, the claims with risks and the loans overdue for three months or more.

(Changes in presentation)

Following the enforcement of the "Cabinet Office Order Partially Amending the Regulation for Enforcement of the Banking Act, etc." (Cabinet Office Regulation No. 3 issued on January 24, 2020) on March 31, 2022, the classification of "Risk-monitored loans" under the Banking Act is presented in accordance with the classification of disclosed claims under the Act on Emergency Measures for the Revitalization of the Financial Functions.

The total face value of bills discounted at March 31, 2022 and 2021 was ¥7,664 million (\$62,619 thousand) and ¥6,750 million, respectively.

8. Foreign exchanges

Foreign exchange assets and liabilities at March 31, 2022 and 2021, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Assets:			
Due from foreign correspondents.....	¥6,589	¥7,715	\$53,836
Foreign bills of exchange purchased.....	2	0	16
Foreign bills of exchange receivable.....	470	618	3,840
Total.....	¥7,063	¥8,334	\$57,708
Liabilities:			
Foreign bills of exchange sold....	¥ 107	¥ 142	\$ 874
Accrued foreign bills of exchange.....	138	160	1,127
Total.....	¥ 246	¥ 303	\$ 2,009

9. Other assets

Other assets at March 31, 2022 and 2021, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Prepaid expenses.....	¥ 282	¥ 151	\$ 2,304
Accrued income.....	3,961	3,666	32,363
Derivatives.....	12,829	9,171	104,820
Other (Note 12).....	92,669	85,032	757,161
Total.....	¥109,742	¥98,021	\$896,658

10. Tangible fixed assets

Tangible fixed assets at March 31, 2022 and 2021, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Buildings.....	¥13,241	¥14,019	\$108,186
Land	32,196	31,665	263,060
Construction in progress	2,614	—	21,357
Other	2,061	1,983	16,839
Total.....	¥50,114	¥47,667	\$409,461

Accumulated depreciation on tangible fixed assets at March 31, 2022 and 2021 amounted to ¥47,166 million (\$385,374 thousand) and ¥46,516 million, respectively.

11. Long-lived assets

The Group recognized impairment losses for the years ended March 31, 2022 and 2021, as follows:

The Bank groups assets by the methods described in the "Overview of asset groups and grouping method" below. Subsidiaries group their assets by unit, which periodically manages profit and loss. The Bank wrote down the carrying amounts to the recoverable amounts and recognized impairment losses of ¥509 million (\$4,158 thousand) and ¥316 million for the years ended March 31, 2022 and 2021, respectively since the carrying amounts of the assets held by the above branches and other exceeded the sum of the undiscounted future cash flows.

The recoverable amounts of these assets were the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The discount rate used for computation of the present value of future cash flows was 5% and the net selling price was determined by quotations from real estate appraisal information, less estimated costs to dispose.

			Impairment losses	
			Thousands of U.S. dollars	
Location	Description	Classification	2022	2021
Shiga Prefecture	Business assets	Land, buildings and equipment.....	¥509	¥316
Total			¥509	¥316

Impairment losses are included in other expenses (Note 26).

Overview of asset groups and grouping method

(1) Outline of asset groups

- i. Idle assets

Stores, former company housing sites, etc.

- ii. Operating assets

Assets used for business purposes

iii. Common assets

Assets related to the entire bank (headquarters, office centers, dormitories, company housing, etc.)

(2) Methods of grouping

- i. Idle assets

Grouping as independent assets.

ii. Operating assets

Grouping is done by store groups or store units that constitute full-banking functions.

- iii. Common assets

Grouping of the entire bank as a whole.

12. Assets pledged

Assets pledged as collateral and related liabilities at March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Investment securities.....	¥546,776	¥696,661	\$4,467,489
Loans and bills discounted.....	880,282	889,093	7,192,434
Other assets (investments in leases)	226	412	1,846

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Related liabilities			
Deposits.....	¥ 26,917	¥ 25,048	\$ 219,928
Payables under securities lending transactions	185,680	272,654	1,517,117
Borrowed money.....	931,599	893,235	7,611,724

In addition, other assets (deposits to central counterparty) of ¥35,653 million (\$291,306 thousand) and ¥34,332 million at March 31, 2022 and 2021, respectively.

Other assets include guarantee deposits of ¥385 million (\$3,145 thousand) and ¥394 million at March 31, 2022 and 2021, 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, 2022 and 2021 amounted to ¥1,036,014 million (\$8,464,858 thousand) and ¥1,069,313 million, respectively, and the amounts of unused commitments whose original contract terms are within one year or unconditionally cancelable at any time were ¥940,660 million (\$7,685,758 thousand) and ¥973,892 million at March 31, 2022 and 2021, 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, 2022 and 2021, the carrying amount of the land after the above one-time revaluation exceeded the fair value by ¥3,660 million (\$29,904 thousand) and ¥8,242 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, 2022 and 2021, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Current deposits.....	¥ 255,260	¥ 230,158	\$ 2,085,627
Ordinary deposits.....	3,189,277	2,966,522	26,058,313
Deposits at notice.....	69,400	68,359	567,039
Time deposits.....	1,994,866	2,016,827	16,299,256
Other deposits.....	102,279	116,984	835,681
Total.....	¥5,611,084	¥5,398,851	\$45,845,935

16. Borrowed money

At March 31, 2022 and 2021, the weighted-average interest rates applicable to borrowed money were 0.06% and 0.03%, respectively.

Borrowed money at March 31, 2022 and 2021, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Borrowing from banks and other	¥936,840	¥899,055	\$7,654,546
Total.....	¥936,840	¥899,055	\$7,654,546

Annual maturities of borrowed money at March 31, 2022 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2023	¥826,148	\$6,750,126
2024	35,409	289,312
2025	31,278	255,560
2026	40,095	327,600
2027	52	424
2028 and thereafter.....	3,855	31,497
Total.....	¥936,840	\$7,654,546

17. Borrowed money from trust account

Principal amounts of trusts with a principal compensation agreement at March 31, 2022 and 2021 were ¥214 million (\$1,748 thousand) and ¥166 million, respectively.

18. Other liabilities

Other liabilities at March 31, 2022 and 2021, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Accrued income taxes.....	¥ 2,721	¥ 3,677	\$ 22,232
Accrued expenses.....	3,414	3,519	27,894
Unearned income.....	8,788	8,881	71,803
Derivatives	11,638	10,561	95,089
Other	32,663	27,005	266,876
Total.....	¥59,226	¥53,645	\$483,912

19. 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 ¥15,913 million (\$130,018 thousand) and ¥23,516 million as of March 31, 2022 and 2021, respectively, were set off because those that were relevant to corporate bonds and the guaranteed bonds were held by the Bank itself.

20. 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 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, 2022 was proposed at the Bank's ordinary general shareholders' meeting held on June 24, 2022.

	Millions of yen	Thousands of U.S. dollars
Cash dividends (dividend amount per share: ¥62.5 (\$0.511))	¥3,036	\$24,805

21. Stock options

The stock options outstanding as of March 31, 2022, 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
2021 Stock Option	6 directors	10,760 shares	August 20, 2021	¥ 1 (\$ 0.01)	From August 21, 2021 to August 20, 2051

(*) 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
<u>Year Ended March 31, 2022</u>			
<u>Non-vested</u>			
April 1, 2021—Outstanding	—	—	—
Granted	—	—	—
Canceled	—	—	—
Vested	—	—	—
March 31, 2022—Outstanding	—	—	—

<u>Vested</u>			
April 1, 2021—Outstanding	1,980	2,660	2,620
Vested	—	—	—
Exercised	—	—	—
Canceled	—	—	—
March 31, 2022—Outstanding	1,980	2,660	2,620

	2016 Stock Option	2017 Stock Option	2018 Stock Option
<u>Year Ended March 31, 2022</u>			
<u>Non-vested</u>			
April 1, 2021—Outstanding	—	—	—
Granted	—	—	—
Canceled	—	—	—
Vested	—	—	—
March 31, 2022—Outstanding	—	—	—

<u>Vested</u>			
April 1, 2021—Outstanding	4,240	4,460	4,580
Vested	—	—	—
Exercised	—	—	—
Canceled	—	—	—
March 31, 2022—Outstanding	4,240	4,460	4,580

	2019 Stock Option	2020 Stock Option	2021 Stock Option
<u>Year Ended March 31, 2022</u>			
<u>Non-vested</u>			
April 1, 2021—Outstanding	—	1,975	—
Granted	—	—	10,760
Canceled	—	—	—
Vested	—	1,975	8,070
March 31, 2022—Outstanding	—	—	2,690

<u>Vested</u>			
April 1, 2021—Outstanding	6,400	5,925	—
Vested	—	1,975	8,070
Exercised	—	—	—
Canceled	—	—	—
March 31, 2022—Outstanding	6,400	7,900	8,070

	2013 Stock Option	2014 Stock Option	2015 Stock Option
Exercise price	¥ 1	¥ 1	¥ 1
	(\$ 0.01)	(\$ 0.01)	(\$ 0.01)
Average stock price at exercise (*)	¥ —	¥ —	¥ —
	(\$ —)	(\$ —)	(\$ —)
Fair value price at grant date (*)	¥2,640	¥2,945	¥3,170
	(\$21.57)	(\$24.06)	(\$25.90)

	2016 Stock Option	2017 Stock Option	2018 Stock Option
Exercise price	¥ 1	¥ 1	¥ 1
	(\$ 0.01)	(\$ 0.01)	(\$ 0.01)
Average stock price at exercise (*)	¥ —	¥ —	¥ —
	(\$ —)	(\$ —)	(\$ —)
Fair value price at grant date (*)	¥2,365	¥2,785	¥2,800
	(\$19.32)	(\$22.76)	(\$22.88)

	2019 Stock Option	2020 Stock Option	2021 Stock Option
Exercise price	¥ 1	¥ 1	¥ 1
	(\$ 0.01)	(\$ 0.01)	(\$ 0.01)
Average stock price at exercise (*)	¥ —	¥ —	¥ —
	(\$ —)	(\$ —)	(\$ —)
Fair value price at grant date (*)	¥2,204	¥2,359	¥1,732
	(\$18.01)	(\$19.27)	(\$14.15)

(*) 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 2021 Stock Option

Estimate method:	Black-Scholes option-pricing model
Volatility of stock price:	30.439%
Estimated remaining outstanding period:	2 years and 6 months
Estimated dividend:	¥40.00 (\$0.32) per share
Risk free interest rate:	0.145% negative

22. Revenue recognition

Disaggregation of revenue from contracts with customers

	Millions of yen	Thousands of U.S. dollars
Category	2022	2022
Income	¥ 98,306	\$ 803,219
Of which, fees and commissions	17,366	141,890
Deposit and loan services	3,769	30,794
Foreign exchange services	2,915	23,817
Trust related services	105	857
Securities related services	443	3,619
Agency services	318	2,598
Safe-deposit and safe-deposit box services	117	955
Guarantee services	1,037	8,472
Credit card services	3,015	24,634
Investment trust and insurance sales	3,972	32,453
Others	1,670	13,644
Of which, trust fees	0	0

The above table also includes income based on "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10).

23. Other operating income

Other operating income for the years ended March 31, 2022 and 2021, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Gains on foreign exchange transactions-net.....	¥ 914	¥ 701	\$ 7,467
Gains on sales of bonds.....	3,907	2,603	31,922
Gains on redemption of bonds.....	—	50	—
Gains on derivative financial instruments.....	1,211	250	9,894
Other.....	10,166	11,604	83,062
Total.....	¥16,198	¥15,210	\$132,347

24. Other income

Other income for the years ended March 31, 2022 and 2021, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Gains on sales of stocks and other securities.....	¥13,753	¥5,542	\$112,370
Recovery of claims previously charged-off.....	498	366	4,068
Other.....	761	3,051	6,217
Total.....	¥15,013	¥8,960	\$122,665

25. Other operating expenses

Other operating expenses for the years ended March 31, 2022 and 2021, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Losses on sales of government bonds.....	¥ 6,531	¥ 3,617	\$ 53,362
Amortization of bonds.....	1	5	8
Expenses on derivatives other than for hedging.....	—	—	—
Other.....	9,284	10,634	75,855
Total.....	¥15,818	¥14,257	\$129,242

26. R&D expenses

R&D expenses included in General and administrative expenses for the years ended March 31, 2022 and 2021 were ¥7,832 million (\$63,992 thousand) and ¥1,357 million, respectively.

(Change in presentation)

R&D expenses are presented as a separate item from the current fiscal year due to increased monetary significance. The previous year's amount is also presented to reflect this change in presentation.

27. Other expenses

Other expenses for the years ended March 31, 2022 and 2021, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Provision of allowance for loan losses.....	¥1,607	¥ 7,459	\$13,130
Losses on sales of stocks and other securities.....	2,734	823	22,338
Charge-off of loans and bills discounted.....	500	660	4,085
Losses on devaluation of stocks and other securities.....	83	1,575	678
Losses on disposal of fixed assets...	82	113	669
Losses on impairment of long-lived assets.....	509	316	4,158
Other.....	139	351	1,135
Total.....	¥5,657	¥11,299	\$46,221

28. Gains (losses) related to bonds

Gains (losses) related to bonds for the years ended March 31, 2022 and 2021, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Gains (losses) related to bonds including Japanese government bonds:			
Gains on sales of bonds.....	¥ 3,907	¥ 2,603	\$ 31,922
Gains on redemption of bonds.....	—	50	—
Losses on sales of bonds.....	(6,531)	(3,617)	(53,362)
Losses on devaluation of bonds.....	(1)	(5)	(8)
Total.....	¥(2,626)	¥ (968)	\$ (21,456)
Gains (losses) on derivatives:	¥ 1,211	¥ 250	\$ 9,894
Gains (losses) related to bonds.....	¥(1,415)	¥ (718)	\$ (11,561)

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

Gains (losses) related to stocks and other securities for the years ended March 31, 2022 and 2021, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Gains (losses) related to stocks and other securities:			
Gains on sales of stocks and other securities.....	¥13,753	¥5,542	\$112,370
Losses on sales of stocks and other securities.....	(2,734)	(823)	(22,338)
Losses on devaluation of stocks and other securities.....	(83)	(1,575)	(678)
Gains related to stocks and other securities.....	¥10,935	¥3,143	\$ 89,345

30. Leases

Lessor

One subsidiary lease 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, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Gross lease receivables	¥15,581	¥15,936	\$127,306
Unguaranteed residual values	417	428	3,407
Unearned interest income	(1,294)	(1,355)	(10,572)
Investments in leases	¥14,705	¥15,008	\$120,148

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, 2022 are as follows:

	Millions of yen	Thousands of U.S. dollars
2023	¥463	\$3,782
2024	351	2,867
2025	157	1,282
2026	134	1,094
2027	46	375
2028 and thereafter	1	8

Maturities of gross lease receivables related to investments in leases as of March 31, 2022 are as follows:

	Millions of yen	Thousands of U.S. dollars
2023	¥4,990	\$40,771
2024	3,973	32,461
2025	2,972	24,283
2026	1,929	15,761
2027	1,094	8,938
2028 and thereafter	620	5,065

The minimum rental commitments under noncancelable operating leases as of March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Due within one year	¥ 6	¥3	\$ 49
Due after one year	17	6	138
Total	¥24	¥9	\$196

31. 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, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Balance at beginning of year	¥47,605	¥47,358	\$388,961
Current service cost	1,725	1,720	14,094
Interest cost	204	203	1,666
Actuarial losses	311	1,268	2,541
Benefits paid	(2,630)	(2,945)	(21,488)
Prior service cost	—	—	—
Balance at end of year	¥47,217	¥47,605	\$385,791

(2) The changes in plan assets for the years ended March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Balance at beginning of year	¥60,575	¥45,648	\$494,934
Expected return on plan assets	1,141	737	9,322
Actuarial gains (losses)	(1,575)	13,782	(12,868)
Contribution from the employer	1,748	1,750	14,282
Benefits paid	(1,350)	(1,342)	(11,030)
Balance at end of year	¥60,540	¥60,575	\$494,648

(3) Reconciliation between the 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
	2022	2021	2022
Funded defined benefit obligation	¥ 47,217	¥ 47,605	\$ 385,791
Plan assets	(60,540)	(60,575)	(494,648)
Net asset arising from the balance sheet	¥(13,323)	¥(12,969)	\$(108,856)

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Liability for retirement benefits	¥ —	¥ —	\$ —
Asset for retirement benefits	13,323	12,969	108,856
Net asset arising from the balance sheet	¥(13,323)	¥ (12,969)	\$(108,856)

(4) The components of net periodic benefit costs for the years ended March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Service cost	¥ 1,725	¥1,720	\$14,094
Interest cost	204	203	1,666
Expected return on plan assets	(1,141)	(737)	(9,322)
Recognized actuarial gains	(1,852)	(488)	(15,131)
Amortization of prior service cost	—	—	—
Net periodic benefit costs	¥(1,064)	¥ 697	\$(8,693)

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Prior service cost	¥ —	¥ —	\$ —
Actuarial losses (gains)	3,739	(12,024)	30,549
Total	¥3,739	¥(12,024)	\$30,549

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Unrecognized prior service cost	¥ —	¥ —	\$ —
Unrecognized actuarial gains	(9,570)	(13,310)	(78,192)
Total	¥(9,570)	¥(13,310)	\$(78,192)

(7) Plan assets:

a. Components of plan assets

	2022	2021
Bonds	13%	13%
Stocks	61	62
Cash and cash equivalents	8	8
General accounts	18	17
Total	100%	100%

(Note) Total plan assets included retirement benefits trust of 51% and 53%, for the years ended March 31, 2022 and 2021, 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, 2022 and 2021, were set forth as follows:

	2022	2021
Discount rate	0.43%	0.43%
Expected rate of return on plan assets		
Plan assets (except for retirement benefits trust)	4.08%	2.96%
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, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Balance at beginning of year	¥143	¥130	\$1,168
Net periodic benefit costs	22	21	179
Benefits paid	(7)	(8)	(57)
Contribution to the plan	—	—	—
Balance at end of year	¥157	¥143	\$1,282

(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
	2022	2021	2022
Unfunded defined benefit obligation	¥157	¥143	\$1,282
Net liability arising from the balance sheet	¥157	¥143	\$1,282

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Liability for retirement benefits	¥157	¥143	\$1,282
Net liability arising from the balance sheet	¥157	¥143	\$1,282

(3) Net periodic benefit costs recognized in the simplified method for the years ended March 31, 2022 and 2021, were ¥22 million (\$179 thousand) and ¥21 million, respectively.

3. Defined contribution plan

The Bank's required contribution to the defined contribution plan for the years ended March 31, 2022 and 2021 were ¥334 million (\$2,728 thousand) and ¥329 million, respectively.

32. Income taxes

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities at March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Deferred tax assets:			
Allowance for loan losses	¥ 11,381	¥ 11,763	\$ 92,989
Devaluation of stocks and other securities	4,774	5,178	39,006
Liability for retirement benefits	1,341	2,495	10,956
Depreciation	4,150	1,837	33,907
Accrued enterprise tax	273	272	2,230
Other	2,076	1,984	16,962
Less valuation allowance	(11,673)	(11,659)	(95,375)
Total	¥ 12,325	¥ 11,871	\$ 100,702
Deferred tax liabilities:			
Reserve for advance depreciation of fixed assets	(175)	(175)	(1,429)
Net unrealized gains on available-for-sale securities	(60,503)	(80,824)	(494,345)
Defined retirement benefit plans	(2,914)	(4,052)	(23,809)
Deferred gains on derivatives under hedge accounting	(2,646)	(715)	(21,619)
Total	(66,239)	(85,767)	(541,212)
Net deferred tax liabilities	¥(53,914)	¥(73,896)	\$(440,509)

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, 2022 and 2021, were as follows:

	2022	2021
Statutory tax rate	30.4%	30.4%
(Reconciliation)		
Permanent differences excluded from taxable income such as dividend income	(1.3)%	(1.9)%
Tax credit for experimentation and research expenses, etc.	(4.6)%	—%
Changes in valuation allowance	0.0%	(16.2)%
Others	(0.2)%	(0.1)%
Effective income tax rate	24.3%	12.2%

33. 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 securities 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 level 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 ¥11,629 million (\$95,015 thousand) as of March 31, 2022 and ¥19,765 million as of March 31, 2021.

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 ¥110,995 million (\$906,895 thousand) as of March 31, 2022, and ¥79,335 million as of March 31, 2021.

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, 2022 and 2021, are shown below. Shares, etc. that do not have a market price and investment in capital of partnership are not included in the table below (see Note 1).

Cash and due from banks, call loans and bills bought, foreign exchange (assets and liabilities), call money and bills sold, and payables under securities lending transactions are settled in a short period of time and their book value approximates fair value, therefore, notes are omitted. Financial instruments that are immaterial have been omitted.

Millions of yen			
2022			
	Consolidated balance sheet amount	Fair value	Difference
Investment securities			
Held-to-maturity securities	¥ 59,946	¥ 57,779	¥ (2,166)
Available-for-sale securities	1,439,179	1,439,179	—
Loans and bills discounted	4,064,683	—	—
Allowance for loan losses (*1)	(32,150)	—	—
	4,032,533	4,049,164	16,631
Assets total	5,531,658	5,546,123	14,464
Deposits	5,611,084	5,611,258	174
Negotiable certificates of deposit	41,880	41,882	1
Borrowed money	936,840	936,718	(121)
Liabilities total	6,589,805	6,589,859	54
Derivative transactions (*2)			
Deferred hedge accounting is not applied	(7,501)	(7,501)	—
Deferred hedge accounting is applied (*3)	8,692	8,692	—
Derivative transactions total	¥ (1,190)	¥ (1,190)	¥ —

Millions of yen			
2021			
	Consolidated balance sheet amount	Fair value	Difference
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	5,545,737	5,569,338	23,600
Deposits	5,398,851	5,399,054	203
Negotiable certificates of deposit	49,560	49,562	2
Borrowed money	899,055	899,095	40
Liabilities total	6,347,466	6,347,712	245
Derivative transactions (*2)			
Deferred hedge accounting is not applied	(3,739)	(3,739)	—
Deferred hedge accounting is applied (*3)	2,350	2,350	—
Derivative transactions total	¥ (1,389)	¥ (1,389)	¥ —

	Thousands of U.S. dollars		
	2022		
	Consolidated balance sheet amount	Fair value	Difference
Investment securities			
Held-to-maturity securities	\$ 489,794	\$ 472,089	\$ (17,697)
Available-for-sale securities	11,758,959	11,758,959	—
Loans and bills discounted	33,210,907	—	—
Allowance for loan losses (*1)	(262,684)	—	—
	32,948,222	33,084,108	135,885
Assets total	45,196,976	45,315,164	118,179
Deposits	45,845,935	45,847,356	1,421
Negotiable certificates of deposit	342,184	342,201	8
Borrowed money	7,654,546	7,653,550	(988)
Liabilities total	53,842,675	53,843,116	441
Derivative transactions (*2)			
Deferred hedge accounting is not applied	(61,287)	(61,287)	—
Deferred hedge accounting is applied (*3)	71,018	71,018	—
Derivative transactions total	\$ (9,723)	\$ (9,723)	\$ —

(*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.

(*3) Interest rate swaps designated as hedging instruments to offset market fluctuations in foreign securities, which are hedged items, are accounted for as deferred hedges. "Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (ASBJ Revised Practical Solution No.40 issued on March 17, 2022) is applied to these hedging relationships.

(Note 1) Shares, etc. that do not have a market price and investment in capital of partnership

The consolidated balance sheet amounts of shares, etc. that do not have a market price and investment in capital of partnership are as follows. These are not included in "available-for-sale securities" under "investment securities" in the tables above.

	Consolidated balance sheet amount		
	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Unlisted stocks (*1) (*2)	¥3,878	¥3,765	\$31,685
Investment in capital of partnership and others (*3)	8,860	5,792	72,391

(*1) Unlisted stocks are excluded from fair value disclosure in accordance with Paragraph 5 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 issued on March 31, 2020).

(*2) Impairment losses for unlisted stocks amounted to ¥1 million (\$8 thousand) and ¥0 million for the years ended March 31, 2022 and 2021, respectively.

(*3) Investment in capital of partnership and others are excluded from fair value disclosure in accordance with Paragraph 27 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31 issued on July 4, 2019).

(Note 2) Maturity analysis for financial assets and securities with contractual maturities

	Millions of yen					
	2022					
	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	¥1,713,259	¥ —	¥ —	¥ —	¥ —	¥ —
Investment securities	72,907	129,781	107,436	84,225	204,617	580,828
Held-to-maturity securities	—	—	—	—	—	60,000
Japanese government bonds	—	—	—	—	—	60,000
Available-for-sale securities	72,907	129,781	107,436	84,225	204,617	520,828
Japanese government bonds	—	16,000	—	—	40,000	220,000
Japanese local government bonds	20,779	24,302	24,262	42,813	72,056	14,141
Japanese corporate bonds	25,815	30,462	40,868	9,827	14,300	186,299
Others	26,313	59,016	42,305	31,584	78,261	100,387
Loans and bills discounted (*)	913,119	796,205	597,772	378,223	442,337	866,749
Total	¥2,699,286	¥925,986	¥705,208	¥462,449	¥646,954	¥1,447,577

	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
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

Thousands of U.S. dollars						
2022						
	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.....	\$13,998,357	\$ —	\$ —	\$ —	\$ —	\$ —
Investment securities.....	595,694	1,060,388	877,816	688,168	1,671,844	4,745,714
Held-to-maturity securities.....	—	—	—	—	—	490,236
Japanese government bonds.....	—	—	—	—	—	490,236
Available-for-sale securities.....	595,694	1,060,388	877,816	688,168	1,671,844	4,255,478
Japanese government bonds.....	—	130,729	—	—	326,824	1,797,532
Japanese local government bonds.....	169,776	198,561	198,235	349,807	588,740	115,540
Japanese corporate bonds.....	210,924	248,892	333,916	80,292	116,839	1,522,175
Others.....	214,993	482,196	345,657	258,060	639,439	820,222
Loans and bills discounted (*).....	7,460,732	6,505,474	4,884,157	3,090,309	3,614,159	7,081,861
Total.....	\$22,054,792	\$7,565,863	\$5,761,974	\$3,778,486	\$5,286,003	\$11,827,575

(*) Loans in legal bankruptcy, virtual bankruptcy, and potential bankruptcy amounting to ¥46,596 million (\$380,717 thousand) and ¥45,746 million, and, loans and bills discounted without contractual maturities amounting to ¥23,679 million (\$193,471 thousand) and ¥24,889 million are excluded from the table above as of March 31, 2022 and 2021.

(Note 3) Maturity analysis for bonds, borrowed money, and other interest-bearing liabilities

Millions of yen						
2022						
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (*).....	¥5,283,539	¥312,087	¥15,456	¥ —	¥ —	¥ —
Negotiable certificates of deposit.....	41,880	—	—	—	—	—
Call money and bills sold.....	145,809	—	—	—	—	—
Payables under securities lending transactions.....	185,680	—	—	—	—	—
Borrowed money.....	826,148	66,687	40,148	104	3,750	—
Total.....	¥6,483,059	¥378,775	¥55,605	¥104	¥3,750	¥ —

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	¥ —

Thousands of U.S. dollars						
2022						
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (*).....	\$43,169,695	\$2,549,938	\$126,284	\$ —	\$ —	\$ —
Negotiable certificates of deposit.....	342,184	—	—	—	—	—
Call money and bills sold.....	1,191,347	—	—	—	—	—
Payables under securities lending transactions.....	1,517,117	—	—	—	—	—
Borrowed money.....	6,750,126	544,872	328,033	849	30,639	—
Total.....	\$52,970,495	\$3,094,819	\$454,326	\$849	\$30,639	\$ —

(*) Demand deposits are included in "1 year or less."

3. Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

- Level 1 fair value : Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement.
- Level 2 fair value : Fair value measured using observable inputs other than Level 1 inputs.
- Level 3 fair value : Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

Notes regarding securities by purpose of holding are described in 4. Securities.

(1) Financial instruments carried at fair value in the consolidated balance sheet

Category	Millions of yen			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Japanese government bonds, local government bonds, etc.	¥257,773	¥215,173	¥ —	¥ 472,946
Japanese corporate bonds...	—	153,508	17,858	171,366
Residential mortgage-backed security	—	136,484	—	136,484
Stocks	309,354	2,031	—	311,385
Other	149,423	131,934	17,467	298,825
Derivative transactions				
Interest rate related	—	9,642	—	9,642
Currency related	—	3,187	—	3,187
Total assets	716,551	651,960	35,326	1,403,838
Derivative transactions				
Interest rate related	—	894	—	894
Currency related	—	10,744	—	10,744
Total liabilities	¥ —	¥ 11,638	¥ —	¥ 11,638

Category	Thousands of U.S. dollars			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Japanese government bonds, local government bonds, etc.	\$2,106,160	\$1,758,092	\$ —	\$ 3,864,253
Japanese corporate bonds...	—	1,254,252	145,910	1,400,163
Residential mortgage-backed security	—	1,115,156	—	1,115,156
Stocks	2,527,608	16,594	—	2,544,202
Other	1,220,875	1,077,980	142,715	2,441,580
Derivative transactions				
Interest rate related	—	78,780	—	78,780
Currency related	—	26,039	—	26,039
Total assets	5,854,653	5,326,905	288,634	11,470,201
Derivative transactions				
Interest rate related	—	7,304	—	7,304
Currency related	—	87,784	—	87,784
Total liabilities	\$ —	\$ 95,089	\$ —	\$ 95,089

(*) Fair value of investment trusts are not included in the above. The consolidated balance sheet amount of investment trusts is ¥48,170 million (\$393,577 thousand).

(2) Financial instruments other than those carried at fair value in the consolidated balance sheet

Category	Millions of yen			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Held-to-maturity securities				
Japanese government bonds, local government bonds, etc.	¥57,779	¥ —	¥ —	¥ 57,779
Loans and bills discounted	—	—	4,049,164	4,049,164
Total assets	57,779	—	4,049,164	4,106,944
Deposits	—	5,611,258	—	5,611,258
Negotiable certificates of deposit	—	41,882	—	41,882
Borrowed money	—	936,718	—	936,718
Total liabilities	¥ —	¥6,589,859	¥ —	¥6,589,859

Category	Thousands of U.S. dollars			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Held-to-maturity securities				
Japanese government bonds, local government bonds, etc.	\$472,089	\$ —	\$ —	\$ 472,089
Loans and bills discounted	—	—	33,084,108	33,084,108
Total assets	472,089	—	33,084,108	33,556,205
Deposits	—	45,847,356	—	45,847,356
Negotiable certificates of deposit	—	342,201	—	342,201
Borrowed money	—	7,653,550	—	7,653,550
Total liabilities	\$ —	\$53,843,116	\$ —	\$53,843,116

(Note 1) A description of the valuation techniques and inputs used in the fair value measurements

Assets

Securities

Securities for which unadjusted quoted prices in active markets are available are classified as Level 1 fair value. This mainly includes listed stocks and Japanese government bonds. Securities for which published quoted prices are available but the market is not active are classified as Level 2 fair value. This mainly includes Japanese local government bonds and Japanese corporate bonds.

When quoted prices are not available, fair value is determined using valuation techniques such as the present value of future cash flows. In making valuations, the Bank uses observable inputs to the greatest extent possible. Such inputs include TIBOR, government bond yields, prepayment rates, credit spreads, probability of bankruptcy, and loss rates in the event of bankruptcy. When significant unobservable inputs are used in the valuation, the fair value is classified as Level 3 fair value.

Loans and bills discounted

For loans and bills discounted, the fair value is calculated by discounting the total amount of principal and interest by a discount rate that reflects the market interest rate and credit risk, etc., for each category based on the type of loan, internal rating and term. Those with floating interest rates reflect the market rate in the short term. Consequently, in cases where 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 claims against legally bankrupt debtors, virtually bankrupt debtors and debtors who are likely to go bankrupt (potentially bankrupt debtors), fair value is calculated using the estimated future cash flows and the estimated amounts that the Group would be able to collect from collateral and guarantees. For loans that are

subject to special accounting treatment for interest rate swaps or designated hedge accounting for forward exchange contracts, etc., the fair value of the interest rate swaps or forward exchange contracts, etc. is reflected. If the effect of unobservable inputs on fair value is significant, the fair value is classified as Level 3 fair value; otherwise, the fair value is classified as Level 2 fair value.

Liabilities

Deposits and Negotiable certificates of deposit

For demand deposits that are payable immediately on demand on the consolidated balance sheet date, the amount of the demand deposit is used as the fair value. For time deposits and negotiable certificates of deposit, the fair value is calculated based on the discounted present value of the future cash flows, classified by a certain period of time. The discount rate is based on market interest rates. The fair value of those with short deposit terms (i.e., less than one year) approximates the book value, and the Group deems the book value to be the fair value. Such fair value is classified as Level 2 fair value.

Borrowed money

The present value of borrowed money is calculated by discounting the total principal and interest of the relevant borrowed money, classified by a certain period of time, at an interest rate that takes into account the remaining period of the borrowed money and credit risk. The book value of floating rate borrowings 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. The fair value of those with short contractual terms (i.e., less than one year) approximates the book value, and the Group deems the book value to be the fair value. Such fair value is classified as Level 2 fair value.

Derivative transactions

Derivative transactions for which unadjusted quoted prices in active markets are available are classified as Level 1 fair value, which primarily include bond and interest rate futures transactions.

However, since most derivative transactions are over-the-counter transactions and there are no published quoted prices, fair values are calculated using valuation techniques such as the present value technique and the Black-Scholes model, depending on the type of transaction and the period to maturity. The main inputs used in those valuation techniques include interest rates, exchange rates, and volatility. Price adjustments are made based on the credit risk of the counterparty and the Bank's own credit risk. When unobservable inputs are not used or their effect is not material, they are classified as Level 2 fair value and include plain vanilla interest rate swap transactions, forward exchange contracts, etc. If significant unobservable inputs are used, they are classified as Level 3 fair value and include bond over-the-counter option transactions, etc.

(Note 2) Information about Level 3 fair value of financial instruments carried at fair value in the consolidated balance sheet

(1) Quantitative information on significant unobservable inputs

Category	2022			
	Valuation techniques	Significant unobservable inputs	Scope of inputs	Weighted average of inputs
Securities				
Available-for-sale securities				
Japanese corporate bonds	Present value technique	Discount rate	0.2% to 8.1%	0.4%
Private placement bonds				

(2) A reconciliation from the beginning balances to the ending balances and gains or losses on valuation of financial assets and financial liabilities held at the end of the reporting period included in profit or loss for the period

	Millions of yen	
	2022	
	Securities	
	Available-for-sale securities	
	Japanese corporate bonds	Foreign bonds
Beginning balance.....	¥ 27,163	¥ 23,971
Profit or loss or other comprehensive income for the period		
Recorded in profit or loss (*1)	4	4
Recorded in other comprehensive income (*2)	(17)	(58)
Purchases, sales, issuances, and settlements (net)	(9,291)	(2,164)
Transfer into Level 3	—	—
Transfer out of Level 3 (*3)	—	(4,287)
Ending balance.....	¥ 17,858	¥ 17,467
Gains or losses on valuation of financial assets and financial liabilities held at the end of the reporting period included in profit or loss for the period (*1)	¥ —	¥ —

	Thousands of U.S. dollars	
	2022	
	Securities	
	Available-for-sale securities	
	Japanese corporate bonds	Foreign bonds
Beginning balance.....	\$ 221,938	\$ 195,857
Profit or loss or other comprehensive income for the period		
Recorded in profit or loss (*1)	32	32
Recorded in other comprehensive income (*2)	(138)	(473)
Purchases, sales, issuances, and settlements (net)	(75,913)	(17,681)
Transfer into Level 3	—	—
Transfer out of Level 3 (*3)	—	(35,027)
Ending balance.....	\$ 145,910	\$ 142,715
Gains or losses on valuation of financial assets and financial liabilities held at the end of the current fiscal year included in profit or loss for the period (*1)	\$ —	\$ —

(*1) Included in "other operating income" and "other operating expenses" in the consolidated statement of income.

(*2) Included in "net unrealized gains (losses) on available-for-sale securities" under "other comprehensive income" in the consolidated statement of comprehensive income.

(*3) Transferred out of Level 3 fair value into Level 2 fair value because observable market data became available mainly for foreign bonds. The transfer was made at the end of the current fiscal year.

(3) A description of valuation processes used for fair value measurements

The risk management sector of the Group establishes policies and procedures for fair value measurement, and the business management sector formulates a fair value valuation model in accordance with such policies and procedures. The risk management sector verifies appropriateness as to whether the model, the inputs used, and the fair value as a result of the calculation are in accordance with the policies and procedures. Based on the results of the verification, the risk management sector makes decisions regarding the classification of fair value levels. When quoted prices obtained from third parties are used as fair value, the Bank verifies appropriateness of the prices through appropriate methods, including confirmation of the valuation techniques and inputs used and comparison with the fair value of similar financial instruments.

(4) A description of sensitivity of the fair value measurement to changes in significant unobservable inputs

The discount rate is an adjustment to the base market interest rate, such as the risk-free rate or swap rate, and consists of a risk premium, which is the amount of compensation required by market participants for the uncertainty of the cash flows of financial instruments arising primarily from credit risk. Generally, a significant increase (decrease) in the discount rate will result in a significant decrease (increase) in fair value.

34. 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, 2022 and 2021.

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			
	2022			
	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	¥12,042	¥12,042	¥31	¥31
Receivable floating rate /pay fixed rate	13,021	11,920	24	24
Total	¥ —	¥ —	¥55	¥55

	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)

	Thousands of U.S. dollars			
	2022			
	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	\$98,390	\$98,390	\$253	\$253
Receivable floating rate /pay fixed rate	106,389	97,393	196	196
Total	\$ —	\$ —	\$449	\$449

Note: 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) Currency-related transactions

	Millions of yen			
	2022			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the-counter:				
Currency swap	¥45,767	¥32,402	¥(2,850)	¥(2,850)
Forward exchange contracts:				
Sold	93,485	—	(4,997)	(4,997)
Bought	5,000	—	282	282
Currency options:				
Sold	50,924	29,372	(2,810)	(1,158)
Bought	50,924	29,372	2,818	1,424
Total	¥ —	¥ —	¥(7,557)	¥(7,299)

	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)

	Thousands of U.S. dollars			
	2022			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the-counter:				
Currency swap	\$373,943	\$264,743	\$(23,286)	\$(23,286)
Forward exchange contracts:				
Sold	763,828	—	(40,828)	(40,828)
Bought	40,853	—	2,304	2,304
Currency options:				
Sold	416,079	239,986	(22,959)	(9,461)
Bought	416,079	239,986	23,024	11,634
Total	\$ —	\$ —	\$(61,745)	\$(59,637)

Note: 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.

(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, 2022 and 2021.

The contract amounts do not necessarily measure the Bank's exposure to market risk:

(1) Interest-rate-related transactions

Millions of yen				
2022				
	Hedged items	Contractual value	Contractual value due after one year	Fair value
Principle treatment	Available-			
Interest rate swap:	for-sale			
Receivable floating rate/	securities			
pay fixed rate.....	(bonds)	¥ 269,344	¥ 269,344	¥8,692
Millions of yen				
2021				
	Hedged items	Contractual value	Contractual value due after one year	Fair value
Principle treatment	Available-			
Interest rate swap:	for-sale			
Receivable floating rate/	securities			
pay fixed rate.....	(bonds)	¥ 272,712	¥ 272,712	¥2,350
Thousands of U.S. dollars				
2022				
	Hedged items	Contractual value	Contractual value due after one year	Fair value
Principle treatment	Available-			
Interest rate swap:	for-sale			
Receivable floating rate/	securities			
pay fixed rate.....	(bonds)	\$2,200,702	\$2,200,702	\$71,018

Note: Deferred hedge accounting is mainly applied.

(2) Currency-related transactions are not performed.

(3) Stock-related transactions are not performed.

(4) Bond-related transactions are not performed.

35. Comprehensive income (loss)

The components of other comprehensive income (loss) for the years ended March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Net unrealized gains (losses) on available-for-sale securities:			
The amount arising during the period.....	¥(58,221)	¥136,490	\$(475,700)
Reclassification adjustments to profit or loss.....	(8,318)	(2,135)	(67,963)
Before adjustments to tax effect.....	(66,539)	134,355	(543,663)
The amount of tax effect.....	20,320	(41,492)	166,026
Total.....	¥(46,218)	¥ 92,863	\$(377,628)
Deferred gains on derivatives under hedge accounting:			
The amount arising during the period.....	¥ 7,530	¥ 14,363	\$ 61,524
Reclassification adjustments to profit or loss.....	(1,188)	(5)	(9,706)
Before adjustments to tax effect.....	6,342	14,357	51,817
The amount of tax effect.....	(1,931)	(4,371)	(15,777)
Total.....	¥ 4,410	¥ 9,985	\$ 36,032
Defined retirement benefit plans:			
The amount arising during the period.....	¥ (1,886)	¥ 12,513	\$ (15,409)
Reclassification adjustments to profit or loss.....	(1,852)	(488)	(15,131)
Before adjustments to tax effect.....	(3,739)	12,024	(30,549)
The amount of tax effect.....	1,138	(3,661)	9,298
Total.....	¥ (2,600)	¥ 8,362	\$ (21,243)
Total other comprehensive income (loss).....	¥(44,408)	¥111,212	\$(362,840)

36. Net income per share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2022 and 2021, 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, 2022				
Basic EPS:				
Net income attributable to common shareholders.....	¥17,715	49,278	¥359.50	\$2.937
Effect of dilutive securities:				
Warrants.....		41		
Diluted EPS:				
Net income for computation.....	¥17,715	49,319	¥359.20	\$2.934
For the year ended March 31, 2021				
Basic EPS:				
Net income attributable to common shareholders.....	¥11,448	50,183	¥228.12	
Effect of dilutive securities:				
Warrants.....		1,752		
Diluted EPS:				
Net income for computation.....	¥11,448	51,935	¥220.43	

37. Subsequent event

Appropriation of retained earnings

The following appropriation of retained earnings was authorized at the ordinary general shareholders' meeting held on June 24, 2022:

	Millions of yen	Thousands of U.S. dollars
Cash dividends, ¥62.5 (\$0.511) per share.....	¥3,036	\$24,805
Total	¥3,036	\$24,805

Acquisition of treasury stock

At a meeting of the Board of Directors held on May 13, 2022, 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: 1,000 thousand shares (upper limit)

(3) Total cost of stock acquisition: 2 billion yen (\$16,341 thousands) (upper limit)

(4) Period of acquisition of treasury stock: From May 16, 2022 to September 22, 2022

(5) Method of acquisition: Off-auction own share repurchase trading (ToSTNeT-3) and market purchase on the Tokyo Stock Exchange

38. Segment information

For the years ended March 31, 2022 and 2021

As the Group has only one segment (i.e. banking), the description is not presented.

Related Information

(1) Information about services

	Millions of yen				
	2022				
	Lending services	Securities investment	Fees and commissions	Other	Total
Operating income from external customers.....	¥33,911	¥32,180	¥17,366	¥14,848	¥98,306
	Millions of yen				
	2021				
	Lending services	Securities investment	Fees and commissions	Other	Total
Operating income from external customers.....	¥34,933	¥20,726	¥16,542	¥13,513	¥85,715
	Thousands of U.S. dollars				
	2022				
	Lending services	Securities investment	Fees and commissions	Other	Total
Operating income from external customers.....	\$277,073	\$262,929	\$141,890	\$121,317	\$803,219

(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, 2022 and 2021; 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, 2022 and 2021; 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, 2022 and 2021; therefore, major customer information is not presented.

39. Related party transactions

Transactions of the Bank with related parties for the year ended March 31, 2022, 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
Takagi Building Co., Ltd.	Company in which director or relative has the majority of the voting rights	Lending operation loan, net of collection	¥ (3)	\$ (24)	Loans	¥ 85	\$ 694
		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, 2021, 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	¥ (0)	Loans	¥33
		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	(1)	Loans	14
		Interest receipts	0	Other liabilities ..	0
		Commission receipts, etc.	0		
Albatross Co., Ltd.	Company in which director or relative has the majority of the voting rights	Lending operation loan, net of collection	9	Loans	13
		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	66
		Guarantee of payment	—	Other assets	10
				Customers' liabilities for acceptances and guarantees ..	10
		Lease income	1	Acceptances and guarantees ..	10
		Interest receipts	0	Other liabilities ..	0
		Guarantee commission receipts ..	0		
		Commission receipts, etc.	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	Loans	88
		Interest receipts	0	Other liabilities ..	0
		Commission receipts, etc.	0		

Composition of Capital Disclosure (Capital ratio of the fiscal year ended March 31, 2022, 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, 2022	Year ended March 31, 2021	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	291,047	279,667	
1a	of which: capital and capital surplus	57,613	57,613	(6)+(7)
2	of which: retained earnings	248,089	232,289	(8)
1c	of which: treasury stock (-)	11,619	9,116	(9)
26	of which: national specific regulatory adjustments (earnings to be distributed) (-)	3,036	1,119	
	of which: other than above	—	—	
1b	Subscription rights to common shares	103	84	(14)
3	Accumulated other comprehensive income and other disclosed reserves	170,027	214,598	(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)	461,177	494,350	
Common Equity Tier 1 capital: regulatory adjustments				
8+9	Total intangible fixed assets (excluding those relating to mortgage servicing rights)	1,134	1,283	
8	of which: goodwill (including those equivalent)	—	—	
9	of which: other intangibles other than goodwill and mortgage servicing rights	1,134	1,283	(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	18,402	11,385	
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	9,266	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)	28,804	21,689	
Common Equity Tier 1 capital (CET1)				
29	Common Equity Tier 1 capital (CET1) ((A)-(B)) (C)	432,373	472,660	
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, 2022	Year ended March 31, 2021	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)	432,373	472,660	
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	—	—	(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	—	—	
47	of which: instruments issued by bank and its special purpose vehicles	—	—	(4)
49	of which: instruments issued by subsidiaries	—	—	
50	Total of general allowance for credit losses and eligible provisions included in Tier 2	218	245	
50a	of which: provision for general allowance for credit losses	218	245	
50b	of which: eligible provisions	—	—	
51	Tier 2 capital: instruments and provisions (H)	218	245	
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)	218	245	
Total capital (TC = T1 + T2)				
59	Total capital (TC = T1 + T2) ((G)+(J)) (K)	432,591	472,905	
Risk weighted assets				
60	Risk weighted assets (L)	2,856,737	2,749,871	
Capital ratio (consolidated)				
61	Common Equity Tier 1 capital ratio (consolidated) ((C)/(L))	15.13	17.18	
62	Tier 1 capital ratio (consolidated) ((G)/(L))	15.13	17.18	
63	Total capital ratio (consolidated) ((K)/(L))	15.14	17.19	
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	7.14	9.19	
Regulatory adjustments				
72	Non-significant investments in the capital of other financials that are below the thresholds for deduction (before risk weighting)	38,151	27,327	
73	Significant investments in the common stock of other financials that are below the thresholds for deduction (before risk weighting)	471	506	
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)	218	245	
77	Cap on inclusion of provisions (general allowance for credit losses)	431	469	
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	16,120	15,320	
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	(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	FY2021	FY2020
On-balance sheet exposures				
1		On-balance sheet exposures before deducting adjustment items	5,771,595	5,780,730
1a	1	Total assets reported in the consolidated balance sheet	5,825,559	5,821,480
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 (-)	53,963	40,750
2	7	Amount of adjustment items pertaining to Tier 1 capital (-)	28,804	21,689
3		Total on-balance sheet exposures (A)	5,742,791	5,759,040
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.	12,805	10,999
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.	9,072	10,668
		Amount of receivables arising from providing cash margin in relation to derivative transactions, etc.	8,794	4,332
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)	30,672	25,999
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.	1,669	803
15		Amount of agent transaction exposures	—	—
16	5	Total exposures related to repo transactions, etc. (C)	1,669	803
Other off-balance sheet exposures				
17		Notional amount of off-balance sheet transactions	1,053,663	1,079,529
18		Amount of adjustments for conversation to in relation to off-balance sheet transactions	881,680	911,196
19	6	Total exposures related to off-balance sheet transactions (D)	171,982	168,333
Consolidated leverage ratio				
20		The amount of capital (Tier 1 capital) (E)	432,373	472,660
21	8	Total exposures ((A) + (B) + (C) + (D)) (F)	5,947,116	5,954,178
22		Consolidated leverage ratio ((E) / (F))	7.27%	7.93%
Consolidated leverage ratio including deposits in Bank of Japan				
		Total exposures (F)	5,947,116	5,954,178
		Amount of deposits in Bank of Japan	1,712,397	1,972,267
		Total exposures including deposits in Bank of Japan (F')	7,659,513	7,926,445
		Consolidated leverage ratio or Basel III leverage ratio including deposits in Bank of Japan ((E) / (F'))	5.64%	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)

The consolidated leverage ratio decreased by 0.66% year-on-year.

This was primarily due to a decrease in the amount of capital of ¥40.2 billion resulting from a decrease in net unrealized gains on available-for-sale securities.

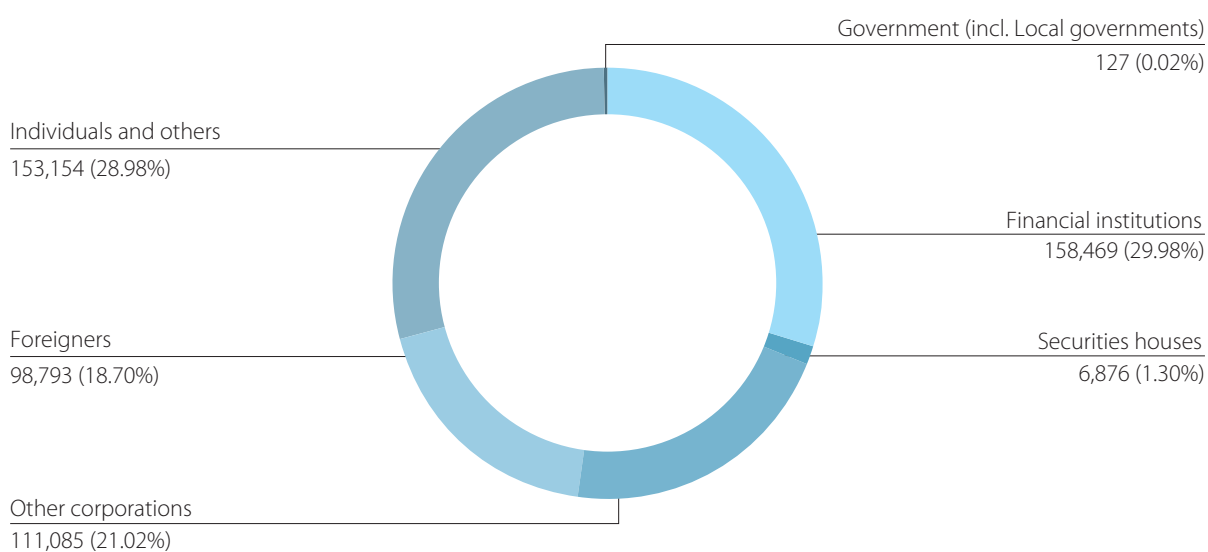
Stock Information

As of March 31, 2022

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)	5,201	10.70
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST (Managing agent, The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	1,824	3.75
Nippon Life Insurance Company	1,610	3.31
Meiji Yasuda Life Insurance Company	1,599	3.29
Custody Bank of Japan, Ltd. (Trust account)	1,445	2.97
Employee Stock Ownership of Shiga Bank	1,231	2.53
Sompo Japan Insurance Inc.	1,180	2.42
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS (Managing agent, The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	918	1.89
CITY INDEX ELEVENTH CO.,Ltd	812	1.67
JP MORGAN CHASE BANK 385781 (Managing agent, Settlement & Clearing Services Department of Mizuho Bank, Ltd.)	637	1.31
Total	16,462	33.88

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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