

Governance

Corporate Governance

Message from the Chairperson of the Board of Directors

As Chairperson of the Board of Directors, I have made it my top priority to improve the effectiveness of the Board of Directors and have strived to ensure that substantive and constructive discussions are held on each agenda item.

As part of these efforts, we are continuously making improvements to raise the quality of discussions, such as reviewing the structure of materials and introducing a “discussion” system, based on the results of the effectiveness evaluation of the Board of Directors and suggestions from outside directors. We also focus on facilitating two-way communication across internal and external boundaries to encourage a climate of free and open discussion.

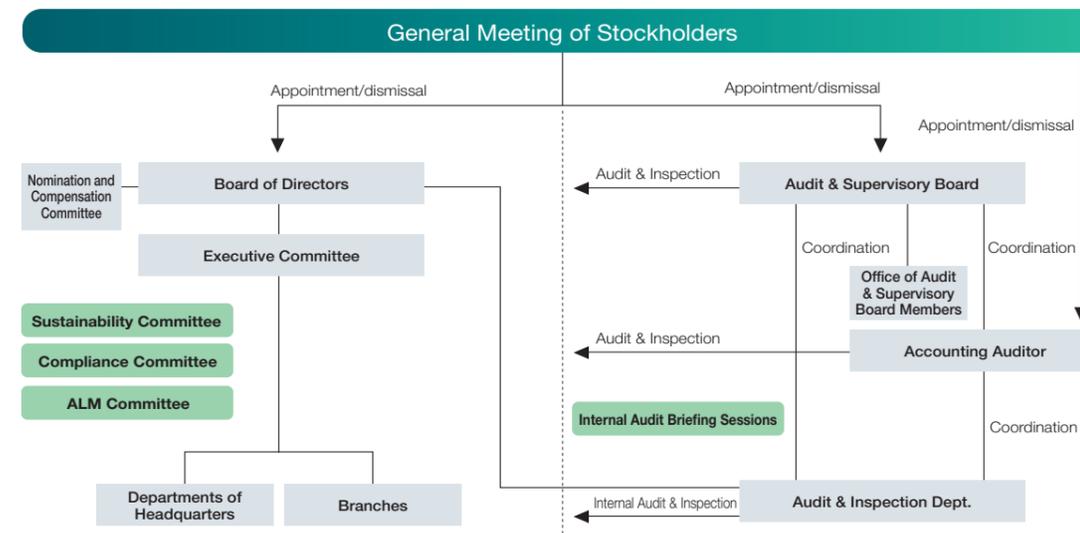
Our corporate philosophy, “Be tough on ourselves, kind to others and serve society,” is based on the spirit of “Sampo-yoshi” of the Omi Merchants, and the Board of Directors has made many decisions based on this spirit, valuing honesty and diverse perspectives.

We will continue to promote a climate where free and frank exchanges of opinions can take place, so that the Board of Directors will continue to function as the nucleus of sound management and transparency.



Shojiro Takahashi
Chairman

Outline of corporate governance system



1. Board of Directors

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

New matters of discussion subjects were raised in December 2022, and since then essential and constructive ideas have been exchanged on important subjects such as management strategies and management issues.

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 traditional management philosophy embraced by the 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 activities, making effort to realize co-existence and co-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

We have 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 addition, the “Nomination and Compensation Committee” has been established as an Independent advisory body to the Board 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. (Chair: Hideki Sugie, Full-time Audit & Supervisory Board Member)

Date of meeting	Main issues on the agenda	Attendance at meetings
April 19, 2024	(Regular agenda items)	Full attendance
April 25, 2024	· Matters concerning important personnel affairs	Full attendance
May 10, 2024	· Matters concerning management policy and business plan	Full attendance
June 26, 2024	· Matters concerning corporate accounting such as closing accounts	Full attendance
July 26, 2024	· Matters concerning salaries and bonuses for employees	Full attendance
August 23, 2024	· Matters concerning dialogue with shareholders	Full attendance
September 27, 2024	(Agenda items of special note in the fiscal year)	Full attendance
October 18, 2024	· Matters concerning core systems	Eight out of nine attended
November 11, 2024	· Matters concerning initiatives for human capital management	Full attendance
December 20, 2024	· Matters concerning the formulation of human rights policies	Full attendance
January 31, 2025	(Matters of discussion)	Full attendance
February 21, 2025	· Matters concerning business portfolios	Full attendance
March 19, 2025	· Matters concerning future international strategies	Full attendance
	· Matters concerning initiatives to enhance corporate value	Full attendance

Date of meeting	Main issues on the agenda	Attendance at meetings
April 19, 2024	(Regular agenda items)	Full attendance
May 9, 2024	· Matters concerning the development of audit plans by Audit & Supervisory Board Members	Full attendance
June 26, 2024	· Key contents of at meetings such as the Executive Committee and Internal Audit Briefing Sessions	Full attendance
July 26, 2024	· Status of execution of Accounting Auditor's duties (including Key Audit Matters)	Full attendance
August 23, 2024	· Matters concerning appointment or dismissal of Accounting Auditor	Full attendance
September 27, 2024	· Matters concerning audit reports prepared by Audit & Supervisory Board Members	Full attendance
October 18, 2024	· Matters concerning exchanges of opinions between Audit & Supervisory Board Members and the President	Full attendance
December 20, 2024		Three out of four attended
January 31, 2025	(Agenda items of special note in the fiscal year)	Full attendance
February 21, 2025	· Matters concerning core system projects	Full attendance
March 19, 2025	· Matters concerning the 8th Medium-Term Business Plan	Full attendance
	· Matters concerning credit risks (credit costs)	Full attendance

3. Nomination and Compensation Committee

The Nomination and Compensation Committee consists of the Chairman, 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. (Chair: Rikiya Hattori, Outside Director)

Date of meeting	Main issues on the agenda	Attendance at meetings
April 18, 2024	(Matters concerning nomination) · Deliberation on candidates for Directors, Directors with specific titles, and Representative Director · Deliberation on candidates for Audit & Supervisory Board Members and Substitute Audit & Supervisory Board Member · Deliberation on positions at other companies concurrently held by Outside Directors · Deliberation on requirements for successors and an information sheet of skills of Directors · Deliberation on a plan for successors (management personnel)	Full attendance
May 9, 2024		Full attendance
June 25, 2024		Full attendance
August 22, 2024		Full attendance
October 18, 2024		Full attendance
November 8, 2024		Full attendance
December 19, 2024		Full attendance
January 30, 2025		Full attendance
February 20, 2025		(Matters concerning compensation) · Deliberation on compensation for Directors
March 18, 2025	Full attendance	

4. Executive Committee

The Executive Committee consists of executive officers appointed by the Board of Directors (excluding those entrusted with specific duties). 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, with Audit & Supervisory Board Members being in attendance. 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. Audit results, findings, etc. are reported to the Board of Directors. In addition, the Audit & Supervisory Board requests reports from the Internal Audit Dept. and others as necessary.

Furthermore, the Internal Audit briefings are held as a rule once a month with the attendance of the management team including the President and Audit & Supervisory Board Members of the Bank, and hold detailed discussions on reported audit results 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. Information is exchanged and coordination is ensured among three types of auditing (Audit & Supervisory Board Members, the Accounting Auditor, and the Audit & Inspection Department). Coordination with Outside Directors and Outside Audit & Supervisory Board Members is also provided to share perception of risks.

As an initiative to ensure the effectiveness of internal audits, rules have been established to ensure a direct reporting line to Audit & Supervisory Board Members. Moreover, a checking function performed by Audit & Supervisory Board Members has been stipulated to further enhance independence of the Audit & Inspection Department. To maintain and enhance the quality of internal audits, in addition to continuous internal quality evaluations, the internal audit system receives external quality evaluations from third-party organizations every five years to improve the quality itself.

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. *Governance on sustainability is described on page 66.

7. Compliance Committee

The Compliance Committee chaired by a Senior Managing Executive Officer and including the Audit & Supervisory Board Members as counselors carefully deliberate on compliance with social norms, laws and regulations, and the Bank's internal rules for the purpose of contributing to execution of sincere and fair corporate activities in order to reduce the risks inherent in various issues, we are conducting comprehensive reviews from a higher perspective, without being bound by rules.

8. ALM Committee

The ALM Committee chaired by the President is aimed at responding to comprehensive asset liability management (ALM) and contributing to an increase in stable earnings through the improvement of risk management.

Based on the concept of the Risk Appetite Framework, the Committee operates to maximize the use of capital and funds in terms of both soundness and efficiency.

9. Accounting Auditor

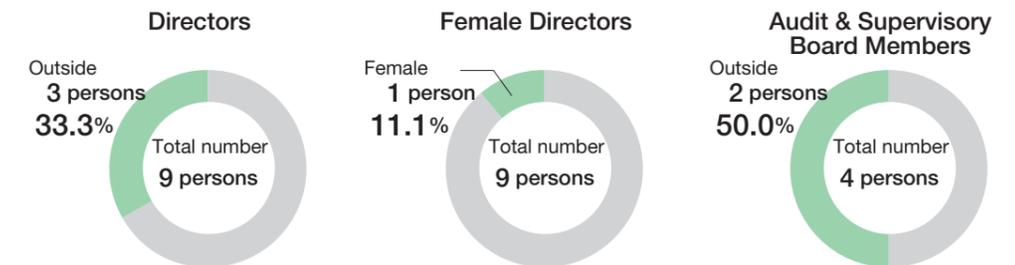
Deloitte Touche Tohmatsu LLC, with which the Bank concluded an audit agreement conducts audit as an accounting auditor.

I Composition and skill matrix of the Board of Directors

Name	Expertise and Experience							
	Management Strategy	SDGs/ESG	Business Strategy	Market Operations	Risk management	Financial Strategy/ Assets & Liabilities Management	HR & Diversity	DX & ICT Strategy
Directors	Shojiro Takahashi	●	●	●		●	●	
	Shinya Kubota	●				●	●	●
	Katsuyoshi Horiuchi	●		●	●	●		
	Hidekazu Toda	●				●		●
	Yoshinori Endo		●	●	●			
	Nobuyuki Tanaka	●		●		●		
Outside Director	Minako Takeuchi	●	●				●	●
	Rikiya Hattori	●		●		●		
	Sawaichiro Kamata	●			●	●		●

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

I Number of Officers and Ratio of Outside Officers



I Independent Outside Officers

Name	Position	Reason for appointment	The rate of attendance at meetings of Board of Directors in fiscal year 2024
Minako Takeuchi	Outside Director	She has a wealth of experience and a wide range of insight into overall management as a company manager. 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 13 regular meetings of the Board of Directors (attendance ratio: 92%)
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.	13 out of 13 regular meetings of the Board of Directors (attendance ratio: 100%)
Sawaichiro Kamata	Outside Director	He has a wealth of experience and a wide range of insight into finance accumulated at the Bank of Japan and the Japan Securities Dealers Association. The Bank expects that he will utilize his experience and insight to supervise the management of the Bank from the independent viewpoint, while contributing to the sustainable growth of the Bank and higher corporate value.	13 out of 13 regular meetings of the Board of Directors (attendance ratio: 100%)
Yasuhito Matsui	Outside Audit & Supervisory Board Member	The Bank expects that he will reflect in auditing the Bank his professional expertise and a wealth of experience as a lawyer involved in corporate legal affairs.	13 out of 13 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 his high insight gained through experience as an auditor and other roles at private enterprises as well as involvement especially in public finance and tax administration at the Ministry of Finance.	13 out of 13 regular meetings of the Board of Directors (attendance ratio: 100%)

Evaluation of Effectiveness of the Bank's Board of Directors

The Board of Directors evaluates the effectiveness of the Board of Directors against the "Criteria for Evaluation of the Board of Directors" once a year.

Criteria for Evaluation of the Board of Directors

- (1) Frequency with which the Board of Directors holds meetings
- (2) The number of agenda items and contents thereof
- (3) The quality and quantity of materials used for deliberation
- (4) Reserved time for deliberation
- (5) Appropriateness of the conduct of proceedings

A survey on the overall effectiveness of the Board of Directors for fiscal year 2024 was conducted through a questionnaire distributed to all the Directors and Audit & Supervisory Board Members, and based on the results, the Board of Directors evaluated the following.

From the results of the survey, the way of management of the Board of Directors and discussions that were held to improve sustainability were on the whole positively evaluated. In addition, we have enhanced discussions on important topics such as business portfolio, human capital, and monitoring of medium-term business plans by utilizing the "discussion" system introduced in fiscal year 2022, and have worked to

improve the effectiveness of the Board of Directors.

Consequently, it was confirmed that both decision-making and supervisory functions of the Board of Directors were properly fulfilled and the effectiveness of the Board of Directors remained largely in place.

The Board of Directors shares the following challenge.

- To enhance discussions on management strategies, including the advancement of ALM, in light of changes in the business environment, and to work on improving corporate value over the medium to long term.

Policies on executive compensation, etc.

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

1. Basic Policy

The Bank's executive compensation system is designed to function as an incentive to achieve sustainable enhancement of corporate value. Based on the recommendations of the Nomination and Remuneration Committee, the Bank's basic policy is to determine individual compensation at an appropriate level that takes into account individual responsibilities.

More specifically, Director compensation (excluding Outside Directors) comprises of "Fixed-amount compensation," basic remuneration; "Performance-linked compensation," which is linked to company's financial results; "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.

2. Determination policy

(1) Fixed-amount compensation (basic remuneration)

The fixed-amount compensation is paid according to the role and responsibility based on the position. The fixed-amount compensation for Directors is determined by a resolution of the Board of Directors based on actually paid amounts, performance metrics, and other factors.

(2) Performance-linked compensation (which is linked to company's financial results)

In order to increase incentives to improve business performance, this compensation is based on the actual net income attributable to owners of parent, and its allocation is determined by a resolution of the Board of Directors based on the position.

(3) Restricted stock compensation (non-monetary compensation, etc.)

This compensation is paid by allotting restricted stock based on the position in order to increase the incentive to improve corporate value and stock price over the medium to long term, and is determined by a resolution of the Board of Directors.

3. Policy for determining the percentage of each type of compensation, etc.

The percentages of compensation, etc. by executive category are as follows.

Executive category	Fixed-amount compensation (basic remuneration)	Performance-linked compensation (which is linked to company's financial results)	Restricted stock compensation (non-monetary compensation, etc.)	Total	Number of eligible executives
Directors (excluding Outside Directors)	60~95%	0~25%	5~15%	100%	7 persons
Outside Director	100%	—	—	100%	3 persons
Audit & Supervisory Board Members	100%	—	—	100%	5 persons

Note: Fixed-amount compensation and performance-linked compensation are monetary compensation, while restricted stock compensation is non-monetary compensation.

4. Total amount of compensation, etc. by executive category, total amount of compensation, etc. by type of compensation, and number of eligible executives

For the fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

Executive category	Number of persons	Total amount of compensation, etc. (Millions of yen)	Fixed-amount compensation (basic remuneration)	Performance-linked compensation (which is linked to company's financial results)	Restricted stock compensation (non-monetary compensation, etc.)
Directors (excluding Outside Directors)	7	209	157	31	20
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	3	38	38	—	—
Outside executive (Outside Director and Outside Audit & Supervisory Board Member)	5	34	34	—	—

5. Policy for determining the timing or conditions for payment of compensation, etc.

• Fixed-amount compensation (basic remuneration)

It is paid as a fixed monthly monetary compensation.

• Performance-linked compensation (which is linked to company's financial results)

It is paid as monetary compensation once a year after the Annual General Meeting of Stockholders.

• Restricted stock compensation (non-monetary compensation, etc.)

The Board of Directors resolves to issue the stock at a meeting in June of each year and allocates and grants the restricted stock on a certain date in the following month.

TOPICS ESG indicators to be introduced into executive compensation from fiscal year 2025

Among the executive compensation, restricted stock compensation (non-monetary compensation, etc.) is seen as a medium- to long-term incentive, and the performance of net income attributable to owners of parent and ESG indicators, which are non-financial indicators, have been added as factors in determining such compensation.

We will establish a system that contributes to the long-term enhancement of corporate value by pursuing corporate sustainability rather than focusing solely on short-term profits.

E (environment): Achievement of net zero GHG emissions

S (society): Employee engagement score

G (governance): Evaluation of effectiveness of the Bank's Board of Directors

Roundtable Discussion

Roundtable Discussion with Outside Directors



Rikiya Hattori
Outside Director

Minako Takeuchi
Outside Director

Sawaichiro Kamata
Outside Director

Held at Shiga Bank Tokyo Branch

Enhance the effectiveness of the Board of Directors and create management that can generate a virtuous cycle of happiness brought to the region

One year has passed since the start of the 8th Medium-Term Business Plan (“8th Mid-Term Plan”). What changes have occurred within the Shiga Bank Group? What issues have come to the fore after one year? We asked the three outside directors, who always bring new perspectives from outside the company at Board of Directors meetings, to participate in an exchange of opinions.

Looking back on the first year of the 8th Mid-Term Plan

— **It has been a year since we established our pPurpose and launched our 8th Mid-Term Plan. How do you feel about the changes in our Group over the past year?**

Takeuchi: By putting our pPurpose into words, I believe that our objectives, goals, and the work we need to do are much clearer, and that all staff members now share a common understanding of why we do what we do. An awareness of the need for change is not just superficial. I believe that the balance between “soundness” and “enterprise” that our Group has upheld since its founding has also changed. I used to think that the emphasis was on “soundness,” but with the 8th Mid-Term Plan, the need to incorporate “+X” initiatives to achieve the targets has become clear, and I feel it is a positive development that the “enterprising” aspect is now becoming more apparent.

Hattori: The formulation of the 8th Mid-Term Plan was actively discussed by our staff over an extended period of time and thoroughly deliberated by the Board of Directors. I think it’s a good plan. We are aware that it was steadily and reliably implemented in its first year. However, I think we can speed up the process for each individual issue. In addition, PDCA is being implemented steadily, but I get the impression that it is being applied evenly across the board. I feel that we need to improve our analytical and execution capabilities for issues that require more in-depth investigation. For our first year, it’s acceptable, but if we want to aim higher, I think we need to improve our speed and thoroughness. We live in an era of rapid change. We need a change in mindset for that.

Kamata: As for changes, over the past year we have established subsidiaries such as Shigagin eEnergy and Shigagin cCapital pPartners, and set up a specialized department (Future Design Group) to develop new business. When it comes to human investment, we have increased the number of external secondments, launched a workplace observation program called “Nozokimi!” to help employees develop their careers, and established a Human Award to recognize those willing to take on new challenges. We feel that these and other initiatives are bringing about change. However, I think there are still few occasions that make one think that things have really changed. Even if we believe that our Group has changed internally, it is important to constantly check whether we are changing at the speed required by the world.

Toward achieving a 6% ROE target

— **In May of this year, the Shiga Bank Group decided to raise its ROE financial indicator from 5% to 6% as part of its 8th Mid-Term Plan. Although we have not yet reached 5%, how do you identify the challenges that need to be tackled to reach this goal?**

Hattori: I think it was a good decision to revise the plan in response to changes in interest rates and other factors. However, considering the overall trend of the company, 6% is still insufficient. Also, in order to achieve our goals, we need to systematically develop strategies for deposits, which are the source of our revenue. For example, it is necessary to analyze data to determine what types of funds are being deposited based on factors such as depositor demographics and age, as well as interest rate strategies. Based on the results of this analysis, it is necessary to further refine quantitative analysis from a short- to medium-term perspective in order to determine how to attract deposits. We need to develop concrete strategies that can be adapted to the Bank’s business environment, such as alliances with digital companies and other industries.

Also, I think the RAF analysis was done right, and 6% is a satisfactory target for now. Therefore, it is also important to consider how to strengthen non-interest businesses. It is necessary to continue bolstering not only deposit strategies, but also non-interest business strategies.

It is important to note that the financial world is undergoing major changes, such as collaboration between major companies and partnerships with other industries, and development in digital domains such as apps is also advancing rapidly. The regional characteristics of depositors are becoming less and less relevant, and we are no longer in an era where regional banks can secure deposits simply because they are regional banks. It is essential to raise awareness of the crisis and quickly develop a strategy.

Takeuchi: In the 7th Mid-Term Plan, our focus was all about the addition and subtraction sums when it came to reviewing the cost structure, but in the 8th Mid-Term Plan, we took a completely different approach. With the introduction of indicators such as PBR and ROE, which explicitly show capital efficiency and profitability, our goals, and the mountains we need to climb have become clear. On top of that, it has become clear that employees are thinking about how to climb these mountains by themselves. However, in order to implement this, all executives and employees must fully understand the Mid-Term Plan before it can lead to concrete action. In order to drive the organization forward, it is necessary to analyze the situation from a broad perspective that goes beyond the banking industry and to implement mechanisms that enable swift action.

Kamata: We are entering a world of interest rates, so the importance of net interest income is increasing. However, given factors such as population decline and stiff competition from online banks, attracting deposits will not be easy. To achieve this, as Mr. Hattori mentioned earlier, it is necessary to select measures based on analysis rather than relying on experience. For example, it may be possible to come up with more appropriate and stronger approaches by conducting a segment analysis of young people and pensioners, and to reevaluate and make

Roundtable Discussion with Outside Directors



better use of the value of physical branches, namely their proximity and the ability to consult with staff directly.

From the perspective of non-interest businesses, it is also necessary to expand peripheral businesses amid ongoing deregulation. Our bank has signed a partnership agreement with Heiwado, a major local supermarket chain, but we should also promote partnerships with general companies outside the financial industry to create synergistic effects. In addition, the 8th Mid-Term Plan sets a target of 2.0 billion yen in consolidated group revenue for fiscal year 2028. Strategies that leverage group companies will also be important in order to diversify revenue sources.

About the Business Portfolio of the Group

— **In the evaluation of the effectiveness of the Bank's Board of Directors, we have been recognized for utilizing the "dDiscussion" system to enhance deliberations on important topics such as business portfolio, human capital, and monitoring of medium-term management plans. What issues do you think need to be addressed, particularly with regard to the business portfolio?**

Kamata: In the past, I think we divided our customers into segments and pursued a general strategy of "doing our best in all segments." In the 8th Mid-Term Plan, we have shifted to a more focused strategy based on RORA, such as allocating risk assets to consumer direct loans and the finance sector, which has been very well received.

In addition, the Bank has significant unrealized gains on stocks. While substantial capital is one factor contributing to the company's financial strength, it is also one of the reasons why capital efficiency has not improved. Therefore, I believe that the biggest challenge is how to allocate our abundant capital to our growth strategy while maintaining financial soundness. It is important not only to reorganize existing assets, but also to change the portfolio in a non-continuous manner, such as through M&A or substantial investments.

Takeuchi: The business portfolio needs to be considered for the entire gGroup, and as Mr. Kamata mentioned

earlier, I believe that the roles of gGroup companies should be more clearly defined. Although new companies have been established, we need to have an in-depth discussion on how to develop the business of our existing gGroup companies. I feel that there is still the potential to create new value there. In addition, when undertaking new business in the future, it will be necessary to consider involving professionals with advanced expertise in business development, DX, and other areas. When considering the acquisition and development of professional human resources, we should also consider designing flexible compensation systems.

Hattori: In order to formulate strategies based on our business portfolio, I believe that we still need to better understand and analyze the characteristics and needs of our customers and better organize how we will respond to each customer segment. For example, I believe it is necessary to provide a forum where we can discuss business opportunities that our bank can offer based on the needs of our customers, taking into consideration the size of companies and industrial structure in Shiga Prefecture. I would like to raise such topics in the time for "discussions."

Takeuchi: When formulating any strategy, we would like to conduct research on the current situation, analyze issues, and have more in-depth discussions on how to increase revenue.

Nomination and Compensation Committee Initiatives

— **This fiscal year, Director Hattori was appointed Chair of the Nomination and Compensation Committee. As Chair, what are your plans for the future?**

Hattori: Management needs to have a wide range of perspectives and ways of thinking, and a diversity perspective is particularly important. The "qualification requirements for directors" and "skill sheets" created by the Nomination and Compensation Committee serve as indicators for the qualification requirements for future presidents and officers or, in other words, succession plans. We would like to incorporate these into the current department, branch, and section manager levels and use them as tools for personnel recruitment. I would like to build a human resource portfolio and organization that can demonstrate greater diversity while constantly brushing up our skills.

Next, I would like to clarify the roles of officers and their respective responsibilities, and establish an environment where officers can improve themselves through a friendly rivalry.

The third issue is compensation. To ensure greater diversity within an organization, it is essential to recruit specialized personnel. Without introducing a new compensation system to attract highly skilled personnel, it will be difficult to attract talented employees. I think

it would be difficult to change the entire salary system, including that of staff members, in one go. However, I think that introducing a flexible compensation system at gGroup companies and other entities could lead to changes in the salary system of the entire Group if it produces results.

Takeuchi: I think one option is to make qualification requirements and skill sheets open to the public. Doing so will make the goals to be attained more visible, enable all staff members to envision their mid- to long-term careers, and ultimately lead to their dreams and hopes.

Operation of the Board of Directors

— **Are there any issues regarding the operational aspects of the Board of Directors that you feel are meaningful in comparison to other companies?**

Takeuchi: The best thing is that there is a thorough briefing before Board of Directors meetings. By discussing the matter in advance with the department in charge, the Board of Directors can have a more in-depth discussion about strategy details. "Discussion" involves speaking, but sometimes it does not reach the level of debate. I think it would be better to take a little more time for discussion to become more active so that one opinion can spark another and lead to an increasingly interactive discussion.

Kamata: The preliminary briefing allows for half a day to confirm facts and ask technical questions, so the Board of Directors can get down to discussions immediately. However, I think there should be more discussion about medium- to long-term directions at Board of Directors meetings. I think there is still room for improvement in agenda setting. The "Discussion" system is a very good initiative, but I think it would be easier to have discussions if the topic and materials were presented a little earlier.

Hattori: Board of Directors meetings have also improved by reducing the number of items to be reported, but as I mentioned earlier, I think it would be better to deepen discussions to touch on how to develop the Bank's future management and business strategies. Improvements



have been made, but reforms have not yet been implemented. There are more important things that go to the heart of management that we should focus on.

Issues and Expectations

— **Finally, please share with us any issues or expectations you have for the entire bank.**

Kamata: When giving explanations to investors and other stakeholders, it is necessary to first identify the issues and then focus on how to resolve them. The issues are areas for improvement, so rather than just showing what we have achieved, I think it will raise expectations for our Group. The Shiga Bank Group believes that if the issues are properly identified and the measures to address them are shared with others, it will have the human and organizational capabilities to ensure their execution, leading to a steady improvement in corporate value.

Hattori: Our Group is steadily executing plans and implementing PDCA cycles to achieve our goals, but we believe that we can grow exponentially by taking on various new challenges with a greater sense of urgency. To achieve this, it is important to avoid shutting ourselves off from the real world and to expand our knowledge by increasing contact with the outside world, including senior management. By obtaining information from people in different industries, such as IT and trading companies, I believe that we can improve our ability to make proposals to customers, which will ultimately lead to the revitalization of regional companies.

Takeuchi: The direction we should aim for has become clear, and I think the balance between "soundness" and "enterprise" has changed considerably. While "soundness" is certainly important, in order to formulate a growth strategy, we must also embrace new challenges with a spirit of "enterprise." We intend to work with the Board of Directors to update this balanced management approach in line with the times and to ensure that it leads to non-linear growth from a medium- to long-term perspective.

List of Officers

(As of June 25, 2025)

Directors

Chairman
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 and CEO
June 2023 Chairman (current position)

President and CEO (Representative Director)
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
June 2023 President and CEO (current position)

Director and Senior Managing Executive Officer (Representative Director)
Katsuyoshi Horiuchi



April 1987 Joined the Bank
June 2014 General Manager of Risk Supervisory Dept.
June 2017 Executive Officer and 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
June 2024 Senior Managing Director
June 2025 Director and Senior Managing Executive Officer (current position)

Director and Managing Executive Officer
Hidekazu Toda



April 1990 Joined the Bank
June 2020 Executive Officer and General Manager of Administration Dept.
June 2021 Managing Executive Officer and General Manager of Administration Dept.
June 2023 Managing Director
June 2025 Director and Managing Executive Officer (current position)

Director and Managing Executive Officer
Yoshinori Endo



April 1991 Joined the Bank
June 2019 General Manager of General Affairs Dept.
June 2020 Executive Officer and General Manager of General Affairs Dept.
June 2021 Managing Executive Officer and General Manager of Kyoto Branch
June 2023 Managing Director
June 2025 Director and Managing Executive Officer (current position)

Director and Managing Executive Officer
Nobuyuki Tanaka



April 1990 Joined the Bank
June 2019 Executive Officer and General Manager of Osaka Branch
June 2020 Executive Officer and General Manager of Credit Supervision Dept.
June 2021 Managing Executive Officer and General Manager of Credit Supervision Dept.
June 2022 Managing Executive Officer and General Manager of Audit & Inspection Dept.
June 2024 Managing Director
June 2025 Director and Managing Executive Officer (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. (currently Nihon M&A Center Holdings Inc.) (current position)
June 2022 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. Deputy President, Sumitomo Mitsui Trust Bank, Limited
June 2015 Deputy President, Sumitomo Mitsui Trust Holdings, Inc.
April 2017 Director, Sumitomo Mitsui Trust Holdings, Inc. Deputy Chairman, Sumitomo Mitsui Trust Bank, Limited Deputy Chairman, Sumitomo Mitsui Trust Bank, Limited
June 2017 Retired as Director, Sumitomo Mitsui Trust Holdings, Inc.
April 2018 Executive Advisor, Sumitomo Mitsui Trust Bank, Limited Chairman, Sumitomo Mitsui Trust Panasonic Finance Co., Ltd.

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)

Outside Director
Rikiya Hattori



June 2018 Corporate Auditor, Sumitomo Densetsu Co., Ltd.
March 2020 Retired as Executive Advisor, Sumitomo Mitsui Trust Bank, Limited
February 2021 Retired as Chairman, Sumitomo Mitsui Trust Panasonic Finance Co., Ltd.
June 2021 Full-time Corporate Auditor, Reiwa Accounting Holdings Co., Ltd.
June 2021 Retired as Outside Auditor, Sumitomo Densetsu Co., Ltd.
June 2021 Outside Director, Sumitomo Densetsu Co., Ltd. (current position)
June 2025 Retired as Full-time Corporate Auditor, Reiwa Accounting Holdings Co., Ltd.

Audit & Supervisory Board Members

Full-time Audit & Supervisory Board Member
Hideki Sugie



April 1985 Joined the Bank
June 2012 Secretarial, 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 Full-time Audit & Supervisory Board Member (current position)

Full-time Audit & Supervisory Board Member
Akio Mukunoki



April 1988 Joined the Bank
June 2015 Manager of ICT Strategy Office, General Planning Dept.
October 2020 Head of Management Strategy Group, Sustainable Strategy Office, General Planning Dept.
December 2022 Advisor of General Planning Dept., Sustainable Strategy Office, Head of Management Strategy Group, Advisor of Secretariat, and Advisor of Computer Systems Dept.
June 2025 Full-time Audit & Supervisory Board Member (current position)

Outside Audit & Supervisory Board Member
Yasuhiro Matsui



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

Outside Audit & Supervisory Board Member
Kazukiyo Onishi



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

Executive Officer

Isokazu Yamamoto



Managing Executive Officer

Hiroyoshi Inoue



Managing Executive Officer
General Manager of Audit & Inspection Dept.

Kazuaki Kataoka



Managing Executive Officer
General Manager of Kyoto Branch

Hidetoshi Oshima



Executive Officer
General Manager of Tokyo Branch and Counselor for Financial Markets & International Dept.

Kengo Matsunaka



Executive Officer
General Manager of Financial Markets & International Dept.

Takato Mokuzawa



Executive Officer
General Manager of Risk Supervisory Dept.

Shunji Fukuchi



Executive Officer
General Manager of Head Office Business Department

Joji Shimomura



Executive Officer
General Manager of General Planning Dept.

Shigeki Yamamoto



Executive Officer
General Manager of Personnel Affairs Dept. and Counselor for Secretariat

Risk Management

Message from the Officer Responsible

In addition to structural changes to the regional economy and rapid changes in the financial environment, the external environment facing banks is becoming increasingly diverse and complex due to factors such as cyber attacks and climate change. Against this backdrop, in addition to managing risks according to traditional risk categories, it is necessary to identify events that have a significant impact on finance and business continuity, and then implement the appropriate risk controls.

The Bank has introduced a Risk Appetite Framework (RAF) geared toward achieving both profitability and soundness, and is striving to allocate management resources to the best possible areas while enhancing risk management.

Additionally, in this era of uncertainty, it is essential to establish a risk management system that combines the flexibility to adapt to environmental changes and the resilience to maintain sustainable operations even in times of crisis.

Going forward, we will continue to promote management that places emphasis on balancing risk and return, and by continuing to provide loans and investments that contribute to the resolution of regional issues and sustainable growth, we will play our part in realizing a “virtuous cycle of happiness brought to the region.”



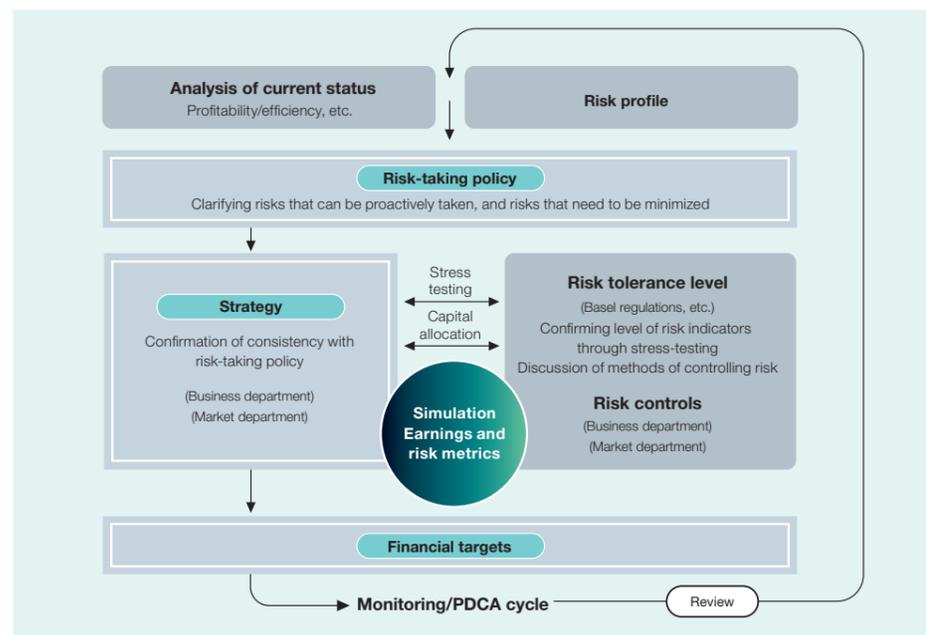
Hidekazu Toda
Director and Managing Executive Officer

Risk Appetite Framework (RAF)

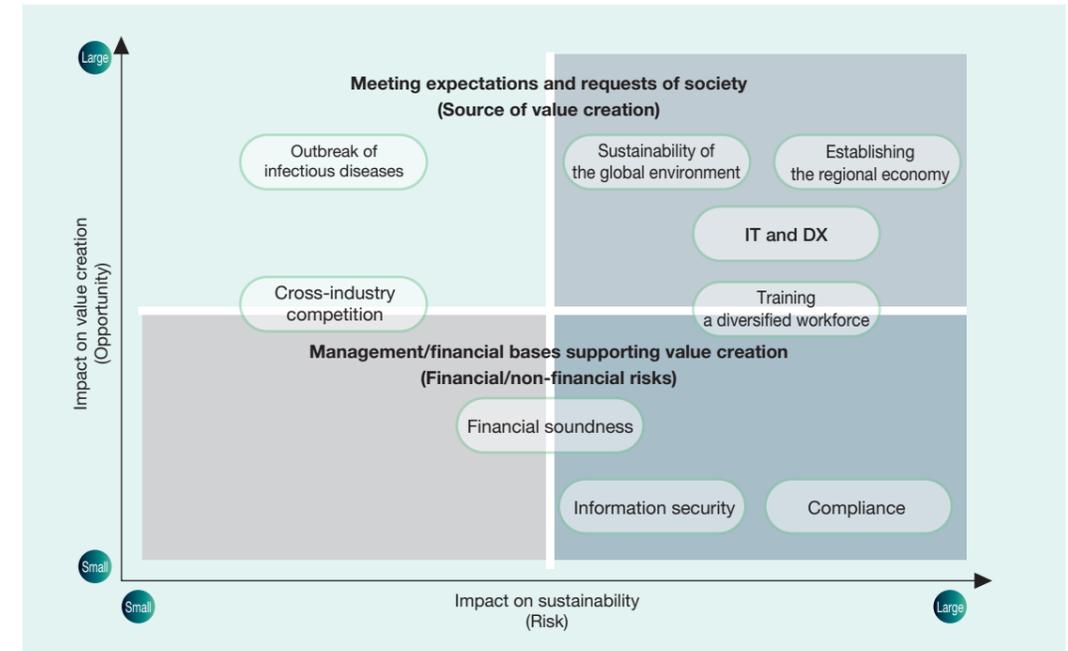
The “Risk Appetite Framework” refers to frameworks for business and risk management that enable clarification of risk by type and level that the Bank is prepared to take on, as well as sharing and monitoring of it for the purposes of accomplishing business strategy and financial targets.

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 business and market departments. Then we carry out various simulations based on the strategy, and sets target earnings and risk benchmarks. In addition, we assume several highly probable scenarios in a “world with interest rates” from a forward-looking perspective and verify the effects of the scenarios on financial targets. After confirming through stress testing that the plan will remain reasonably sound under a certain amount of stress considering the economic cycle, we allocate capital accordingly and aim to control the balance among earnings, risk, and capital. The PDCA cycle effectively functions to achieve our strategies through proactive risk-taking and appropriate risk management in response to changes in the financial environment by monitoring the financial targets we have formulated.

Process of formulating financial targets



From a sustainability point of view, we also consider events such as demographic trends, digitalization, and other 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. 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 Purpose of the Bank.



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 targets are instituted semiannually at the Board of Directors’ meeting after clarifying “risk appetite” in light of the Bank’s strategic goals and risk status. Since the management of risks such as those associated with compliance and anti-money laundering is becoming increasingly important, the Bank is strengthening its risk management system such as establishing a separate committee.

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



[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.

[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.

I 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 Dept. 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.

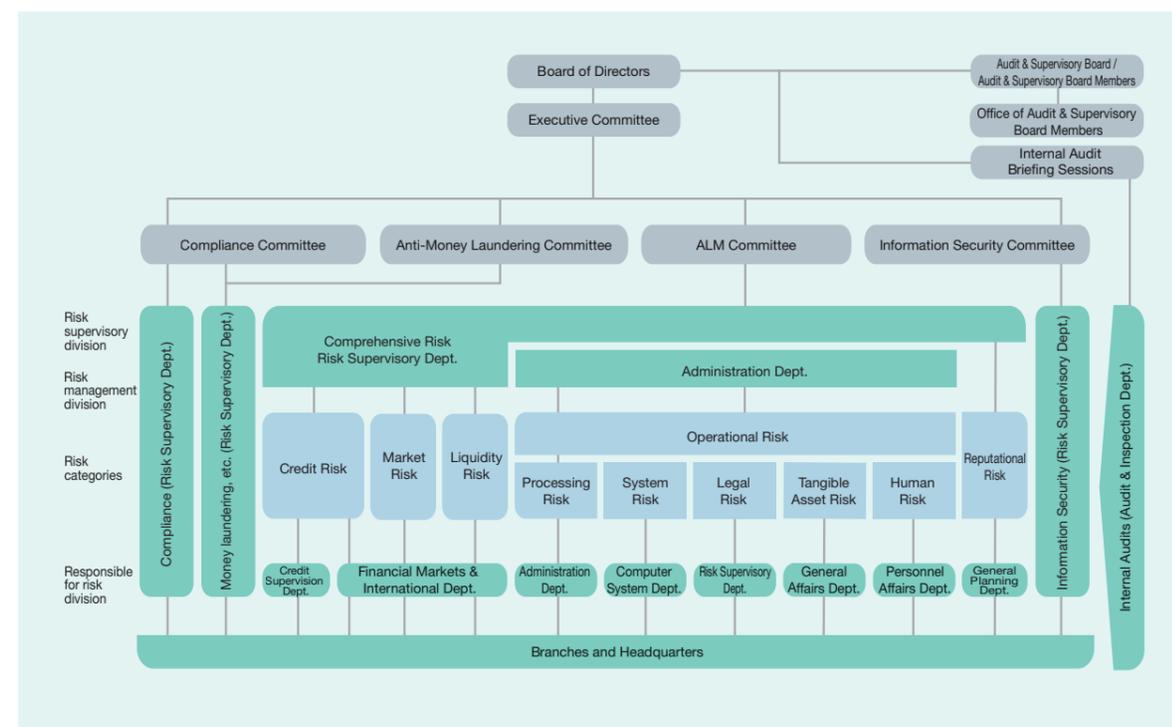
Specifically, the Bank controls risk by keeping it within the specified ratio to both regulatory capital (own capital needed to satisfy capital adequacy regulations) and economic capital (risk amounts calculated using VaR, etc.). In addition, the Bank has created a system that appropriately complements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

With the aim of practicing strategic risk management while grasping changes in the domestic and international environment, we conduct stress tests using forward-looking scenarios that take into account the economic cycle, and verify the "capital adequacy and feasibility of strategies" of multi-year financial plans.

In addition, to ensure business continuity even in the event of a financial crisis or other stress event, we use historical scenarios to check our management strength.

Risk Management System



I Credit Risk Management System

Credit risk is the risk that the Bank will suffer losses due to the worsening financial conditions of customers, 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 "co-existence and co-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.

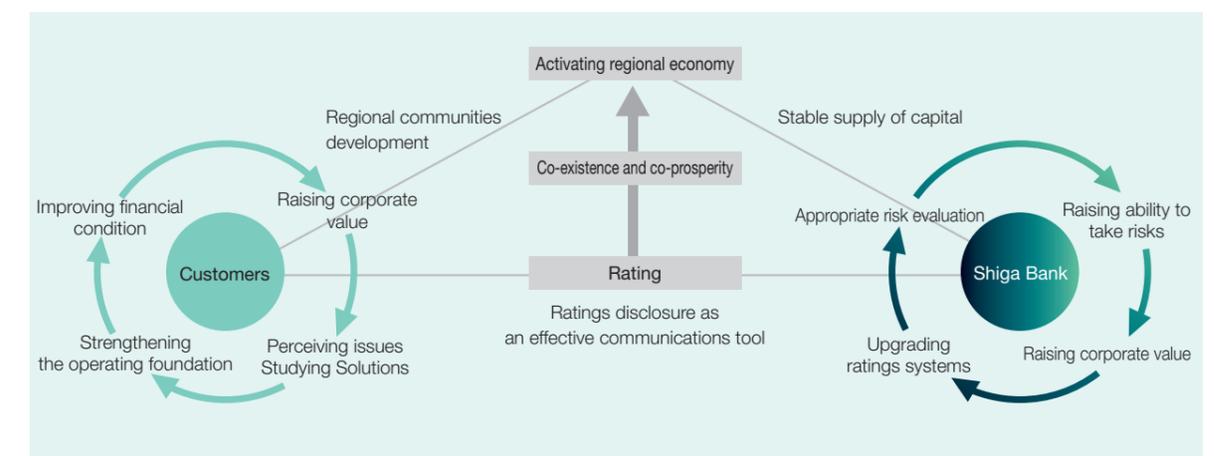
Outline of Credit Risk Management

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.

Powers Supporting Value Creation



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 corporate value.

Based on its belief that internal ratings system is ultimately a tool for pursuing co-existence and co-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, in adopting Basel II in March 2007, we have 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.

I 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 loans, securities, and deposits, 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.

I 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, attributable to an 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 fundraising 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 ratio regulation which is the standard for judging soundness of the liquidity, the Bank takes appropriate action.

I 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 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.

In addition, we report on the situation at management meetings such as the ALM Committee hosted by the Risk Supervisory Dept.

*CSIRT: Computer Security Incident Response Team

Management systems for system risk and cybersecurity

To ensure the safety and stability of financial services and protect customers' assets from the threat of cyber attacks in the digital society, we are strengthening our management systems for system risk*1 and cyber security*2.

As for system risk management, we work to prevent recurrence of any system failures that occurred by thoroughly analyzing the cause(s) and using the results to improve development and operation. 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. We have also established contingency plans*3 for unexpected situations such as large-scale disasters, and conduct drills in preparation for ATM malfunctions on holidays.

As for cybersecurity measures, we have introduced measures such as separation of the business network from the Internet usage environment, next-generation antivirus software, and communication monitoring by external services. In addition, the Bank, with the cross-departmental team “Shigagin CSIRT” playing a central role, has been preparing for an emergency by taking preventive measures against cyber security incidents, conducting drills to counter cyberattacks, and making continuous improvements. We are attempting to improve literacy of officers and employees by conducting drills for targeted attack email and providing security education on a periodic basis. Through these measures, we are striving to improve the effectiveness of cybersecurity.

*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

I Reputational Risk Management System

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

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

Enhancing Legal Compliance

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

Compliance system

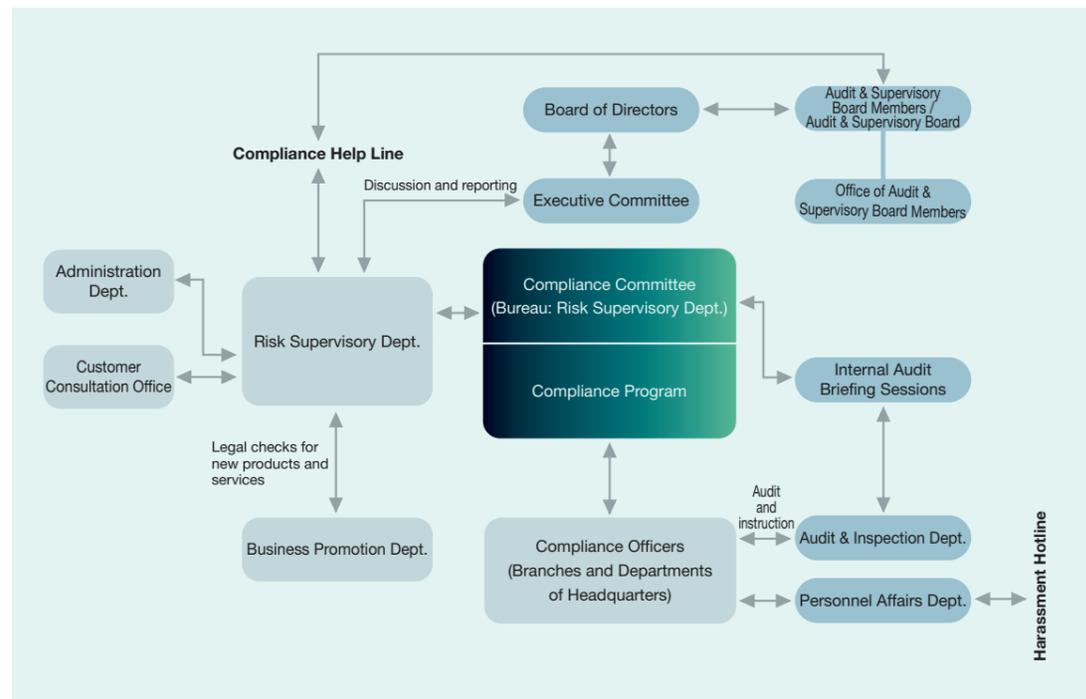
The Bank has stipulated the Code of Conduct based on the Management Principles. In order to comply with them and to thoroughly comply with laws and regulations, the Board of Directors formulates a Compliance Program every fiscal year, after deliberation by the Compliance Committee. In addition, we strive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

Each department and branch has its “Compliance Officer” in place who works to maintain and improve the compliance system in cooperation with the Legal Affairs Office of the Risk Supervisory Dept.

Whistle-blowing system for officers and employees established

In order to promote compliance management, we have established internal and external whistle-blowing hotlines (the Compliance Help Line and the Harassment Hotline) for all officers and employees of the Shiga Bank 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.

Compliance system chart



Measures to prevent recurrence of misconduct

Initiatives to prevent recurrence

In response to the incident announced on September 22, 2022, in which a former employee of the Bank embezzled money from a customer, we have formulated and implemented measures to prevent recurrence from the perspective of the fraud triangle, “opportunities, incentive, and rationalizing.”

Specifically, we have formulated rules or a mechanism by which “opportunities” for committing a fraud are not given by taking measures such as prohibiting, as a rule, personnel in charge of customers relations from delivering cash to customers and a superior of a customers relations person alone visiting or phoning the person’s customer to check. However, it is difficult to completely prevent recurrence only with measures against the provision of “opportunities.” Since financial problems that the person in question was faced with created an “incentive” in this fraud case, we will foster a culture where each employee can discuss their personal troubles including financial worries ordinarily. We will strive to foster each employee’s awareness of compliance and create an organizational culture that allows a proper checking function to be fulfilled to discourage our employee from “rationalizing” his or her inappropriate behavior.

Redefining compliance

As part of measures to prevent recurrence, we have redefined compliance within the Bank to mean “Compliance = Doing right duly,” and have ensured that all employees are fully aware of this at compliance training programs, etc. We will continue to conduct various training programs so that each employee can make autonomous decisions to “do right duly” in various situations.

System for managing conflict of interest

As financial transactions become more sophisticated and the possibility of conflicts of interest between customers and financial institutions increases, we properly manage transactions that may involve conflicts of interest so as not to unfairly harm our customers’ interests.

Going forward, we will continue to comply with laws and regulations and carry out our business in a manner that ensures that customer interests are not unfairly harmed in transactions that may involve conflicts of interest between customers and our bank or our affiliates, or between customers of our bank or our affiliates.

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 are putting various safety management measures in place for administrative procedures and system technologies, and will regularly review these measures for improvement.

Measures to eliminate anti-social forces

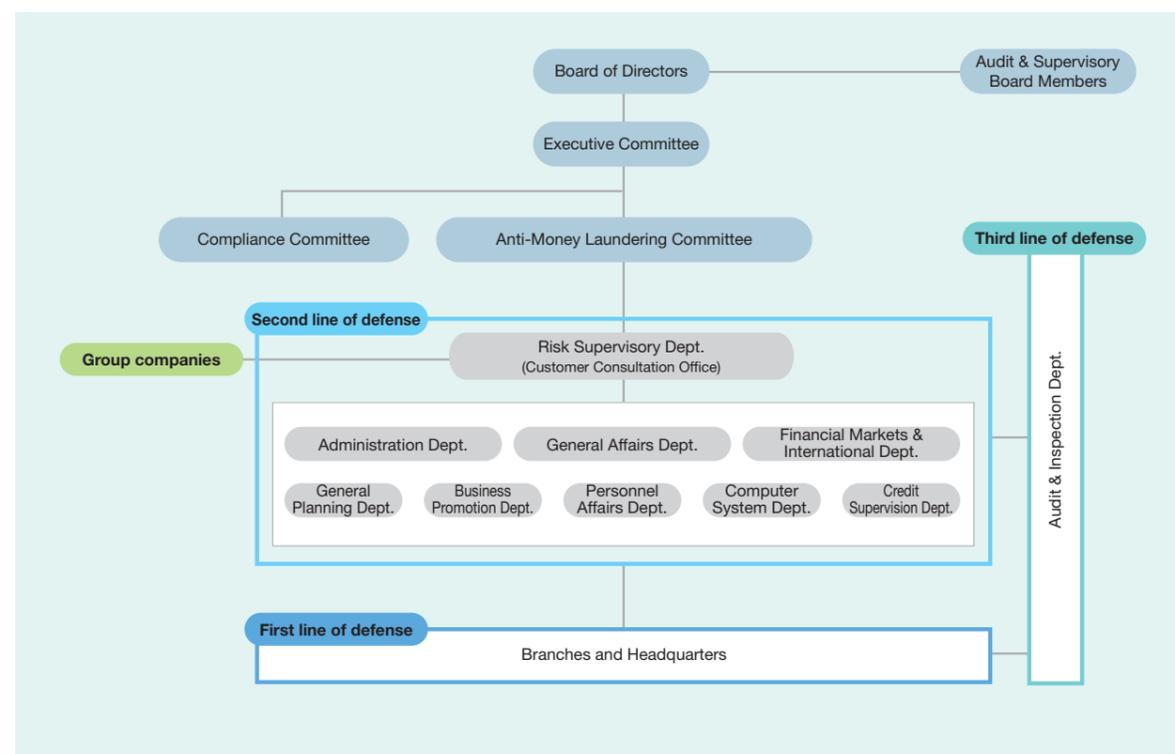
The Bank has taken active measures to eliminate anti-social forces, and has specified an “anti-social forces elimination clause” to the Ordinary Deposit Regulations. Also, the Bank has established the “Shiga Bank Anti-social Forces Elimination Regulations.”

Initiatives for anti-money laundering and financial crime prevention

In recent years, initiatives to combat anti-money laundering, terrorism financing, and proliferation financing and sanctions violations (hereinafter referred to as “money laundering”) are becoming increasingly important. In addition, financial crimes such as special fraud and investment fraud are becoming increasingly sophisticated and diverse. Financial institutions are required to bolster measures against financial crimes in cooperation with the relevant government ministries and industry organizations in order to prevent the unauthorized use of deposit accounts, including corporate accounts, and ultimately protect the valuable assets of their customers.

The Bank has established an AML (Anti-Money Laundering) program for such measures, and we are maintaining and enhancing our management system by ensuring that the PDCA cycle is effectively implemented by taking various measures in accordance with the program and verifying the effectiveness of those measures.

Money laundering and other risk management system



The Bank's main efforts

July	2018	The “Project team for Anti-money Laundering and Financing of Terrorism” was launched to promote cross-organizational efforts.
January	2019	The “Anti-Money Laundering Office” was established and installed as a specialized supervisory organization to strengthen money laundering and other risk management system in the Risk Supervisory Dept.
April	2020	The Bank introduced the monitoring system for illegal transactions to prevent money laundering and other risk.
October	2020	The Bank introduced a system for evaluating and determining the degree of the risk of money laundering, etc. identified and assessed by the Bank, a filtering system for extracting information that meets specific conditions, and a workflow system for recording the status of responses to suspicious transactions and collected information.
January	2021	The Bank began regularly updating customer information with the “Customer Information Confirmation Letter.”
December	2021	“The Anti-Money Laundering, Terrorist Financing and Proliferation Financing Policy” was revised and added measures to counter the financing of terrorism and anti-proliferation to the scope of the Policy.
March	2022	We launched a banner advertisement displayed on our bank ATM screen asking customers for their cooperation in “Customer Information Confirmation Letter.”
February	2023	“The Anti-Money Laundering, Terrorist Financing and Proliferation Financing Policy” was revised to clearly state that it is the policy of the Shiga Bank Group.
February	2023	The Bank began training for all employees to retain knowledge about anti-money laundering operations and foster their awareness of such operations.
April	2023	The Bank established the “Anti-Money Laundering Committee” to make cross-organizational efforts undertaken for measures against money laundering permanent.
September	2023	Completed the first round of efforts to improve money laundering and other risk management system and update customer information.
April	2024	“The Anti-Money Laundering, Terrorist Financing and Proliferation Financing Policy” was revised and added sanctions violation measures to the scope of the Policy
October	2024	In order to reinforce risk management against money laundering and other risks, the task of overseeing sanctions violations under the Foreign Exchange and Foreign Trade Act has been transferred from the Financial Markets & International Department to the Risk Supervisory Department.

Update customer information (continuous customer management)

The Bank is pursuing initiatives to update customer information to prevent unauthorized use and other forms of misuse of customers’ bank accounts by a third party. Through these efforts, the Bank strives to strengthen its management system for money laundering and other risks and allow customers to use products and services including the Bank’s deposit accounts in a safe and reliable manner.

- Information on updating customers’ information by sending the “Customer Information Confirmation Letter” by mail
- Update customer information at the Bank’s branches, etc.

Prevention of financial crime

In order to protect customers’ important deposits from financial crime such as “special fraud,” which has become a social problem, and to ensure that customers receive our services with peace of mind, we are working to offer a variety of services.

- In the Bank’s branches and at ATM corners, employees call out to customers and pay attention to their facial expressions, behavior carefully.
- We have posted warnings about various financial crimes on our website and on the Biz Direct login screen.
- Adoption of the “Cashier’s Check Plan” (special measure to prevent fraud involving the misuse of deposit checks, etc.)
- Restrictions on some ATM transfer functions
- Strengthening cooperation with police and related organizations (holding study sessions, distribution of fraud alert flyers, use of automated calls, etc.)
- Conducting internal training programs

Compliance with foreign exchange laws and regulations with regard to economic sanctions

In order to ensure compliance with the Foreign Exchange and Foreign Trade Act (Foreign Exchange Act), regulations established by the US Department of the Treasury’s Office of Foreign Assets Control (OFAC), and recommendations of the Financial Action Task Force (FATF), we confirm that customers’ transactions do not fall under the scope of these regulations.

- Delivery of “Request for Foreign Remittances” (including viewing on the web -based operation screen)
- Requests for interviews and submission of supporting documents when accepting foreign remittances and trade finance transactions

Stakeholder Engagement

The Shiga Bank strives to offer better value by recognizing various issues through engagement with stakeholders, including our customers, communities, shareholders, and the officers and employees, and pursuing initiatives to resolve such issues. We aim for sustainable development of the local community and enhancement of corporate value by sincerely listening to opinions from stakeholders and utilizing the opinions for better management.

We value transparent and speedy disclosure of information so that stakeholders can appropriately make decisions on dealings with the Shiga Bank Group and investment in the Bank's shares.

Communication with customers



We improve the quality of products and services by evaluating the opinions and requests from our customers via such channels as questionnaires or Customer Consultation Office.

Communication with shareholders and investors



In order to achieve sustainable growth and improve corporate value, the Bank strives to engage in constructive dialogue with shareholders and investors and to provide highly transparent disclosure of corporate and management information. The Bank holds information sessions for both institutional and individual investors, and for information sessions for institutional investors, it also uses online distribution to enhance information provision (P.18).

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.

Officers and employees in the Shiga Bank Group actively take part in regional volunteer activities to value relationships with local communities. In addition, in response to requests from schools in local communities, we provide education on SDGs and finance to help children to improve their SDGs and financial literacy (P.72).

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. The Bank, which is headquartered next to Lake Biwa, conducts "Ikimonogatari" (Tales of Life) activities, environmental volunteering (P.72), to protect biodiversity in Lake Biwa and help its employees to improve their environmental literacy.

Communication with employees



We respect human rights, support diverse work styles and put in place a career support system toward self-realization so that each and every officer and employee in the Shiga Bank Group can display their maximum capabilities feeling high job satisfaction. In addition, the Bank is seeking to enlarge communication opportunities in the Group including the management team, especially by setting up a place for the management team and employees to communicate interactively, such as through plans in its in-house journals.

Communication with government, educational institutions, NPOs/NGOs, etc.



Through partnerships with government (incl. local governments) and experts, we link research seeds with regional needs and realize high-quality solutions. We are strengthening our collaboration with the Prefectures and municipalities to realize sustainable regional communities through decarbonization and digital initiatives.