

SHIGA BANK REPORT 2019

INTEGRATED REPORT/ANNUAL REPORT 2019 Year ended March 31, 2019



The Bank's motto

**Be tough on ourselves,
kind to others
and serve society.**

CSR Charter (Management Principles) (Instituted in April 2007)

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



Mutual prosperity with the regional

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



Mutual prosperity with all employees

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



Harmonious coexistence with the environment

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

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Editorial Policy

Shiga Bank has compiled the integrated report SHIGA BANK ANNUAL REPORT 2019. 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 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 of this document and "Financial Data, Basel III, Column 3 of SHIGA BANK ANNUAL REPORT 2019" (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.

LOOKING BACK ON OUR GROWTH PATHWAY

2033

100th anniversary

The philosophy of the Shiga Bank

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

The Shiga Bank was born in 1933 through the merger of the 133rd National Bank (Hyakusanjusan Bank), which prided itself on "sound management," and the Hachiman Bank, which emphasized a culture of "enterprise." Since then we have forged ahead with fulfilling our mission of helping business partners and local communities to flourish. The "Sampo yoshi" management philosophy, embraced by merchants in the Omi region of central Japan, was upheld through our motto of "being tough on ourselves, kind to others and serving society." The Bank has made this motto and the "CSR Charter (Management Principles)" the starting point for our activities.

Measures to modernize the Bank's management

For the development of the regional communities

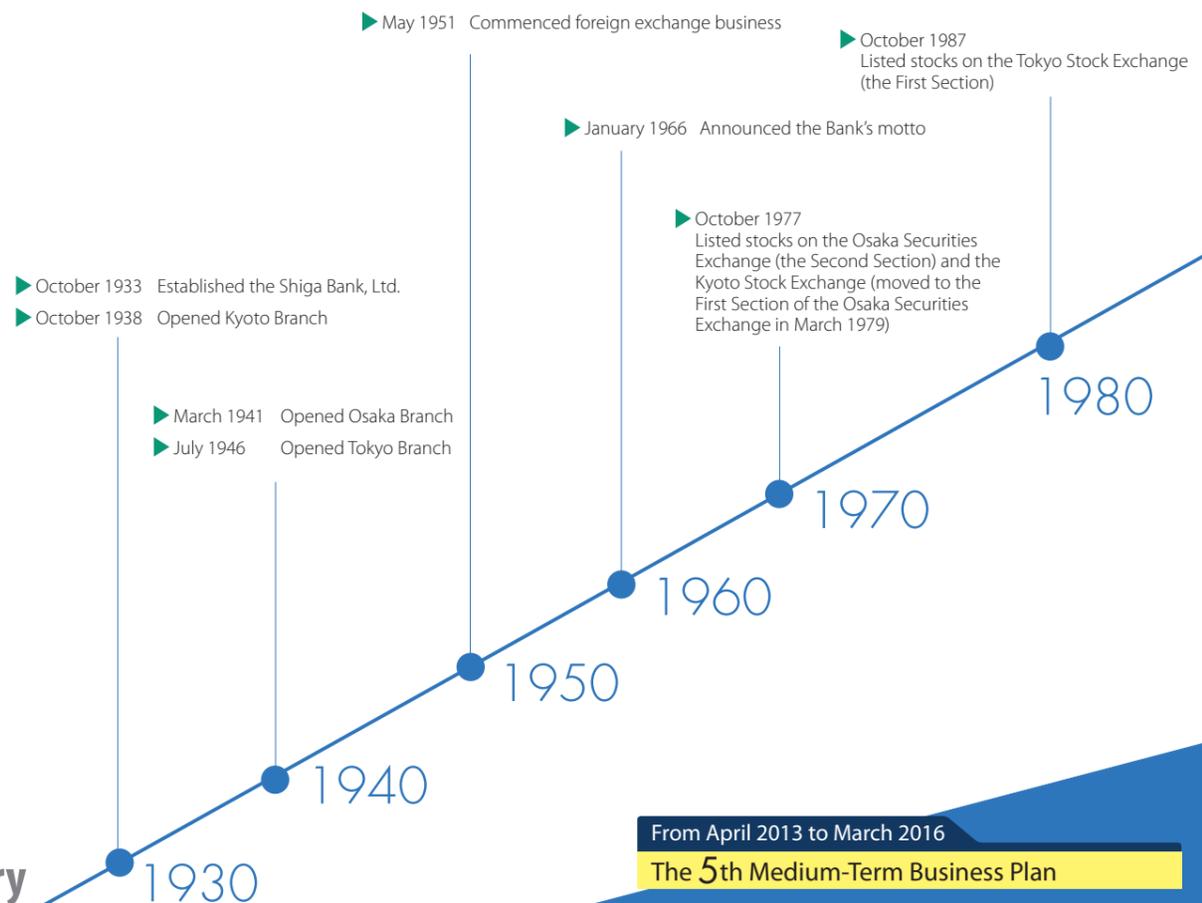
We believe that the ultimate role of the management of a Bank is to "take on risk." For us, this means the risk assumed on behalf of the development of the regional communities. To contribute to the development of regional communities, the Bank is pioneering measures to modernize its management through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

Environmental management

Aiming to reconcile environmental and economic needs

The Bank sees CSR as the role of the Bank as a corporate citizen in fostering sustainable growth of society. The Bank has been developing CSR activities based on the three key concepts of "environment," "welfare," and "culture." By implementing "environmental management" which contributes to the creation of a sustainable society through "finance," the life blood of the economy, the Bank has taken measures to reconcile the twin imperatives of safeguarding the "environment" and providing "finance."

- ▶ August 2010 Established the "Policies for biodiversity preservation"
- ▶ February 2012 Opened Bangkok Representative Office
- ▶ April 2013 Established the "Regional Promotion Office"
- ▶ June 2014 Established the "ICT Strategy Office"
- ▶ December 2015 Commenced the "Ratings Simulation Service (Ratings SS)"
- ▶ April 2016 Started the 6th Medium-Term Business Plan
- ▶ November 2017 Announced Shigagin SDGs Declaration
- ▶ April 2019 Started the 7th Medium-Term Business Plan
- ▶ May 2019 Joined "TSUBASA Alliance"



History

Evolution of management plans

From April 2013 to March 2016			
The 5th Medium-Term Business Plan			
Basic vision			
A bank journeying into the future together with its customers and region			
Main theme			
Awareness-raising and behavioral improvement for improving customer satisfaction			
Achieved value			
ROE	4.52%	Total deposits	¥4.4 trillion
OHR	69.97%	Total loans	¥3.2 trillion

From April 2016 to March 2019	
The 6th Medium-Term Business Plan	
Long-term vision	
The Regional Bank that innovates the future	
Main theme	
Change & Challenge	
Achieved value	
Total deposit assets (end of year balance) <small>(total deposits + investment trust + public bond + financial instruments intermediation)</small>	¥5.1 trillion
Total loans (end of year balance)	¥3.7 trillion
Share of loans made within Shiga Prefecture <small>(excluding Shoko Chukin Bank and some other financial institutions)</small>	49.42%
Reduction in greenhouse gas emissions <small>(an average 30% reduction compared to fiscal year 2006 over the three years from fiscal year 2016 to fiscal year 2018)</small>	35.62%

From April 2019 to March 2024

The 7th Medium-Term Business Plan

Vision	
Sustainability Design Company —Realizing mutual prosperity based on the "Sampo yoshi" philosophy—	
Main theme	
Define the future and realize a dream —For the future of customers, regional communities and all employees—	
Numerical targets	
Investment and financing to promote Sustainable Development <small>(cumulative amount of new investment and financing)</small>	¥500 billion
Support for value improvement of regional customers <small>(the number of requests for consultation per year)</small>	1,000 cases
Support for asset formation of regional customers <small>(the balance of assets under custody "investment trust + financial instruments intermediary")</small>	¥300 billion
Reduction in greenhouse gas emissions (%) <small>(compared to fiscal 2013)</small>	25%
Activities for promotion and improvement of SDGs and financial literacy Training of next-generation workforce <small>(the number of participants of training, etc.)</small>	5,000 persons
Net income attributable to owners of parent (consolidated)	¥10 billion or more in the final year
Income from services for customers	¥3 billion

Value Creation Story

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

CSR Charter: Three types of mutual prosperity

Sustainability vision (long-term vision)

Vision

Sustainability Design Company

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

Main theme

Define a future and realize a dream

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

Improving corporate value through solution of issues facing society

Creating a sustainable society

INPUT ▶ Capital to be Used

Finance capital

- Diversified earnings structure
- Sound loan assets (fiscal year ended March 31, 2019)
Average balance of loans and bills discounted during the period **¥3,696.7 billion**
Ratio of loans based on the Financial Reconstruction Act **1.36%**
- Adequate Bank capital (as of March 31, 2019)
Total capital ratio (consolidated) **15.68%**
- Loans and bills discounted per employee **ranks No. 10 in Japan** (fiscal year ended March 31, 2018, source: Kinyu Journal)
- Unrealized gain on securities **ranks No. 5 in Japan** (as of September 30, 2018, source: Nikkin Report)

Human capital

- Human resources who have advanced financial knowledge
- Number of employees with financial qualifications ranks high among regional banks (as of March 31, 2019)
Number of employees with Financial Planning Grade 1 certification **188 persons**
Number of employees with Financial Planning Grade 2 certification **1,299 persons**
Number of Small and Medium Enterprise Management Consultants **43 persons**
- Corporate culture that emphasizes regional contribution and motivation
Women managers ratio **26.74%** (as of March 31, 2019)

Intellectual capital

- Diversified financial methods
- Fulfilling consulting functions
Number of Ratings Communication Service clients **4,684**
- Environmental management and measures for SDGs
- Responding to digitalization

Social relationship capital

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

Natural capital

- Natural environment with rich biodiversity represented by Lake Biwa
- Concentration of national treasures and important cultural assets

Strengths of Shiga Bank

History of mutual prosperity

- Contribute to the development of regional communities; CSR management

Robust management foundation

- Market superiority × Large share

High risk management capabilities

- The first regional bank to adopt Internal Ratings-Based Approach (in March 2007)
- Utilizing risk appetite framework

Promotion of environmental management and SDGs

- Protect the global environment through our main business
The first regional bank to publish Shigagin SDGs Declaration
- Received the special award at the 2nd Japan SDGs Award

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Shiga Bank's business model

Basic strategies

(Challenges to innovate the future)



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The 7th Medium-Term Business Plan

Business strategies



Areas for priority action



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OUTCOME ▶ Value to be provided

Customers

- Improving profitability and productivity in the region
- Formation of assets through practical banking operations centered on the customer
- Helping businesses through a wide range of diversified solutions
- Improving convenience



Shareholders and investors

- Creating mid-to-long-term shareholder value
- Highly transparent disclosure including non-financial information
- Promotion of engagement



Employees

- Vigorous corporate Group
- Organization that helps ambitious, motivated people realize their dreams
- Ensuring a diversified approach to work and a good work-life balance
- Organization with diversity



Environment and society

- Creation of shared values (reconciliation of economic value and social value)
- Resolving issues facing society through our main business
- Realization of social impact
- Reduction in CO₂ emissions



Step up joint approach to issues, for further development of a sustainable society

Structure to support creation of corporate value

Corporate governance

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Promoting employee activities and environment creation

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Risk management/compliance

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Dialogue with stakeholders

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Strengths of Shiga Bank

History of mutual prosperity

Passing down organizational culture beyond time and location

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.” Tracing its roots back to 1879, it is a bank with 140 years of history. With the motto of mutual prosperity with customers, it was committed to solid management and gained deep trust from the region. Meanwhile, with the frontier spirit of merchants in the Omi region of central Japan, the Bank opened the Kyoto Branch in 1938, well ahead of other financial institutions. Branches were then opened successively in Osaka and Tokyo, making us one of the earliest “wide-area regional banks.”

The motto of “being tough on ourselves, kind to others and serving society,” a Code of Conduct for all employees, upholds the spirit of the “Sampo yoshi” management philosophy embraced by merchants in the Omi region, which means to bring happiness to three sides: the seller, the buyer, and society. Positioning this motto as the starting point for all of our CSR activities, in 2007, we compiled the CSR Charter (Management Principles) to ensure mutual prosperity with the regional communities, all employees and the environment.

The Bank’s organizational culture that aims to reconcile economic value and social value while resolving social issues has been handed down for 140 years to the Bank of today, serving as a guidepost for our operations.

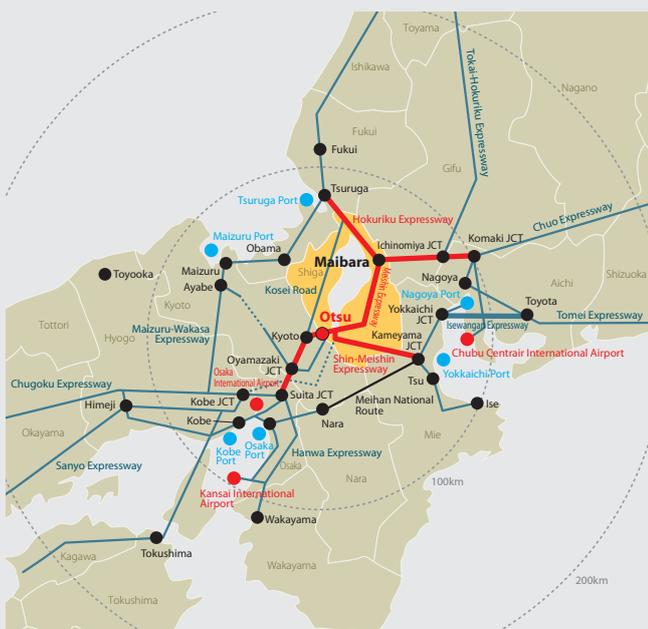
行是
 自分にはきびしく
 人には親切
 社会につくす



Robust management foundation

Market superiority × Large share

Shiga Prefecture, in which the Bank primarily operates, is located at the center of Japan. Because of its geographical advantage linking the Kinki and Tokai regions along with the great convenience of excellent transport access, the area boasts a concentration of mother factories of many global companies, R&D centers, universities, and other academic institutions. Additionally, the population change rate of Shiga Prefecture ranks eighth in the nation (-0.01% in 2018), which means that it is an area where population decline is relatively moderate. Moreover, blessed with natural environments such as Lake Biwa and verdant mountains, and preserving various national treasures and important cultural assets in modern city streets, Shiga incorporates historical heritages, cultures, and a spirit that it has inherited from its predecessors. In a market with such great superiority, the Bank has obtained the overwhelming support of regional communities, with a share within Shiga Prefecture of 49.42% in loans and 45.17% in deposits.



Large market share (fiscal year ended March 31, 2019)

Share of loans made within the prefecture	49.42%
Share of deposits within the prefecture	45.17%

Characteristics of Shiga Prefecture

- Birthplace of merchants in the Omi region
- Important transportation hub that connects eastern and western Japan
- Prosperous economy centered on manufacturing industry
 Ratio of secondary industry **45.2% (ranks No. 1 in Japan)**

Cabinet Office “Prefectural Accounts for Fiscal 2015”; compared to gross product in the prefecture

- **Ranks No. 5 in Japan for birthrate**
 Ministry of Health, Labour and Welfare “Demographic Survey for Fiscal 2017”
 Birth rate of 8.3 per population of 1,000
- **Abundant national treasures and important cultural assets**
 (as of July 2019)

The number of designations is 823, which ranks **No. 4 in Japan**

High risk management capabilities

Pioneering management attaching importance to risk control

We believe that the ultimate mission of the management of a bank is to “take on risk.” For us, this means risk assumed for the development of regional communities. As a Bank largely responsible for the development of regional communities, we must demonstrate financial intermediary functions for the sake of supporting each stage of customers from startup to growth and business rehabilitation, and sustainable development of the regional communities, without being affected by the financial environment and economic trends. With that recognition in mind, the Bank has been taking on measures to modernize its management based on rational thinking without undue reliance on personal intuition or experience, with the aim of enhancing its financial base and capital. Pioneering in introducing the “in-house corporate credit ratings system” and “pricing system,” we became the first regional bank to adopt the Internal Ratings Based-Approach in 2007. This was followed by the launch of the “Ratings Communication Service” and “Ratings Simulation Service” (see Page 66) based on the Bank’s own accumulated data so as to make

available its expertise as an FIRB bank for raising management standards at clients, not just for the risk management for the Bank. In this and other ways, the Bank is committed to resolving issues and supporting growth through “substantial dialogue” with customers.

We have also introduced a “risk appetite framework” (see Page 64) and use it for business strategies capable of coping with environmental changes, while improving business plan transparency and pursuing earnings opportunities.



Promotion of environmental management and SDGs

Resolving issues facing society through our main business

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.” Particularly, as a social mission of a bank which is headquartered by Lake Biwa, we position “environmental management,” which incorporates the environment in management, as the essence of bank management. Based on this, the Bank has been a pioneer among banks in implementing “environmental finance,” which contributes to the creation of a sustainable society through “finance,” the life blood of the economy. In 2017, the Bank made public the Shigagin SDGs Declaration, the first for a Japanese regional bank. The Bank has connected the Sustainable Development Goals (SDGs) proposed by the United Nations to our corporate behavior, worked to resolve social issues without undermining economic growth, and developed various activities to realize a sustainable society. In recognition of these initiatives, the Bank has enjoyed high evaluations from various fields, as represented by the special award at the 2nd Japan SDGs Award received in 2018 (see Page 37).



The award ceremony of the 2nd “Japan SDGs Award” (December 2018)

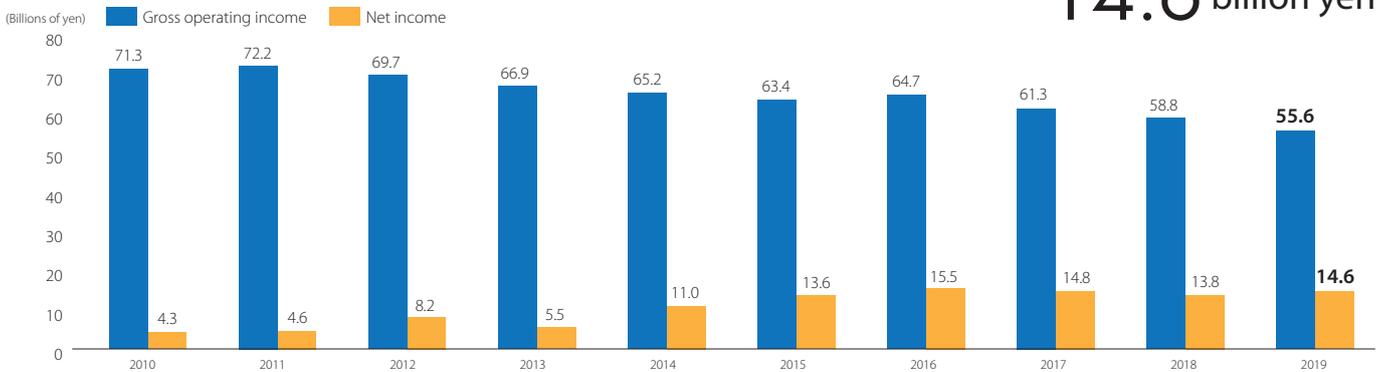
Financial Highlights (As of March 31, 2019)

Gross operating income (consolidated)

55.6 billion yen

Net income attributable to owners of parent (consolidated)

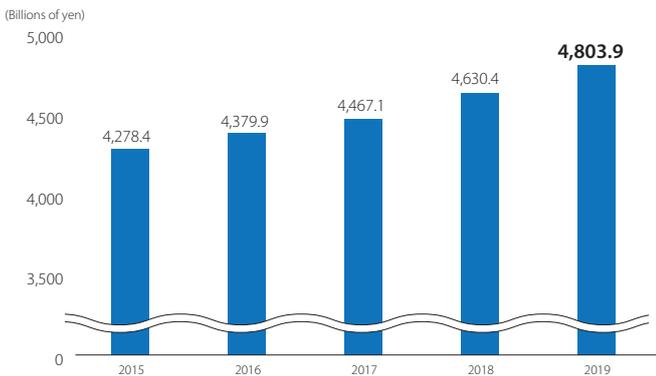
14.6 billion yen



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

4,803.9 billion yen

Share within Shiga Prefecture **45.17%**

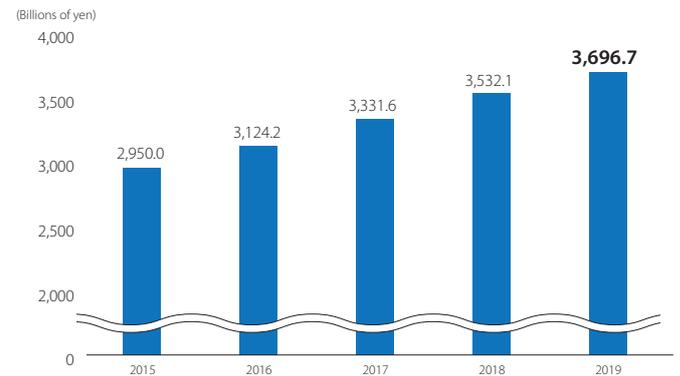


* Share within Shiga Prefecture excludes JAPAN POST BANK Co., Ltd. and The Shoko Chukin Bank, Ltd.

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

3,696.7 billion yen

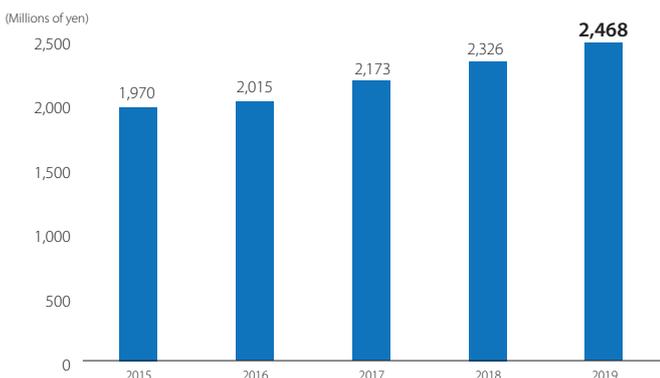
Share within Shiga Prefecture **49.42%**



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

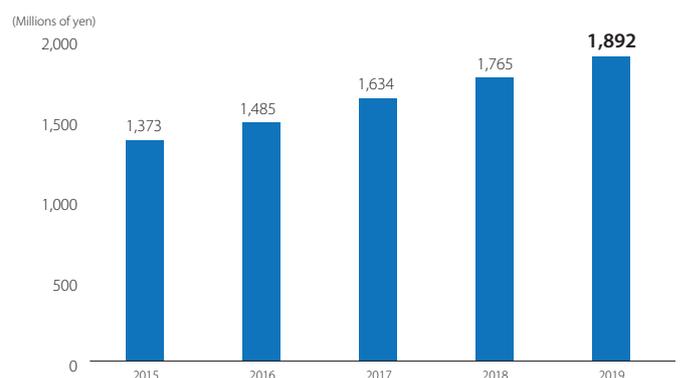
Deposits per employee (non-consolidated)

2,468 million yen



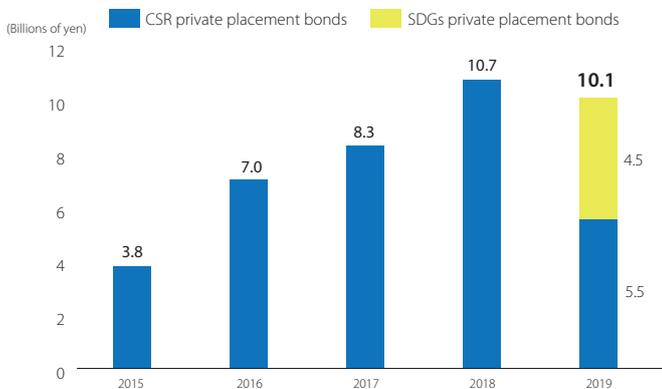
Loans and bills discounted per employee (non-consolidated)

1,892 million yen

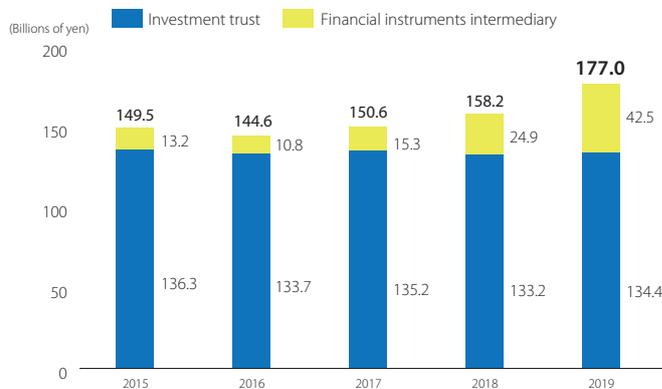


* Deposits and loans per employee = Deposits and loans (end of year) / Number of employees excluding part-time staff and seconded staff (end of year)

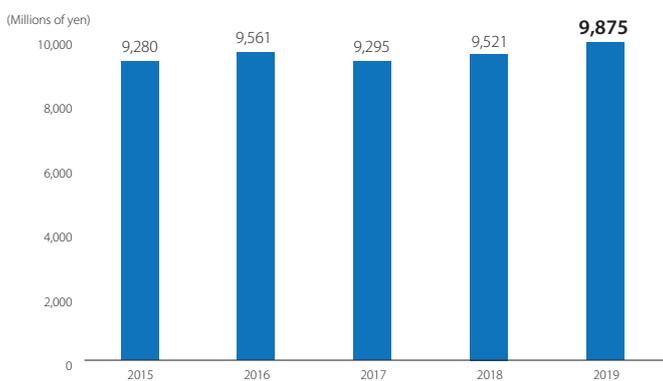
Actual amount of CSR private placement bonds / SDGs private placement bonds **10.1 billion yen**



Investment trust / financial instruments intermediary balance **177.0 billion yen**

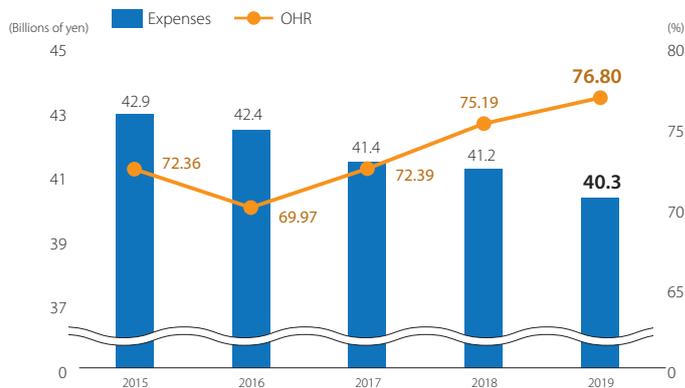


Fees and commissions (consolidated) **9,875 million yen**



Expenses (non-consolidated) **40.3 billion yen**

OHR (non-consolidated) **76.80%**



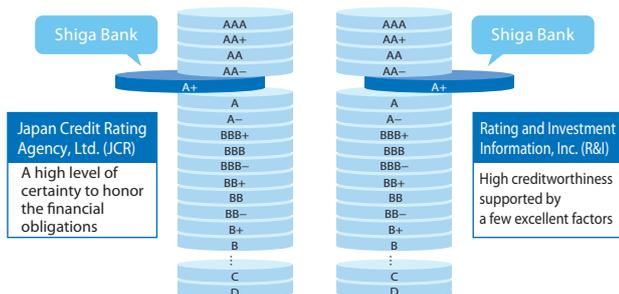
Rating

Japan Credit Rating Agency, Ltd. (JCR)

A+

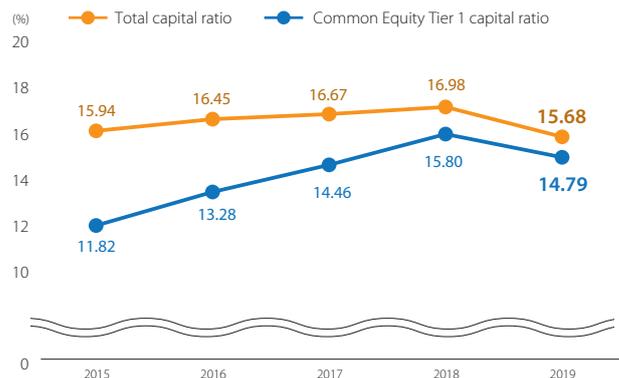
Rating and Investment Information, Inc. (R&I)

A+



Total capital ratio (consolidated) **15.68%**

Common Equity Tier 1 capital ratio (consolidated) **14.79%**



Non-financial Highlights (As of March 31, 2019)

Reduction in greenhouse gas emissions

Rate of reduction in greenhouse gas emissions **35.62%**

(an average compared to fiscal year 2006 over the three years from fiscal year 2016 to fiscal year 2018)



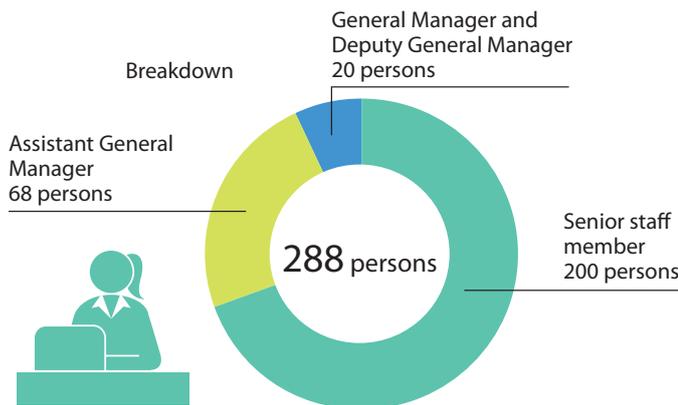
Number/ratio of customers approved for PLB → Page 32

11,259 organizations

Customer ratio **60.3%**



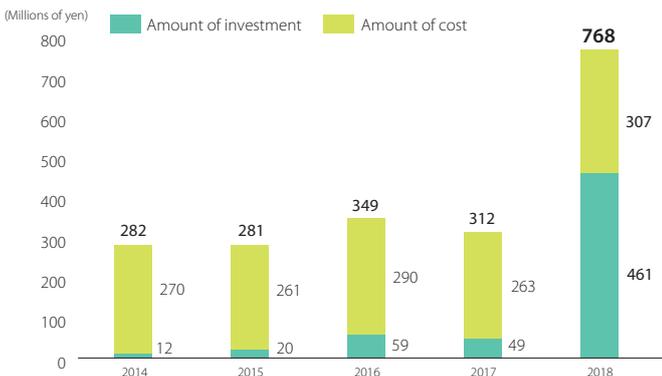
Women managers ratio **26.74%**



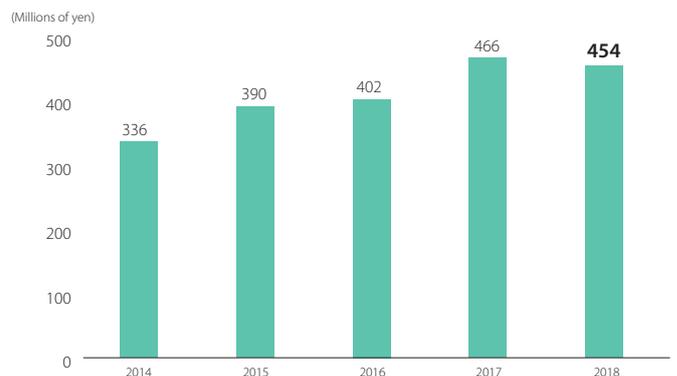
Number of employees who have taken childcare leave **65** persons



Environmental preservation cost **768** million yen (Fiscal year ended March 31, 2018)



Economic benefits from environmental preservation **454** million yen (Fiscal year ended March 31, 2018)



* Capital investment increased during the fiscal year ended March 31, 2018 owing to repairs to the administrative center.

For details, please refer to [Related information] "Environmental accounting" in the "CSR report 2018" on the Bank's website.

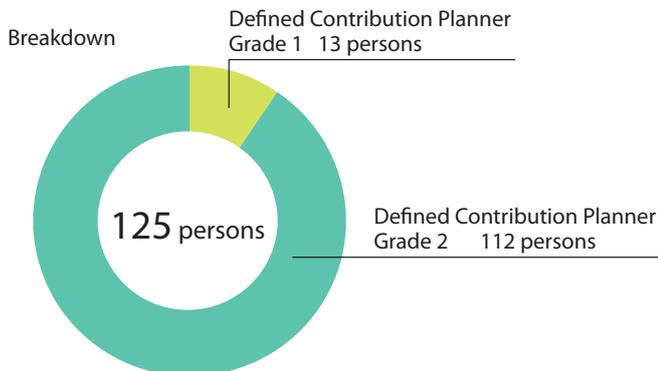
Number of employees with Financial Planning Grade 1 certification **188** persons



Number of employees certified as Small and Medium Enterprise Management Consultant **43** persons



Number of employees with Defined Contribution Planner Grade 1 / Grade 2 certification **125** persons



Number of employees certified as Securities Analyst **25** persons



Number of employees certified as Labor and Social Security Attorney **7** persons



Number of employees certified as Farm Management Advisor **5** persons





Shojiro Takahashi

President

I would like to take this opportunity to thank you for your continued support of our operations.

In 2019, coinciding with the change in era name from Heisei to Reiwa, the Shiga Bank formulated the 7th Medium-Term Business Plan (from April 2019 to March 2024) and started a new chapter in April. As an enterprise headquartered near the shores of Lake Biwa, the Bank has long placed importance on “environmental management,” and its history corresponds to the vision of Sustainable Development Goals (SDGs) proposed by the United Nations. Upon publishing this integrated report, given the significance of the social impact brought by finance, we compiled our efforts for increasing corporate value which incorporate SDGs in management, and our policies for advancing problem-solution type businesses toward realizing a sustainable, recycling-oriented society. Our goal is to become a “Sustainability Design Company.” Going beyond the framework of a “Bank,” we are committed to becoming a “Company” indispensable to the region. Here I will discuss the Bank’s vision guided by that commitment.

We create a society where everyone can define their future and live happily

Taking on a period of business model transformation

With the rapid uptake of digital technologies, population decline coupled with a declining birthrate and an aging population, in addition to the spread of “SDGs perspective” intended to resolve social issues such as climate change risk and food loss, Japan is currently undergoing drastic changes in the concept of values. Competition in existing business models is becoming increasingly intensified and complex with entries from other sectors, and an unclear outlook is forcing industries to struggle for direction. However, the situation does not change if we just stand by and do nothing. To break the impasse, we anticipate the trends of time with the concept of “backcasting,” and confront the issues faced by society and the economy so as to establish a resilient foundation and take on the challenge of resolving social issues. I believe it is this approach that will spur sustainable development of the region and the Bank.

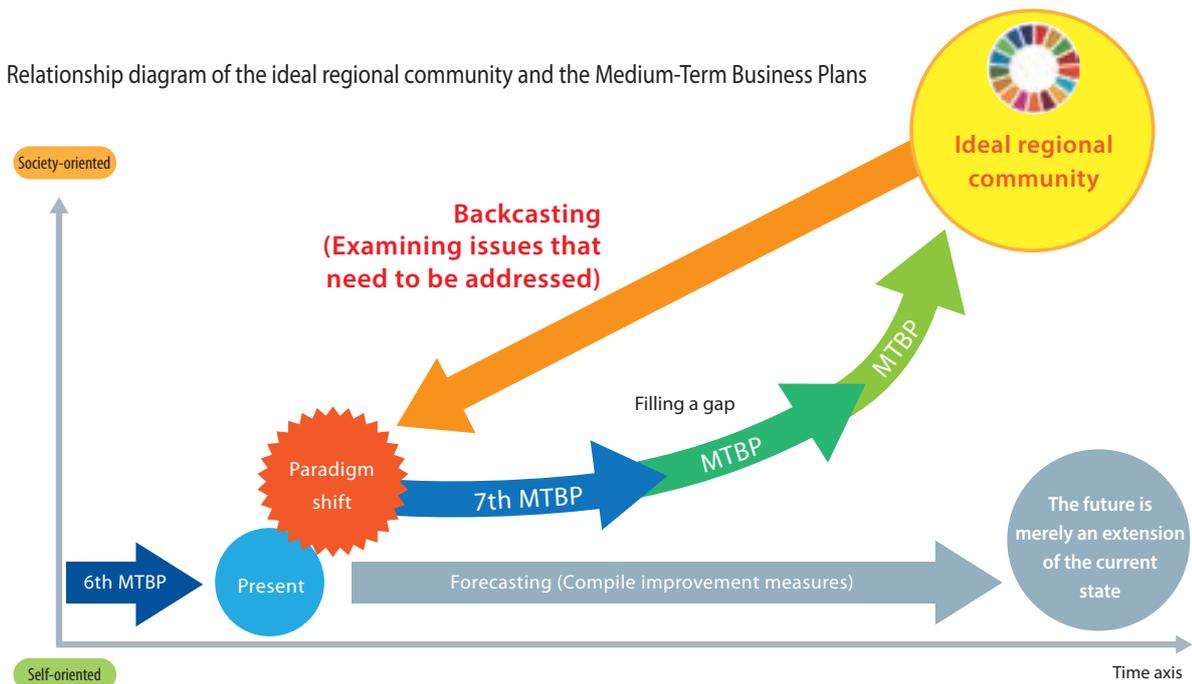
Long-term vision of the Bank

In an age of uncertainty, many people tend to feel a vague anxiety. Given this situation, we would like to uphold a vision that will remain unchanged now and into the future:

“A society where everyone can define their future and live happily.” It is a vision to realize a society where everyone is granted the right to have hope for the future and wish to live happily. Society should be a place where the generation of our children and grandchildren can also define their future. We must not only pursue a stable life for our generation, but also establish a society where coming generations can have hopes for their future and everyone on earth can continue living with peace of mind, and it is our duty to pass down such a society to succeeding generations.

Concurrent with the formulation of the 7th Medium-Term Business Plan that started in April 2019, we made this belief a Sustainability Vision of the Bank. This is the first long-term vision established from the viewpoint of backcasting, and is supported by the theme of “realizing a sustainable society through co-creation with the region,” which serves as the backbone of the vision.

In regional communities, there exist many issues to be addressed, including economic contraction due to depopulation combined with a declining birthrate and aging population, rapid uptake of digital technologies accompanying digital divide issues, and diversification in needs due to lifestyle changes. The environment is severe, but there will be hope if we at the Bank are close to the communities to resolve their issues by helping children



realize their dreams, or people pursue their careers or ideal lives. Such hopes should motivate people to live in this region, and the settlement of people will vitalize the community and foster cultures, attracting more people and expanding business horizons. We will devote the utmost effort to establish a mechanism to create such a virtuous cycle in the region and to define the future of the region and realize its dreams. I believe this is a social mission that gives meaning to our existence as a regional financial institution.

Clearly, it will take time to realize such a society, but nonetheless, in order to strive for sustainable development of the region, I believe it is vital to remain true to the policy over the long-term without being swayed by near-term changes in the environment. Amending our time axis that tends to be short term, we will commit ourselves to creating an environment where sustainable development of the region can be pursued while striking a balance with a long-term perspective toward realizing the vision.

A milestone toward accomplishing the mission

Realizing sustainable development of the region is the mission that the Bank undertakes. To that end, we have set a milestone for the year 2030, a behavioral indicator that corresponds to the three areas for priority action upheld in the Shigagin SDGs Declaration: (1) Establishing the regional

economy; (2) Sustainability of the global environment; and (3) Training a diversified workforce.

In “Establishing the regional economy,” we will concentrate our management resources in resolving issues facing the region and create new, outside-in business models so as to create a sustainable regional economy.

For “Sustainability of the global environment,” the Bank will work to decarbonize the region and formulate a recycling-oriented society with the introduction of renewable energy utilizing local resources.

Toward “Training a diversified workforce,” we will foster human resources capable of design-oriented thinking and with literacy required for resolving regional issues, along with expertise in AI and IoT. Also, we will take measures to publicize and promote the SDGs concepts and financial literacy. Pressing forward with these three initiatives in an integrated manner, we will create and enhance economic value and social value at the same time, and thereby spur development of regional communities.

Change of viewpoints From bank-oriented to customer- and society-oriented

As with existing borders breaking down in the field of business, banks also need to change themselves with creativity that goes beyond prior frameworks. In the



7th Medium-Term Business Plan, we set out “Change of viewpoints” as a fundamental concept. Business targets and initiatives were traditionally formulated from the standpoint of the Bank, but we changed to primarily focus on customers and regional communities. Targets were then determined in light of our understanding of customers’ goals and issues facing the region, along with how we contribute to addressing them.

In addition, in order for us to aim for sustainable development of the region, we extended the plan period from three years to five years to enable ourselves to steadily work on major reforms from a long-range perspective. To make a profound shift to a business model and internal systems designed to achieve sustainable development, it is essential to invest in ICT systems including the introduction of tablet devices, implement productivity improvement measures, and develop “problem-solution type human resources.” We will have these established in the first half of the plan period, and move into a growth trajectory in the second half.

What the Bank should aim for Sustainability Design Company

The measures under the 7th Medium-Term Business Plan, which are to be mentioned later, were set up to help develop multiple co-creation initiatives involving all stakeholders. In the course of formulation, all employees considered regional issues and thought through what should be done

to moderate the economic contraction of the region. Based on the Sustainability Vision, we defined the ideal figure of the Bank as a “Sustainability Design Company,” which manifests our resolve to “become a company that plans and creates sustainable development for customers and regional communities by going beyond the ideas and framework of traditional banks.” The main theme is “Define a future and realize a dream.”

In the banking industry, moves for reorganization and integration for survival are expected to be more active. Companies would fail if they are engaged in short-term measures merely to cope with immediate issues. In the 6th Medium-Term Business Plan (from April 2016 to March 2019), the Bank defined its ideal self as “the Regional Bank that innovates the future ‘The Regional Bank’” by differentiating itself from megabanks and representing its commitment to become the “very best regional bank” that is close to its customers. And the future vision that will lead us to a higher stage is the “Sustainability Design Company,” which is the ultimate goal of pursuing “the Regional Bank that innovates the future ‘The Regional Bank.’” To express our strong determination to go beyond the concept in the previous vision, and to seek our domain (meaning of existence) with a more flexible mindset, we replaced the word “Bank” with “Company.” Further evolving our initiatives, we will design the future of regional communities together with customers, give serious thought, and stay close to customers so as to become a “Company” indispensable to the region.

Initiatives to improve corporate value

Evolve into a problem-solution type financial information service provider

The value of our business lies in the promotion of integrated development that links economies, environments and people in the regional communities, aiming to realize sustainable development of the region. This requires “collaborative creation,” or close coordination and

cooperation, with stakeholders. The Bank’s development is unattainable without development of the region. To fulfill this mission, we will strive to evolve from a “financial information service provider” that utilizes information and networks into a “problem-solution type financial information service provider” and thereby better fit in with the regional communities, achieving a brighter future together and taking concrete actions to this end.

The Bank has operated environmental management under the motto of “protecting the global environment through the circulation of money.” Going one step further, we will take measures in the spirit of “changing society through the circulation of money” and “transforming society into sustainable one through the circulation of money.” Finance has the power to change society, and we are aware that the Bank bears that responsibility. We would like to see regions forming independent and dispersed communities by making the best use of their respective local resources, and complementing each other according to their characteristics. In realizing such “Regional Circular and Ecological Sphere,” regional financial institutions need to serve as a driving force to establish a network for “collaborative creation.”

Promotion digitalization

Digital technologies have become essential to businesses today. The Bank has introduced a smartphone settlement app in partnership with a FinTech company, and also joined J-Coin Pay and other services to enhance the level of customer service. Moreover, with participation in the TSUBASA Alliance in May 2019, we established a framework under which information is shared with other banks, namely, The Chiba Bank, The Daishi Bank, Chugoku Bank, The Iyo Bank, The Toho Bank, North Pacific Bank, The Hokuetsu Bank and The Musashino Bank. This collaboration is expected to involve research and study in the areas of cutting-edge ICT, and sophistication of financial systems. Exchanging information closely, we will jointly tackle new issues under the alliance. With further utilization of ICT, the Bank promotes digitalization to achieve greater convenience for customers, while boosting productivity through introducing ICT in operations. Supporting the response to the shift to ICT and cashless services not only at the Bank but also in the region, we will contribute to increasing productivity in regional communities.

With the advancement of digital technologies including AI and IoT, the significance of digital transformation is increasing, among which is the idea to rebuild management methods and business processes with the use of technologies. This idea is expected to form new markets and create new value, and may even change the shape of society. Every company must have its own strategies for digital transformation, and the Bank likewise plans to devise it gradually.

Turning SDGs into business

In order to combat climate change and prevent global warming, there are calls for decarbonization of society. As can be seen by plastic marine pollution demanding immediate response, actions in line with SDGs are spreading on a global scale. Thus, the concept of “sustainability” is becoming a starting point for people’s values and activities. Companies have come to be aware that areas that were previously regarded as costs may eventually generate economic losses over the long-term without taking measures in advance, and such measures are now being widely considered as investment in the future. Against this backdrop, in the financial sector, management is required to attach importance to social impact. The Bank will implement such management, and at the same time wish to let customers also turn SDGs into business, and to develop mechanisms in each region to resolve problems together. The TSUBASA Alliance jointly formulated the TSUBASA Declaration on SDGs. Through the nationwide network, we share information on issues facing each region with the participating banks and work to resolve them.

The Bank is also stepping up its activities to enhance SDGs and financial literacy targeted at the region, customers and human resources responsible for the next generation, in addition to those at the Group. In particular, understanding of SDGs is of primary importance, without which we may be left behind by the profound changes of time. Said differently, if we gain a thorough understanding of its essence, I believe that we can seize significant, unprecedented opportunities.

Further deepen CSR management

On October 1, 2018, Shiga Bank celebrated its 85th anniversary. I would like to offer my deep gratitude to our stakeholders for their support over the years.

As the social mission of a corporation whose headquarter is located next to Lake Biwa, an “asset to be held in custody for future generations,” the Bank has operated environmental management in the spirit of “protecting the global environment through the circulation of money.” The underlying basis of the new Sustainability Vision is the motto of the Shiga Bank that upholds the spirit of the “Sampo yoshi” management philosophy embraced by merchants in the Omi region of central Japan, and the unchanging spirit of

“ensuring mutual prosperity with the regional communities, all employees and the environment” upheld in the CSR Charter (Management Principles).

Under the SDGs principles that should further embed CSR management at the Shiga Bank, and as a commitment to working to ensure a sustainable society, the Bank published internally and externally the Shigagin SDGs Declaration, the first for a Japanese regional bank, in November 2017. This was followed by the launch of the New Business Support Loan (SDGs Plan), a financial product that supports clients taking on new businesses that contribute to the achievement of SDGs. We then redesigned our CSR private placement bonds as SDGs private placement bonds. In addition, as joint guarantors under housing loans, we added same-sex partners to the definition of “spouse” so as to make loans more convenient to LGBT couple customers. Aside from these measures, under the Shigagin Nonohana Prize program, we established the SDGs Prize as a special prize, and also incorporated elements of SDGs into our

Eco Business Matching Fair. In this manner, we support the creation of new businesses that serve as platforms for resolving social issues. From fiscal 2019, the Eco Business Matching Fair was renamed as the SDGs Business Matching Fair by expanding its scope.

In recognition of these initiatives, the Bank received the special award “SDGs Partnership Award” at the 2nd Japan SDGs Award hosted by the government’s SDGs Promotion Division, in December 2018. We were the first financial institution in the nation that received a prize at the award. In addition to the above, our efforts have been acclaimed by various sectors. One such example is the Minister of the Environment Award (Regional department) for excellent efforts during fiscal 2018, which was awarded by the Principles for Financial Action for the 21st Century. It provides great encouragement to the Bank to have received high commendations for its measures to support the creation of new business models that serve as platforms for resolving social issues.

Results of the 6th Medium-Term Business Plan and issues

Earnings results for the fiscal year ended March 31, 2019

Thus far, I have explained mainly our aspirations, and now I present a progress report on earnings for the fiscal year ended March 31, 2019.

The Bank posted net income attributable to owners of parent of ¥14.6 billion, up ¥0.7 billion year-on-year. Deposits and loans both performed well, with deposits (the average balance of deposits during the period including negotiable certificates of deposits) increasing by ¥173.4 billion year-on-year to ¥4,803.9 billion and loans (the average balance of loans and bills discounted during the period) increasing by ¥164.6 billion year-on-year to ¥3,696.7 billion, both on a non-consolidated basis. The capital ratio (consolidated) was 15.68%, and the total of risk-monitored loans was ¥52.6 billion, accounting for 1.39% of total loans and bills discounted. We expect net income (consolidated) of ¥12.3 billion in the fiscal year ending March 31, 2020.

Results of the Change & Challenge

In the 6th Medium-Term Business Plan (from April 2016 to March 2019), under the main theme of Change & Challenge, we took measures with “The Regional Bank that innovates the future ‘The Regional Bank’” as the vision. Further deepening “community-based finance based on the spirit of mutual prosperity,” and aiming to become the very best regional bank close to its customers, we set total deposit assets of ¥5,000.0 billion (end of year balance), total loans of ¥3,500.0 billion (end of year balance), share of loans made within Shiga Prefecture of 50%, and a 30% reduction in greenhouse gas emissions, as benchmark challenges. As a result, we achieved the targets of total deposit assets and total loans a year ahead of schedule. The share of loans made within Shiga Prefecture came to 49.42%, falling just one step short of the target; however, during the three years of the plan, the share increased by 2.1% and I believe that we achieved certain results. Our initiative for reductions in greenhouse gas

emissions achieved the benchmark and ultimately we greatly exceeded targets in three numerical targets.

In long-term strategic benchmarks, we met our target for return on equity (ROE) of 5.0% or more, and for the fiscal year ended March 31, 2019, it came to 5.77%, a year-on-year increase of 0.50 points. But the overhead ratio (OHR) was 76.80% compared to the target of less than 65%, a deterioration by 1.61 points year-on-year. Although we had some success in cost reductions, a decline in the top line due to the effect of low interest rates was a reason for decline.

Despite a harsh business environment, implementation of the three changes (responding more promptly to

customer needs, speeding up the pace of management, and improving the cost structure) resulted in the favorable financial performance above. At the same time, there were some issues. The first one is that it is difficult to improve profitability if we depend only on previous business models. We must work harder to resolve issues facing customers in the region and build up service revenue. The second issue is reconciliation of greater convenience for customers and improvement in the Bank's productivity. It is necessary to accelerate measures utilizing FinTech.

Numerical targets for the 6th Medium-Term Business Plan and the results as of March 31, 2019

Items	Targets for the year ended March 31, 2019	Results for the year ended March 31, 2019
Total deposit assets (end of year balance) (total deposits + investment trust + public bonds + financial instruments intermediary)	¥5,000.0 billion	¥5,188.6 billion
Total loans (end of year balance)	¥3,500.0 billion	¥3,795.8 billion
Share of loans made within Shiga Prefecture (excluding Shoko Chukin Bank and some other financial institutions)	50%	49.42%
Reduction in greenhouse gas emissions (an average 30% reduction compared to fiscal year 2006 over the three years from fiscal year 2016 to fiscal year 2018)	30%	35.62%

Long-term benchmark challenges (long-term benchmarks in a time-frame unrelated to the 6th Medium-Term Business Plan)

Items	Long-term benchmark challenges	Results for the year ended March 31, 2019
Return on equity ROE	5.0% or more	5.77%
OHR	Less than 65%	76.80%

Toward the accomplishment of the 7th Medium-Term Business Plan

Sustainable Development targets (SD targets)

Allow me to add some explanation about the 7th Medium-Term Business Plan.

As benchmark challenges under the 7th Medium-Term Business Plan, we have set five SD targets, which

are indicators that visualize and quantify progress in our measures to achieve sustainable development of customers, regional communities, and the Bank. Our belief is that meeting these indicators will eventually raise the corporate value of the Bank. If no action is taken, it is probable that the economic scale of the region will continue to shrink. The Bank helps boost "SD" of the regional communities, exerting

its utmost efforts to contribute to the development of the regional economy.

**Indicator 1: Investment and financing to promote SD
(Sustainable Development)**

We will grant new loans to customers based on business assessment, make new investments and financing through problem-solution type products such as SDGs, and execute SD promotion investments such as green bonds and ESG funds, for a cumulative total of ¥500.0 billion in five years. The Bank will engage in problem resolution and growth support through substantial and deep dialogue with customers and regions.

**Indicator 2: Value improvement support for
regional customers**

Our target is to raise the number of consultations per year to 1,000 cases in the final year of the plan from the current 700. Through having empathetic dialogue with more customers, we provide consultation that leads to value improvement, and aim to support the sustainable development of customers' economic activities.

**Indicator 3: Asset formation support for
regional customers**

We pursue the goal of accumulating customers' balance of assets under custody (investment trusts + financial products intermediary) of ¥300.0 billion. With life-spans of over 100 years, issues have arisen such as national pension issues accompanying a low birthrate and aging population, and those indicated by financial gerontology. Through addressing these problems and supporting customers in their asset formation planning, we will contribute to realizing a prosperous regional society.

Indicator 4: Reduction in greenhouse gas emissions

The Bank will reduce greenhouse gas emissions by 25% (compared with fiscal 2013). We will also encourage the introduction of renewable energy in the region. Utilization of local resources and increased use of renewable energy will not only serve as measures to combat global warming but also relieve dependence on imported energy and strengthen the foundation of the regional economy.



**Indicator 5: Activities for promotion and improvement
of SDGs and financial literacy / Training of
next-generation workforce**

The Bank is stepping up activities to enhance SDGs and financial literacy targeted at the region and customers, in addition to those at the Group. We will also deepen our expertise in AI and IoT which are requisite for the age to come, and train human resources essential for resolving social issues. Our target is to provide training programs to 5,000 persons.

Sales promotion strategy

The fundamental concept of the 7th Medium-Term Business Plan "Change of viewpoints," which serves as a basic stance to achieve these targets, contains three "viewpoints to be changed": From the Bank-oriented perspective to the customer-oriented perspective (market-in); from the short-term perspective to the long-term perspective; and from the

past-oriented perspective to the future-oriented perspective (backcasting). By changing our viewpoint as a bank to the viewpoint of customers, we will get close to the dreams (goals) of the region and customers and engage in sales promotion to realize these dreams (goal-based support).

To achieve this, we made the following three changes to our sales promotion strategy.

1) Change performance evaluation period

The period subject to internal performance evaluation has been changed from a six-month period to a full fiscal year period. This change suppresses from falling into the pursuit of short-term results from the Bank-oriented perspective and enables long-term assistance that helps resolve issues facing customers and the region.

2) Establish a process department

To link our consulting capabilities cultivated thus far to market-in problem resolution, we established a process department for performance evaluation. In addition, without distinguishing corporate customers from individual customers, consultation will be provided as a one-stop service. With the introduction of a new system that evaluates such initiatives, we will strive to enhance sophistication of our solutions from the perspective of customers.

3) Introduce behavioral evaluation

Behavioral evaluations made by area managers, who bridge headquarters and branches, has been incorporated in the process department. Area managers will evaluate whether the activities of branches are based on the market-in approach according to behavioral standards and behavioral indicators, while providing support as needed.

In addition to the above, to promote problem-solving measures that go beyond the traditional framework of a regional bank, the Bank kicked off the regional trading company project. Under the project, a system is now being developed to explore local resources and support tourism promotion and ICT introduction in the region and by customers.

Training “problem-solution type human resources”

With a greater emphasis on market-in business activities, we will refine our business literacy so as to create “customer delight (CD)” that goes beyond “customer satisfaction (CS).”

Specifically, we are stepping up efforts to foster “problem-solution type human resources” capable of listening to customers’ goals (vision, targets, dreams, etc.), putting themselves in customers’ shoes, standing by the customers and having an accurate understanding of their thoughts and ideas, and demonstrating solutions by proposing the best ways to help them reach their goals.

Additionally, with a view to nurturing employees with broad knowledge that can be used for problem solving without distinction between corporate and individual customers, we have started property planners development and a corporate customers consultation trainee program. The purpose of these programs is to provide to business owners more sophisticated solutions in a one-stop manner, given that consultations for corporate customers and those for individual business owners are inherently inseparable. The Bank has 188 staff members with Financial Planning Grade 1 qualification (as of March 31, 2019). To further raise its consulting capability, in the 7th Medium-Term Business Plan, we aim to increase this number to 300 as early as possible.

While working to train “problem-solution type human resources,” we will further foster a corporate culture that encourages heartfelt communication both inside and outside the Bank, and further promote measures for raising “employee satisfaction (ES).”

Measures for increasing productivity

In the 6th Medium-Term Business Plan, we strove to increase productivity through branch integration and shifting of branches to agents. We will continue to further raise productivity in the 7th Medium-Term Business Plan without exception. In February 2019, the “Block-system” was introduced on a trial basis. Under the system, we aim to increase information density and, with an aim to swiftly respond to customers, consolidate personnel at member branches who are in charge of funding to a leader branch while streamlining branch clerical work.

In addition, we started the extension of the operational overhaul project to all branches in April 2019. The project seeks to greatly reduce back-office work volume through fundamental reviews of administrative workflows and digital technologies, and aims to shift the Bank to next-generation branches that emphasize value-adding proposals through closer contact with customers. The project has been gradually developed by area and is expected to be complete in fiscal 2021.

In partnership with all stakeholders Aiming to realize a sustainable regional society

Actions based on the SDGs concept are expanding on a global scale, including response to poverty, diversity, and climate change. In order to develop the world into a better place for the future, we must strive for sustainable development built upon a virtuous circle propelling the economy, environment and society.

In the business sector, operations are now transcending traditional industry boundaries. In the age of drastic change in each and every field, "changing" merely through an extension of existing frameworks would not be sufficient to survive; upon changing, we must "evolve" so as to generate something new.

Our belief is that developing businesses in line with the SDGs concept will create "shared value (evolution)" that reconciles the twin imperatives of economic value and social value, and eventually drive development of regional

communities. To create "shared value," however, the power of finance alone is not sufficient. What it takes to realize a sustainable society is co-creation with various stakeholders that share the same aspirations, such as our customers, regional communities, shareholders, local governments, employees and their families.

"A society where everyone can define their future and live happily"

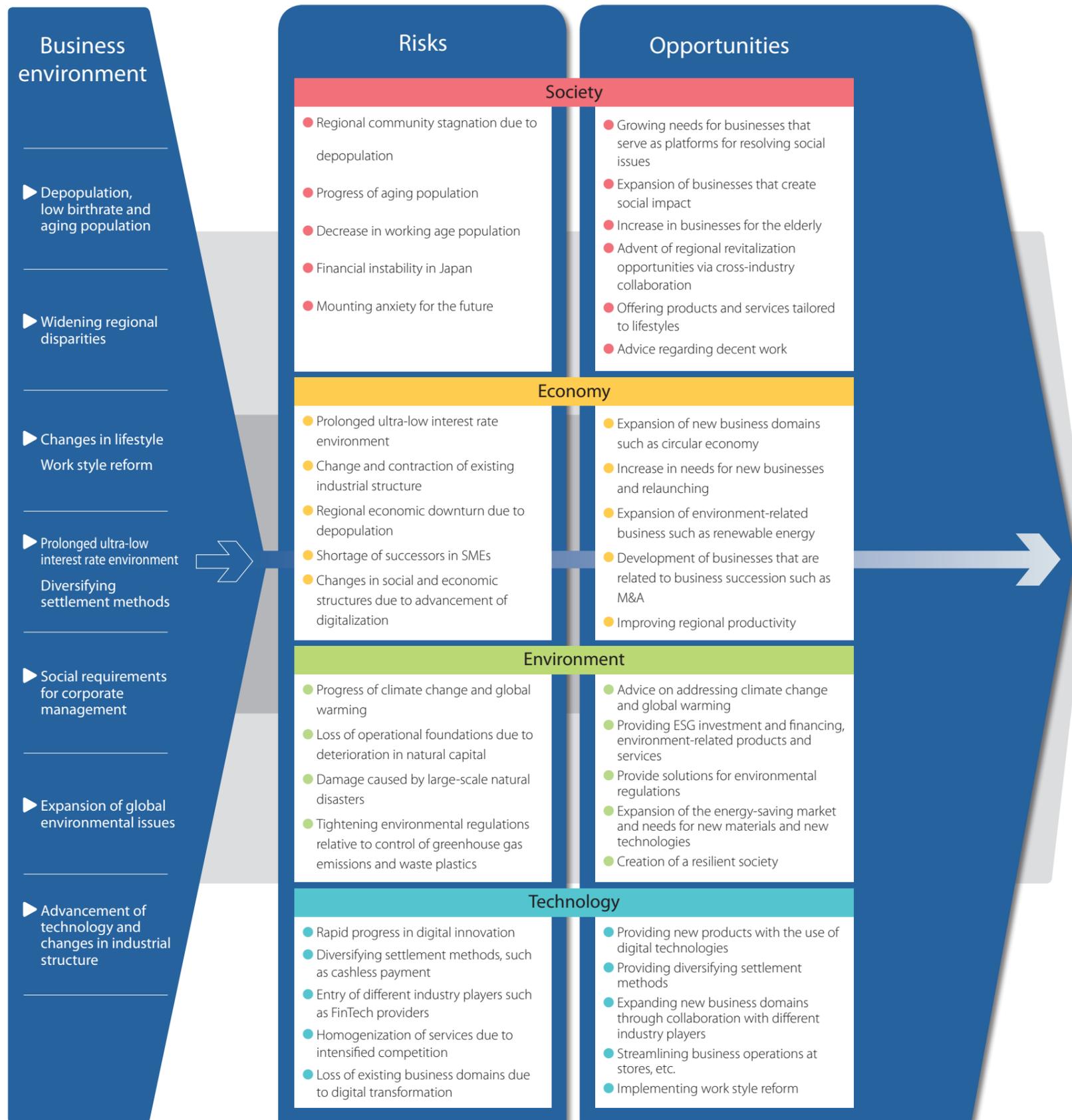
Having this value shared with our stakeholders and making the SDGs into a power for change, the Shiga Bank continues to make contributions to the sustainable development of regional communities.

I look forward for the continued understanding and support of all stakeholders in this endeavor.



Risks and Opportunities

—Recognition of Issues and Strategic Measures of the Bank—



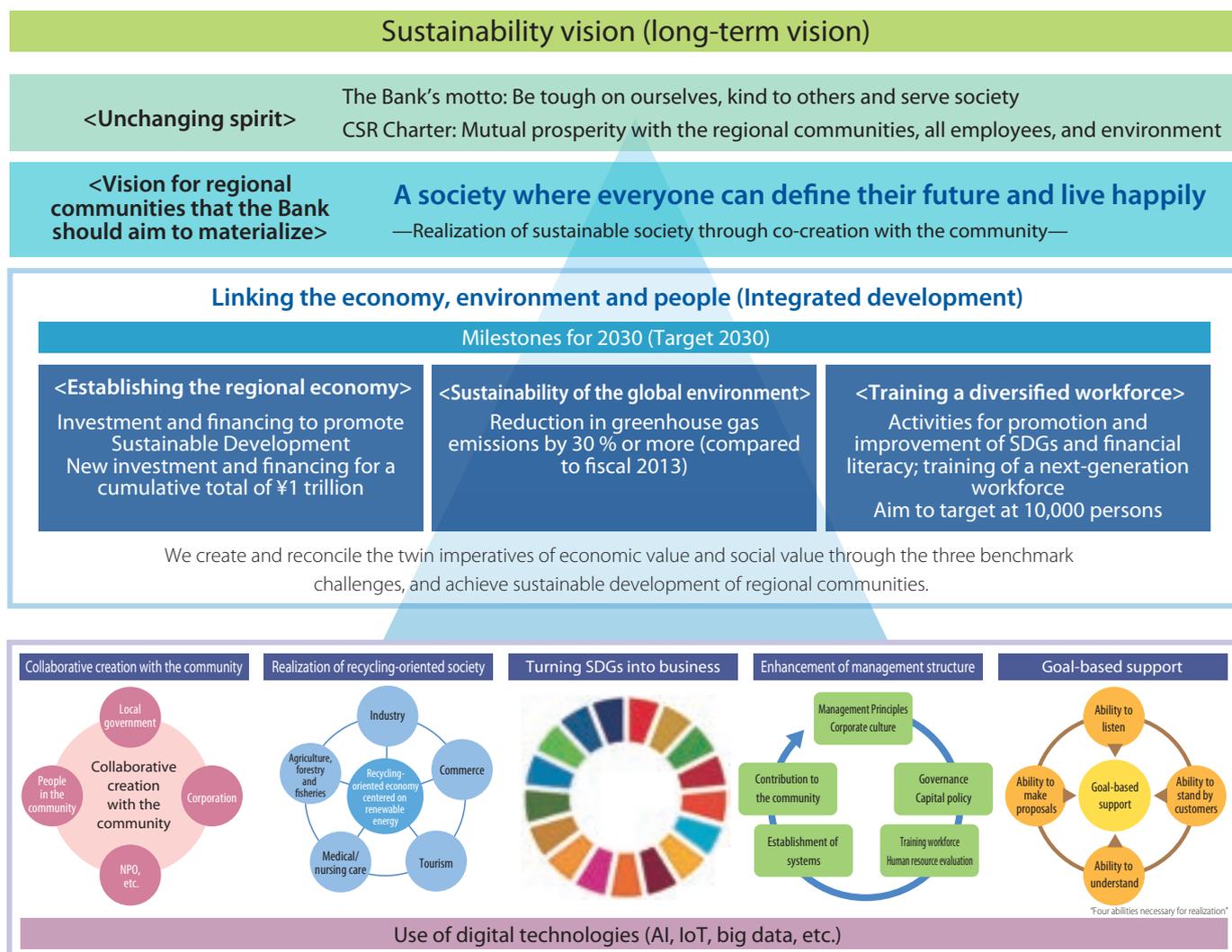
The 7th Medium-Term Business Plan

Sustainability Vision (long-term vision)

With major changes in people's values and economic structures, the society of today is said to be at a turning point. What is expected of companies is for management to maximize corporate value with a long-term perspective, instead of short-term for-profit management. In the financial industry, in addition to the role as a provider of funds necessary for economic activities, importance is now attached on the impact it gives to society through financing.

In light of this social demand, the Bank, upon compilation of the 7th Medium-Term Business Plan, thoroughly discussed topics such as "What is the vision for regional communities that we should aim to materialize?" and "What should be done to create social impacts necessary to achieve that vision?" and formulated the Sustainability Vision (long-term vision) as the vision for regional communities the Bank should aim to materialize.

In order for the Bank to continue development in partnership with local communities, it strives for a sustainable society by resolving issues facing regions based on the concept of backcasting.



*Co-creation with the community: creation based on shared values

Collaborative creation with the community: creation through collaboration

The Bank's unchanging motto carries on the "Sampo yoshi" philosophy, a management philosophy embraced by Merchants in the Omi region.

The three types of mutual prosperity upheld in the CSR Charter (Management Principles) are the mission the Bank continues to pursue and the source of social meaning of its existence.

This represents a materialized vision of a regional community after the Bank's motto and the CSR Charter are achieved. It can be rephrased as "a sustainable society in the eyes of the Bank."

With the concept of backcasting, we uphold three indicators to realize the vision of a regional community. Exerting efforts toward achieving these indicators will bring us closer to the realization of the regional society we aim for.

"Linking economy, environment and people (Integrated development)" indicates that these three indicators will not develop independently but in an integrated manner by mutually interacting each other.

The word "Milestone" represents that the achievement of the target is merely a stepping stone toward a sustainable society.

(1) Establishing the regional economy

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

A commitment to creating sustainable regions through concentrating management resources on the local economy and resolving issues facing each region.

(2) Sustainability of the global environment

Reduction of the Bank's greenhouse gas emissions by at least 30% compared with fiscal 2013

A commitment to realizing fossil fuel-independent regional communities by increasing the use of renewable energy toward creating a decarbonized society.

(3) Training a diversified workforce

Activities for promotion and improvement of SDGs and financial literacy, and training of a next-generation workforce targeted at 10,000 persons

A commitment to fostering a workforce capable of design thinking* and with literacy required for resolving regional issues, along with expertise in AI and IoT.

*Design thinking: An ability to grasp the essence of issues based on the needs of customers and to think through every possible measure for resolution

Corporate value is the sum of economic value and social value. Not just by generating economic value through operations, but also by generating and raising social value to the utmost extent, the Bank strives to become a company indispensable to the region.

These are the basic measures for achievement of the indicators. Through implementing them comprehensively with the use of digital technologies, we will achieve the indicators and move closer to the realization of an ideal society.

■ Collaborative creation with the community

In collaboration with stakeholders, we will create a sustainable society.

■ Realization of recycling-oriented society

With a focus on renewable energy, we realize a regional cycle based on overall harmony and with independent individuals.

A recycling-oriented society can be achieved by having regions complement each other according to their characteristics.

■ Turning SDGs into business

Positioning SDGs as a management foundation, we will create a business model that transforms risks into opportunities.

■ Enhancement of management structure

We will redefine the Bank's business model based on design thinking and transition to a consistent management structure aimed at realizing the vision.

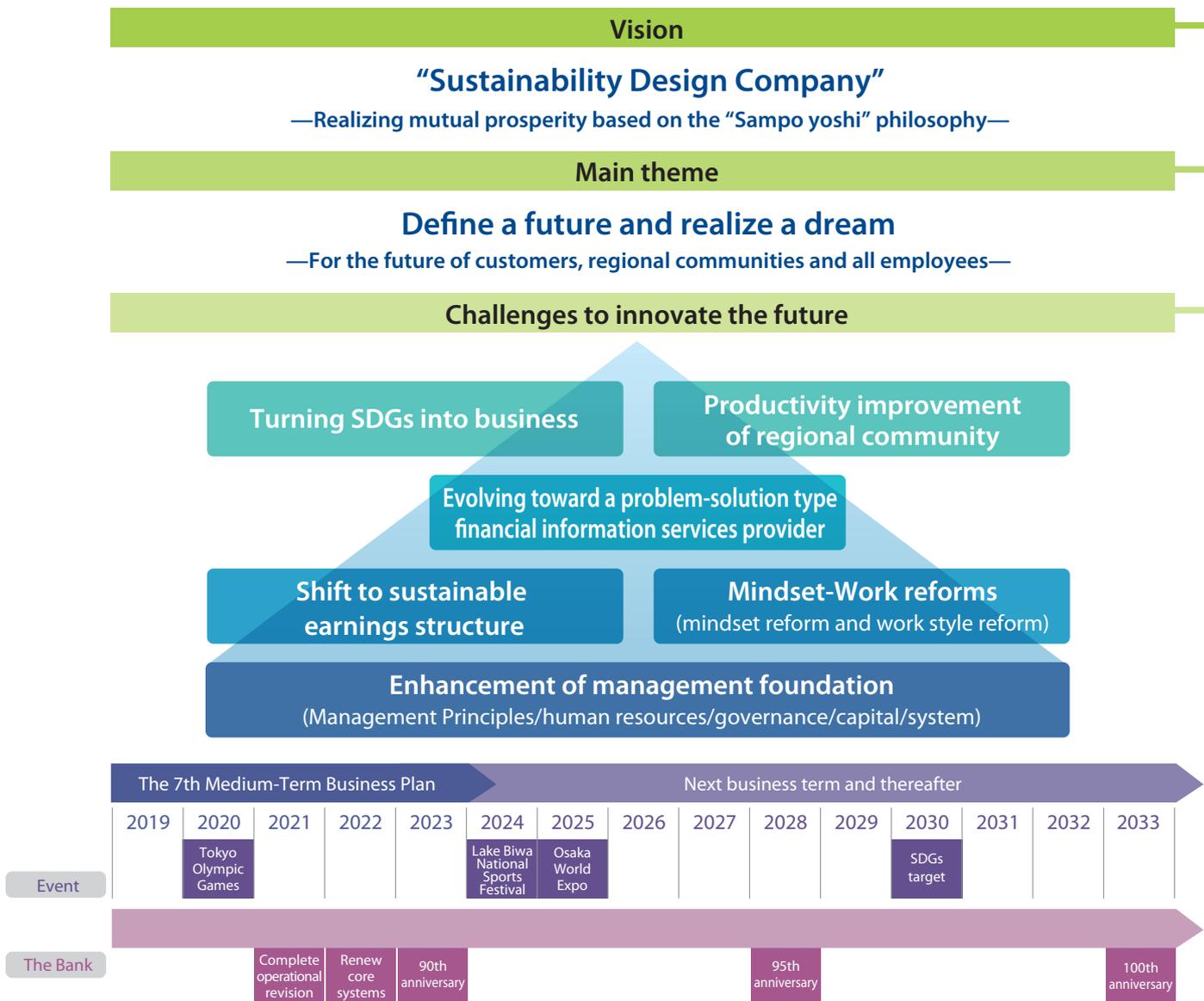
■ Goal-based support

Sharing the "goals (ideal visions for the future)" of customers, we will move closer to them and provide support for realizing goals.

Outline of the Business Plan

—Change of viewpoints and challenge toward sustainable development—

In the course of formulating the 7th Medium-Term Business Plan, we placed emphasis on “Change of viewpoints.” Previously, most of our targets and initiatives focused on what the Bank (ourselves) wants to be, or how the numerical targets of the Bank should be, all from the perspective of the Bank; however, this is to be changed to a viewpoint from regional communities and customers. The fundamental concept of the new plan is meeting the challenge to create sustainable development of regions based on this perspective.



Vision

“Sustainability Design Company”

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

Inheriting the spirit of the Vision “The Regional Bank that innovates the future ‘The Regional Bank’” upheld under the 6th Medium-Term Business Plan, the vision has been set as the “Sustainability Design Company.” “Sustainability Design” manifests our resolve to plan and create sustainable development of customers and regional communities, and “Company” expresses our intention to go beyond traditional frameworks and ideas.

Main theme

Define a future and realize a dream

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

To achieve the vision of “Sustainability Design Company,” it is vital to define the future of customers, regional communities and all employees, and realize their respective dreams.

Our belief is that taking on the following challenges to innovate the future will bring us closer to the realization of the main theme.

Challenges to innovate the future

Society
(customer)-
oriented
challenges

■ Productivity improvement of regional communities

Supporting response to the shift to ICT and cashless services in the regional communities, we will contribute to increasing productivity of regional communities.

■ Turning SDGs into business

By having not only the Bank but also customers turn SDGs into business, we will drive sustainable development of regional communities.

■ Evolving into a problem-solution type financial information services provider

Through listening to customers’ ideal visions for the future and dreams and providing support for realization, we will evolve into a problem-solution type financial information services provider.

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

Diversity of our employees and reforms in their mindset and work styles should be sought out first in order for us to cater to the needs of customers and regional communities.

■ Shift to sustainable earnings structure

The Group will boost its earnings power and productivity with an aim to shift to a sustainable earnings structure.

■ Enhancement of management foundation

(Management Principles/human resources/governance/capital/system)

To create the future of customers, regional communities and all employees, our management foundations must be enhanced.

The Bank-
oriented
challenges

From the top, in decreasing order of the society-oriented degree.

Through enhancing its own management foundation, and achieving a shift to a sustainable earnings structure and via Mindset-Work reforms, the Bank will strive to evolve into a problem-solution type financial information services provider. The ultimate goals are to help turn SDGs into business for customers as well as for the Bank, and boost productivity of regional communities.

Numerical targets for the 7th Medium-Term Business Plan —Achieving revenue target through achieving SD targets—

The benchmark challenges under the 7th Medium-Term Business Plan are classified into three categories: SD targets, revenue targets, and long-term benchmark challenges.

The SD targets are a set of numerical indicators for sustainable development of customers, regional communities and the Bank, of which achievement will also bring us to the achievement of the revenue target. The long-term benchmark challenge are long-term benchmarks in a time frame unrelated to the 7th Medium-Term Business Plan.

Also, for the current Medium-Term Business Plan, we changed the plan period from three years to five years. Making a profound shift to a business model and structure capable of sustainable development requires investment in an ICT system including the introduction of tablet devices, productivity improvement measures, and development of “problem-solution type human resources.” We changed the plan period so as to have these elements established in the first half of the period, and move into a growth trajectory in the second half.

	Benchmark challenges	Year ending March 31, 2022	Year ending March 31, 2024
SD targets*	Investment and financing to promote Sustainable Development	(Cumulative amount of new investment and financing) ¥500.0 billion	
	Support for value improvement of regional customers (number of requests for consultation per year)	850 cases	1,000 cases
	Support for asset formation of regional customers (balance of assets under custody*investment trust + financial instruments intermediary*)	¥220.0 billion	¥300.0 billion
	Reduction in greenhouse gas emissions (compared to fiscal 2013)	25%	
	Activities for promotion and improvement of SDGs and financial literacy Training of next-generation workforce	(The number of participants of training, etc.) 5,000 persons	
Revenue targets	Net income attributable to owners of parent (consolidated)	¥10.0 billion or more in the final year	
	Income from services for customers	¥2.0 billion	¥3.0 billion

*SD (Sustainable Development) targets: Targets that will lead to the regional sustainable development

Long-term benchmark challenges	
ROE (consolidated)	5.0% or more
OHR	Less than 65%

SD targets

■ Investment and financing to promote Sustainable Development

We aim to provide new financing to Ratings Communication Service clients, make new investments and financing of SDGs-type products and make new ESG investments for a cumulative total of ¥500.0 billion in five years. As Ratings Communication Service clients are subject to our business feasibility study, we believe that financially supporting their businesses will also drive sustainable development of regions and customers. The SDGs-type products and ESG investments express the Bank's commitment to its active engagement in SDGs initiatives.

■ Support for value improvement of regional customers

The Bank strives to raise the number of consultations per year to 1,000 cases in the final year of the plan from the current 700. Through steadily providing consultation that leads to customers' value improvement, we aim to support the sustainable development of customers.

■ Support for asset formation of regional customers

This target represents our goal of accumulating customers' balance of assets under custody to ¥300.0 billion in five years. With life-spans of over 100 years, not for the sake of commission income, but through steadily addressing such issues as national pension problems and those indicated by financial gerontology amid an ongoing low birthrate and aging population, we will contribute to realizing sustainable development of regions and customers.

■ Reduction in greenhouse gas emissions

As part of initiatives for environmental management, we will continue efforts by setting specific targets.

■ Activities for promotion and improvement of SDGs and financial literacy

Targeted at the region, customers and human resources bearing the next generation, in addition to those at the Group, the Bank is stepping up activities to increase their knowledge of SDGs and financial literacy, which is requisite to survive the age to come.

Revenue targets

■ Net income attributable to owners of parent of ¥10.0 billion or more

This is a level necessary for the Bank to continue its own sustainable development.

■ Income from services for customers of ¥3.0 billion

This is based on our belief that in order to build a sustainable earnings structure, it is necessary to cover expenses with interest income from deposits and loans, and fees and commissions.

Long-term benchmark challenges

These are long-term benchmarks in a time frame unrelated to the 7th Medium-Term Business Plan. They are stretch goals in light of the current economic environment, and the Bank will continue its efforts to achieve them.

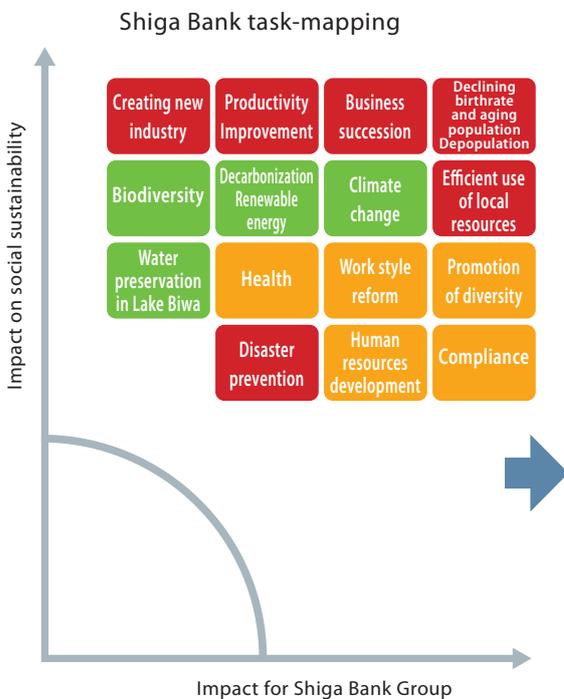
Aim for a sustainable society with a virtuous circle propelling the economy, environment and society

At the CSR Committee headed by the President, we identified priority issues to be tackled by the Bank. In November 2017, the Bank published internally and externally the Shigagin SDGs Declaration, the first for a Japanese regional bank. By connecting the Sustainable Development Goals (SDGs) proposed by the United Nations to our corporate behavior and working to resolve social issues, we will achieve a virtuous circle propelling the economy, environment and society, thereby aiming to realize a sustainable society.



Priority issues (Materiality)

After repeated discussions at the CSR Committee, we have identified priority issues.



Areas for priority action

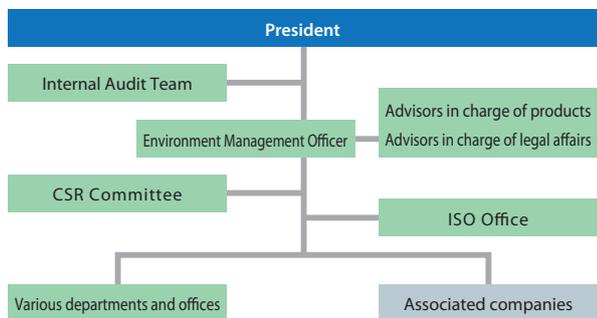
Establishing the regional economy	Sustainability of the global environment	Training a diversified workforce
Creating new industry 8 DECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Actions for climate change 1 NO POVERTY, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 13 CLIMATE ACTION	Promotion of diversity 5 GENDER EQUALITY, 10 REDUCED INEQUALITIES, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Declining birthrate and aging population / Depopulation 3 GOOD HEALTH AND WELL-BEING, 4 QUALITY EDUCATION, 8 DECENT WORK AND ECONOMIC GROWTH	Decarbonization Renewable energy 7 AFFORDABLE AND CLEAN ENERGY, 13 CLIMATE ACTION	Work style reform 3 GOOD HEALTH AND WELL-BEING, 8 DECENT WORK AND ECONOMIC GROWTH
Business succession 8 DECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Water preservation in Lake Biwa 6 CLEAN WATER AND SANITATION, 14 LIFE BELOW WATER, 15 LIFE ON LAND	Health 1 NO POVERTY, 2 ZERO HUNGER, 3 GOOD HEALTH AND WELL-BEING
Efficient use of local resources 7 AFFORDABLE AND CLEAN ENERGY, 8 DECENT WORK AND ECONOMIC GROWTH, 11 SUSTAINABLE CITIES AND COMMUNITIES	Protecting biodiversity 6 CLEAN WATER AND SANITATION, 14 LIFE BELOW WATER, 15 LIFE ON LAND	Compliance 5 GENDER EQUALITY, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Productivity Improvement 3 GOOD HEALTH AND WELL-BEING, 8 DECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE		Human resources development 4 QUALITY EDUCATION, 5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH
Disaster prevention (Creation of a resilient society) 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 11 SUSTAINABLE CITIES AND COMMUNITIES		



The Bank's CSR foundations

We established a CSR Committee headed by the President of the Bank for cross-organizational discussion of longer-term planning and annual initiatives in CSR.

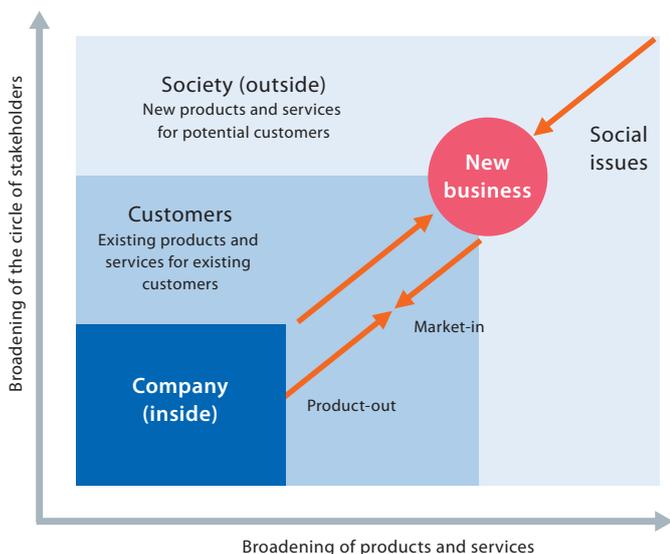
Organization Chart of Environmental Management



- Environmental policy (established in October 1999 and revised in April 2010)
<https://www.shigagin.com/csr/policy/index.html>
- Policies for biodiversity preservation (established in August 2010)
<https://www.shigagin.com/csr/policy/hozen.html>

Turning SDGs into business

The Shiga Bank believes that turning SDGs into business will drive sustainable development of regional communities. As a problem-solution type financial information services provider, the Bank will take measures to create a new, social issue-oriented business model (outside-in).



Declared support for UNEP initiative

The Shiga Bank is the only regional bank in Japan that signed the United Nations Environment Programme Finance Initiative (UNEP FI). Declaring its support for various initiatives that integrate and promote economic development and ESG (environment, society and governance), the Bank is propelling activities in line with these initiatives.



TOPICS

Land-based blowfish-farming utilizing water purification technology

The Shiga Bank provided its New Business Support Loan (SDGs Plan) to Willstage Co., Ltd. (Kusatsu City, Shiga Prefecture) as the first recipient, which has a technology utilized for purification of the Aji Pond at the Phoenix Hall of Byodoin Temple (Uji City, Kyoto Prefecture) and the Myokochi Pond at Enkakuji Temple (Kamakura City, Kanagawa Prefecture). The company also adapted this water purification technology to the challenges of the land-based blowfish-farming business, to which the Bank has provided financial support through the Shiga Sixth-Sector Industrialization Fund. This initiative contributes to the creation of a sustainable society in the form of water pollution prevention and stable supply of food, as well as job creation in the region.

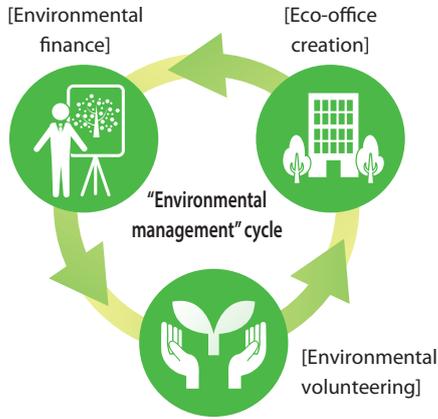


Protecting the global environment through the circulation of money —Environmental management—

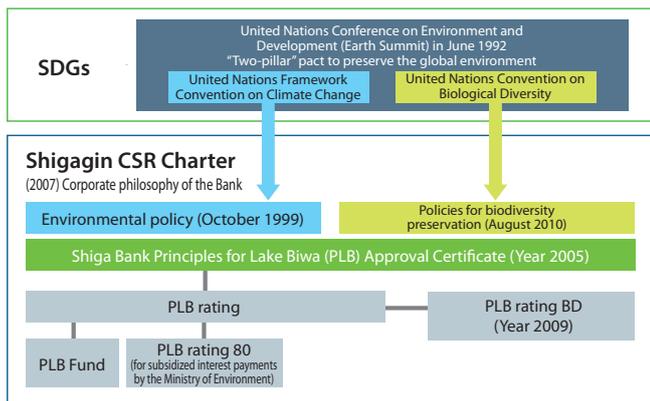
The social mission of our company, which is headquartered by Lake Biwa, is to pursue CSR based around “environmental management” which incorporates the environment in management. We are also committed to prevention of global warming and biodiversity preservation as well as building of a sustainable society.

Example of “environmental management” cycle

The Bank operates “environmental management” as a cycle in story-telling.



“Environmental finance”

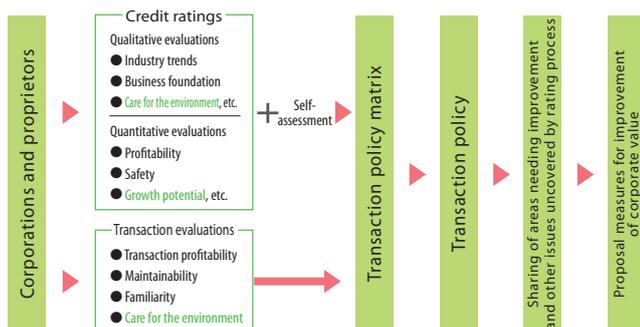


We are helping create a sustainable society through our role as a financial institution, such as development and provision of environmentally-responsive financial products and services.

Corporate credit ratings that take account of customer environmental awareness

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

Corporate credit ratings system



The Bank’s original environmental rating (PLB)

The Bank has established its own unique “Shiga Bank Principles for Lake Biwa (PLB)” to protect Lake Biwa and the global environment, and is enlisting support for these principles.

In addition, the Bank rates customers who have agreed with the principles of the PLB, using the “environmental rating (PLB rating)” based on the Bank’s unique evaluation standards. This is used as a tool for raising awareness of environmental management.

Customers who develop products or services that are practically useful in preserving the environment or introduce energy-saving facilities, etc. are eligible for funding under the “Principles for Lake Biwa support fund (PLB Fund).” The Bank offers a discount of up to 0.5% on annual interest rates on loans depending on degree of environmental commitment shown in the rating.

Three principles in Shigagin Principles for Lake Biwa (PLB)

- 1) We compile standards for production, marketing and services that are useful for environmental protection.
- 2) We aim to ensure environmentally-friendly corporate conduct without missing business opportunities.
- 3) We reduce environmental risk and realize a sustainable regional society.

ESG investment

With the “investment and financing to promote Sustainable Development” as a benchmark challenge under the 7th Medium-Term Business Plan, we are working to realize a sustainable society through our business operations. Proactively taking measures for ESG investment and financing, which is an investment and financing methodology focused on ESG (environment, society and governance), the Bank is promoting sustainable finance (green finance and social finance).

Looking ahead, we shall continue to engage in investment and financing that takes into account ESG considerations and SDGs while striving to enhance the profitability of assets under management, based on appropriate risk management.

Investment examples

- JICA (Japan International Cooperation Agency) bonds
- Japan Student Services Organization Bonds
- Low Carbon Japanese Equity Fund
- Private placement type green bonds
- Sustainability loans

SDGs Approval Certificate

As part of its measures to publicize and promote SDGs, the Bank redesigned CSR private placement bonds as SDGs private placement bonds in September 2018.

Having in place a mechanism under which a company wishing to issue SDGs private placement bonds is required to submit to the Bank an “SDGs Approval Certificate,” we publicize and promote SDGs and encourage customers’ efforts to resolve social issues.

Eco-office creation

The Bank is actively promoting resource and energy usage reduction in accordance with the “Shigagin environmental policy.”

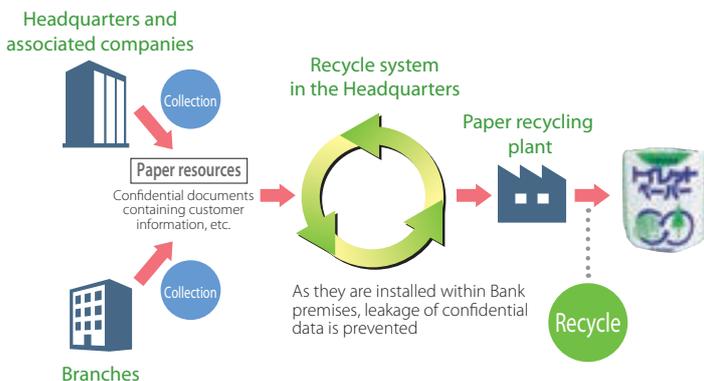
Power-saving measures

The “Shigagin Eco Style” summer campaign between May and October and winter campaign between December and March are implemented, while lighting is reduced and overtime is discouraged.

In fiscal 2016, we conducted repair works of the Headquarter administrative center installing the latest energy-saving facility and realized significant power usage reduction.

Recycle system in the Bank

We have established recycling systems within Bank premises and are taking measures to promote paper recycling and prevent data leakage.



Recommending eco-commuting

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

Development of environment-conscious branches

We are committed to environmental protection and reduction of greenhouse-gas emission volumes through inclusion at new branches of “solar panels,” “solar street-lights,” “LED lighting,” “rainwater-harvesting equipment,” “rooftop-greening” and other measures.

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

Environmental volunteering

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

“Ikimonogatari” (Tales of Life) activities with a story

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

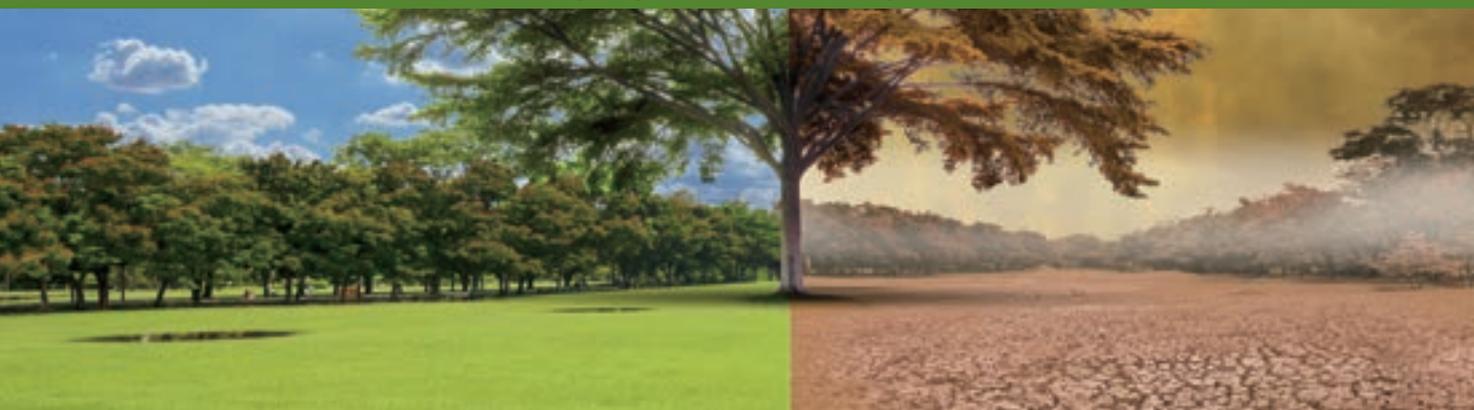


Initiatives rooted in the community

We are proactively involved in regional activities to improve the environmental awareness of employees, promote exchange among different areas and strengthen our links with the community.



Measures for climate change/global warming



Positioning “environmental management,” which incorporates the environment in management, as the essence of banking management, the Shiga Bank has engaged in “environmental finance” which involves the environment in finance, “eco-office creation” for conservation of resources and energy, and “environmental volunteering” which aims for biodiversity preservation. The Bank has also taken pioneering measures in formulating its own Environmental Policy and Environmental Targets to achieve harmonious coexistence with the environment as set out in the CSR Charter (Management Principles).

Affecting not only our economic activities but also daily life, recent climate change and other changes in the global environment have

already become a common, pressing issue to humanity. Recognizing climate change as one of the most important management issues, the Bank will contribute to the creation of a sustainable society by establishing a “virtuous circle propelling the economy, environment and society” through fulfilling its role as a financial institution. In addition, as the Bank supports the purpose of the TCFD* Proposal, it will take measures to sophisticate its information disclosure to meet recommendations by the TCFD.

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

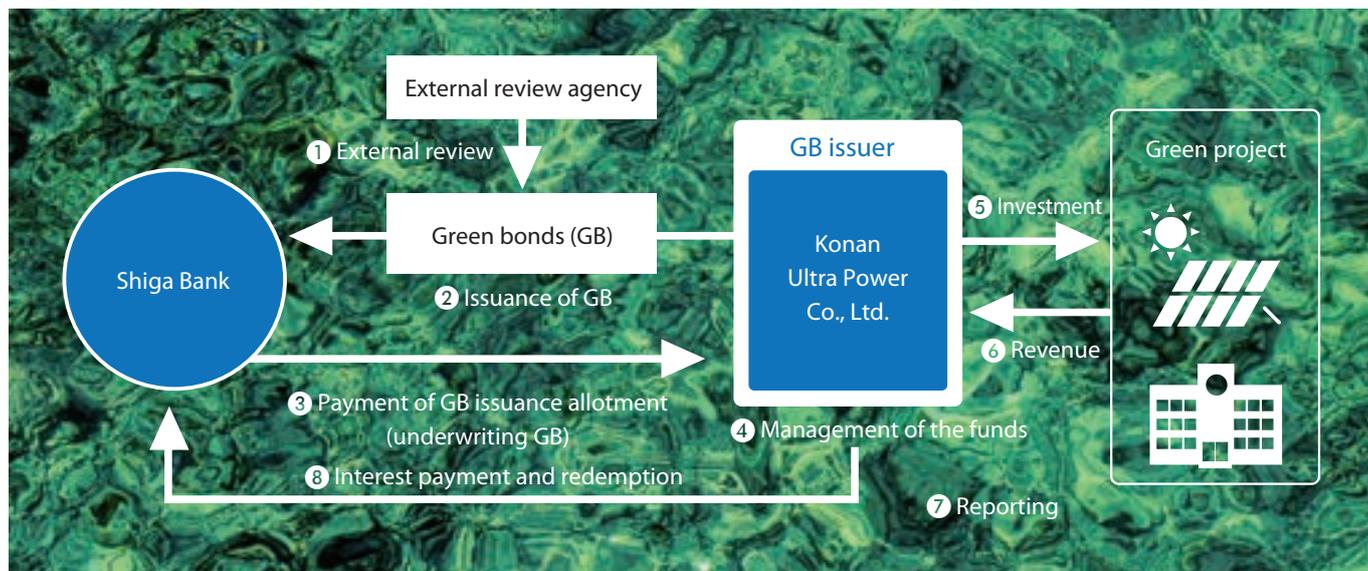
Initiatives for Task Force on Climate-related Financial Disclosures (TCFD)

Governance	<p>The Shiga Bank established a CSR Committee chaired by the President, which 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 and decides on priority issues related to CSR of the Group, and conducts investigations and research on climate change and other environment-related issues.</p> <p>Specific activities of the Committee include determination of the Shigagin SDGs Declaration and its Materiality, formulation of the Sustainability Vision under the 7th Medium-term Business Plan, and discussion on how to respond to the TCFD.</p> <p>Looking ahead, as a response to climate change, the Bank will consider regular reporting on measures and response concerning climate change to the Management Meeting and the Board of Directors.</p>
Strategy	<p>While designating priority issues to be tackled by the Bank (Materiality), we formulated the Sustainability Vision (long-term vision) aiming for a sustainable society. Based on the Sustainability Vision, the 7th Medium-term Business Plan that started in April 2019 set forth “Sustainability Design Company” as our new vision and “Define a future and realize a dream” as our main theme. We uphold evolving into a problem-solution type financial information services provider that turns SDGs into business and transforms society through its businesses.</p> <p>Specifically, through promoting environmental finance and establishing a regionally recycling-oriented society (circular economy), the Bank strives for realization of a low carbon society with low greenhouse gas emissions, and ultimately a transition to a decarbonized society. In addition, we will support businesses that contribute to mitigating climate change such as renewable energy and green projects, corporate investments toward enhancing energy efficiency and infrastructure development, as well as creation of climate change-resilient regions and establishment of sustainable lifestyles.</p> <p>Going forward, we will also analyze multiple scenarios concerning risks and opportunities in climate change.</p>
Risk management	<p>The Bank recognizes that physical risks and transition risks stemming from climate change will deeply affect the Bank’s operation, strategy and financial planning. We will therefore establish systems for managing such risks in a framework of comprehensive risk management.</p>
Indicators and targets	<p>The Bank has stipulated environmental impact reduction goals as follows. (Scope 1 and Scope 2 standards)</p> <ul style="list-style-type: none"> ● Long-term indicator (by March 31, 2030): Reduce CO₂ emissions by at least 30% (compared to fiscal 2013) ● Medium-term indicator (by March 31, 2024): Reduce CO₂ emissions by 25% (compared to fiscal 2013)

Underwriting private placement type green bonds (GB)

The Bank has underwritten private placement type green bonds worth ¥110 million issued by Konan Ultra Power Co., Ltd., an electric power company in the region. The funds raised by the bonds were allocated

to the installation of photovoltaic facilities and to the switchover to LED lighting at four local elementary schools, helping promote production and utilization of renewable energy in the region.

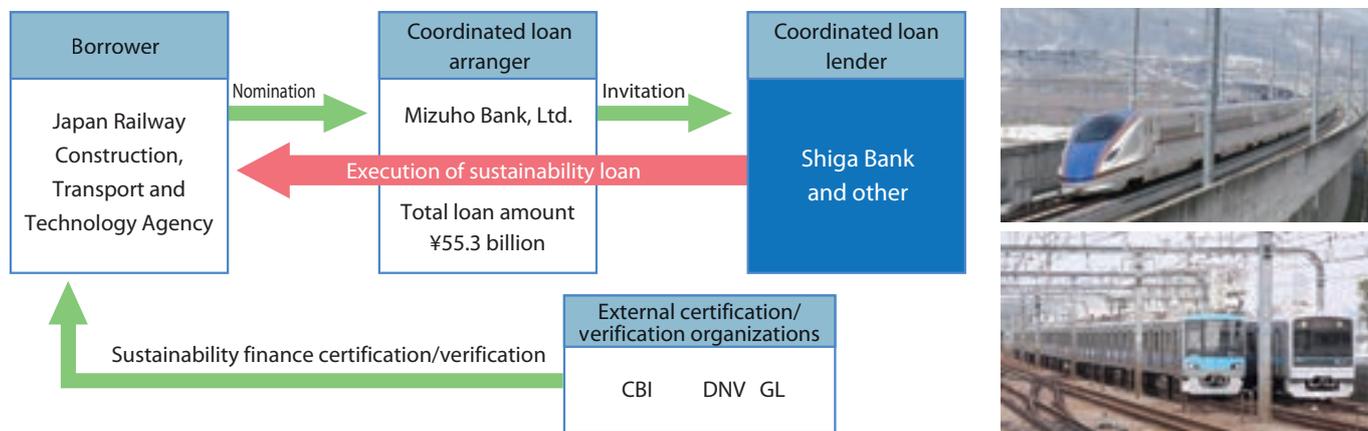


Offered financing of ¥10.0 billion as a sustainability loan

As a response to climate change, the Bank offered financing of ¥10.0 billion as a sustainability loan to Japan Railway Construction, Transport and Technology Agency (JRJT). This is an underwriting of a large-scale coordinated loan (total loan amount: ¥55.3 billion) structured by Mizuho Bank, Ltd. as an arranger. The eligibility of the loan has been verified by an international third-party evaluation agency, DNV GL,*2 and in regard

to the environmental improvement effect, the sustainability loan was the first in Japan to receive a program certification of CBI*3 known for its stringent criteria. The funds are being used for construction and maintenance of railways, which is a mass transit system with low CO₂ emissions.

Scheme diagram



Source: JRJT

*2. A third-party evaluation agency headquartered in Oslo, Norway established in 1864.

*3. An international non-governmental organization promoting large-scale investments for a low carbon society. It stipulates eligibility criteria for exhaust gas reduction, etc., with detailed numerical targets, which is said to be the most stringent criteria among related certifications.

External evaluation on management of Shiga Bank

The Shiga Bank owes its long history to the loyal patronage of customers and the regional communities. With the awareness that “the Bank’s development is unattainable without the development of the region” and guided by the mission to contribute to sustainable growth of the regional communities, we have been proactively pursuing mutual prosperity with the regional communities, all employees and environment as set forth in the CSR Charter (Management Principles). Our efforts made to date have received high praise from various external institutes and organizations.

- 2003**
 - Awarded the Environmental Management Pearl Prize at the “1st Japan Environmental Management Award”
- 2004**
 - Awarded the Financial Institution Category Prize at the “2nd Integrity Award”
 - Awarded the Fujisankei Communications Group Prize at the “13th Global Environment Award”
 - Awarded the Shiga Labor Bureau’s Award
 - Certified as “FTSE4Good Global Index”
- 2007**
 - Awarded the “Manager of the Year Award” of ZAIKAI for fiscal 2006
 - Awarded Minister of the Environment Prize at the “9th Green Purchasing Award”
- 2008**
 - Awarded the Chairman’s Prize from the New Energy Foundation at the “12th New Energy Award”
 - Awarded the Grand Prize at the “5th Corporate Philanthropy Award”
 - Registered as a “Work-Life Balance Promotion Company”
 - Awarded the Grand Prize at the “BCAO Awards 2007”
 - Certified as a company that proactively works to support childcare based on the “Act on Advancement of Measures to Support Raising Next-Generation Children”
 - Certified as “Eco-First Enterprise” by the Ministry of the Environment
 - Awarded the “Kansai Eco Office Prize” for fiscal 2007
 - Awarded the “Minister of the Environment’s Commendation for Global Warming Prevention Activity” for fiscal 2008
- 2009**
 - Awarded the Prize for Encouragement at the “12th Environmental Communication Award”
- 2010**
 - Awarded the Special Excellence Award in the Environmental Report Category at the “13th Environmental Communication Award”
 - Awarded the Environmental Management Pearl Prize at the “8th Japan Environmental Management Award”
 - Ranked first in the nonmanufacturing sector/financial institutions category in the “14th Environmental Management Survey” by Nikkei Inc.
- 2011**
 - Awarded the judges’ special award at the “Stop Global Warming Award –Low Carbon Cup 2011–”
 - Awarded the Prize for Excellence in the Environmental Television Commercial Category at the “14th Environmental Communication Award”
 - Certified for the second time as a company that proactively works to support childcare based on the “Act on Advancement of Measures to Support Raising Next-Generation Children”
 - Awarded the Minister of Agriculture, Forestry and Fisheries Prize at the “2nd Contest for Corporate Activities on Biodiversity”
- 2012**
 - “kimonogatari activities” were included in the 2012 “Environmental White Paper”
 - Certified as Good Practice in the “Principles for Finance Action towards a Sustainable Society”
- 2013**
 - Awarded Grand Prize at the “15th Green Purchasing Award”
- 2014**
 - CSR activities of the Bank were included in the Contemporary Ethics textbook for high schools published by Shimizu Shoin
 - Earned double commendations at the “17th Environmental Communication Award”
 - Environmental Report Grand Prize in the Environmental Report Category (Minister of the Environment Prize)
 - Prize for Excellence in the Environmental Television Commercial Category (President of Global Environmental Forum Prize)
 - Certified again as “Eco-First Enterprise” by the Ministry of the Environment
 - Certified for a third time as a company that proactively works to support childcare based on the “Act on Advancement of Measures to Support Raising Next-Generation Children”
 - Awarded the Minister of Health, Labour and Welfare Prize at the “50th National Convention of the Blood Donation Drive”
 - Awarded the Prize for Encouragement at the 2nd “Miyako Environmentally Friendly Building” Reward System” (Kyoto Branch)
- 2015**
 - Awarded the Prize for Excellence at the “1st Kaueco GRAND PRIX”
 - Awarded the Prize for Excellence in the Environmental Report Category at the “18th Environmental Communication Award”
 - Won the Outstanding Performance Award at the first “Low Carbon ‘Towns and Buildings’ Contest” (Ritto Branch)
 - Won the Outstanding Performance Award at the “Integrity Award 2015”
 - Awarded the first prize at the “Kankyo Hito-zukuri Kigyo Taisho 2014”
 - Awarded the Shiga Labor Bureau Director’s award for promotion of equality and a better work-life balance for fiscal 2015 in the family-friendly corporate category
 - Awarded the first prize in the “2015 UCDA Award”
- 2016**
 - Certified as Good Practice at the 4th “Principles for Finance Action towards a Sustainable Society”
 - Adopted “Ikuboss declaration” (239 persons)
 - Awarded “Platinum Kurumin certification” based on the “Act on Advancement of Measures to Support Raising Next-Generation Children”
 - Commended as a business operator that excels in environmental protection at the Shiga Prefecture’s “Environment Protection Chairman’s Prize”
- 2018**
 - Awarded the “Supporting Sponsor Prize” at the 2nd Green Ocean Grand Award 2018
 - Awarded the “Bank of the Year,” the top award, and the “Community Contribution Grand Prize” at the “6th M&A Bank of the Year” hosted by Nihon M&A Center Inc.

Awarded the Fujisankei Communications Group Prize at the “13th Global Environment Award”

First in the banking industry

We were awarded as a company proactively engaged in environmental preservation activities in pursuit of industrial development and coexistence with the global environment.

Certified as Eco-First Enterprise

First in the financial industry

We declared our commitment to environmental finance, eco-office creation and coexistence of human and natural environment as the “Eco-First Commitments.” We were awarded by the Minister of the Environment as an industry leader with visionary and unique environmental initiatives.



Awarded “Platinum Kurumin certification”

First for a regional bank in the Kinki area

As a company that supports good parenting based on the Act on Advancement of Measures to Support Raising Next-Generation Children, the Bank was awarded “Platinum Kurumin certification,” the first for a regional bank in the Kinki area.



Awarded the “Bank of the Year,” the top award, and the “Community Contribution Grand Prize” at the “6th M&A Bank of the Year”

Top Award

We received the award because, as measures for business succession of customers, the Bank has focused on needs for business succession and M&A in the region from an early stage, developed its organizational system according to the needs, and strived for promotion activities targeted at business departments and branches as well as for information development.



Major certification/award in fiscal 2018

SDGs initiatives

The 2nd Japan SDGs Award

(Hosted by SDGs Promotion Division)

December 21, 2018

Received the special award "SDGs Partnership Award"



In an award to commend companies and organizations engaged in excellent approaches toward achieving Sustainable Development Goals (SDGs), the Bank received recognition for its noteworthy achievements as a company working to promote SDGs through its businesses with an emphasis on partnerships, and won the special award as a front-runner working toward creation of a sustainable society.



Resolving issues facing society through our businesses

The Principles for Financial Action for the 21st Century

(Secretary: the Ministry of Environment)

March 6, 2019

Received the Minister of the Environment Prize (Regional category)



In the Principles for Financial Action for the 21st Century* signed by 269 institutions (as of March 31, 2019), the Bank's "Initiatives for supporting the creation of business models to address issues facing society: Taking Shigagin SDGs Declaration as the starting point" was recognized as the most excellent initiative for fiscal 2018.

* Principles for Financial Action for the 21st Century: An action guideline for financial institutions aspiring to fulfill their responsibilities and roles required for creating a sustainable society. Signatory financial institutions implement initiatives in accordance with the principles to the extent possible, in light of the contents of their respective operations. Since its inception in 2011, 269 institutions have signed the principles as of March 2019.



Ease of work for employees

Shiga Prefecture Certification System for Companies Promoting Women's Career Advancement

(Certified by Shiga Prefecture)

February 22, 2019

Obtained certification as a Two-star company

In a program established by Shiga Prefecture for the purpose of encouraging companies and organizations promoting the advancement of women's careers, the Bank was certified as an organization with achievements above the national average with regard to the rate of male employees taking childcare leave and return rate of female employees who took childcare leave, etc.



Promoting environmental management

The 22nd Environmental Communication Award

(Hosted by the Ministry of the Environment and the Global Environmental Forum)

February 20, 2019

Received the Judging Committee's Special Excellence Award in the Environmental Report Category

The award is intended to promote initiatives for environmental management and environmental communication, and enhance the disclosure quality of environmental information. The Bank was awarded for its efforts to incorporate SDGs and environmental aspects into financing, its core business, and to encourage environment-conscious management of companies in Shiga and other regions through proactive financing that leverages the strengths of a regional bank.



Selected as a recommended stock for investment

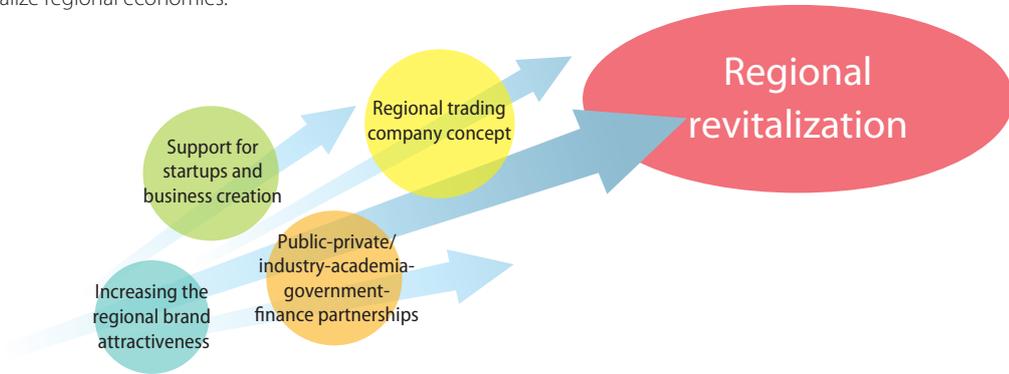
SNAM Sustainability Index fiscal 2019

This is an ESG investment product for pension funds and institutional investors that extensively covers companies with high ratings in ESG (environment, society and governance).

Challenge to regional revitalization

Drawing out the “earnings power” in the region -sustainable regional revitalization -

As a mission of a regional financial institution, the Bank works toward creation of a recycling-oriented society and supports and fosters new businesses, as well as supporting branding of local resources deeply rooted in the regions, such as cultures, history and industries, while also supporting their promotion so as to revitalize regional economies.



Support for Business Creation and Development of New Businesses

“Sowing Seeds of New Businesses, Cultivating their Buds, and Making Flowers Bloom”

Considering supporting and fostering of new businesses (Nonohana) as one of the missions of a regional financial institution, the Bank provides a wide range of support to individuals (including students) who want to start business, venture companies and enterprises planning to relaunch business.

- Saturday School for Entrepreneurship / Nonohana Prize
- Nonohana Support Group
- New Business Support Loan
- Crowdfunding
- Shiga Sixth-Sector Industrialization Fund



Support for creation of new businesses

New Business Support Loan (SDGs Plan)

—Supporting new businesses that lead to resolving social issues—

We provide the New Business Support Loan (SDGs Plan) in support of businesses that contribute to SDGs.



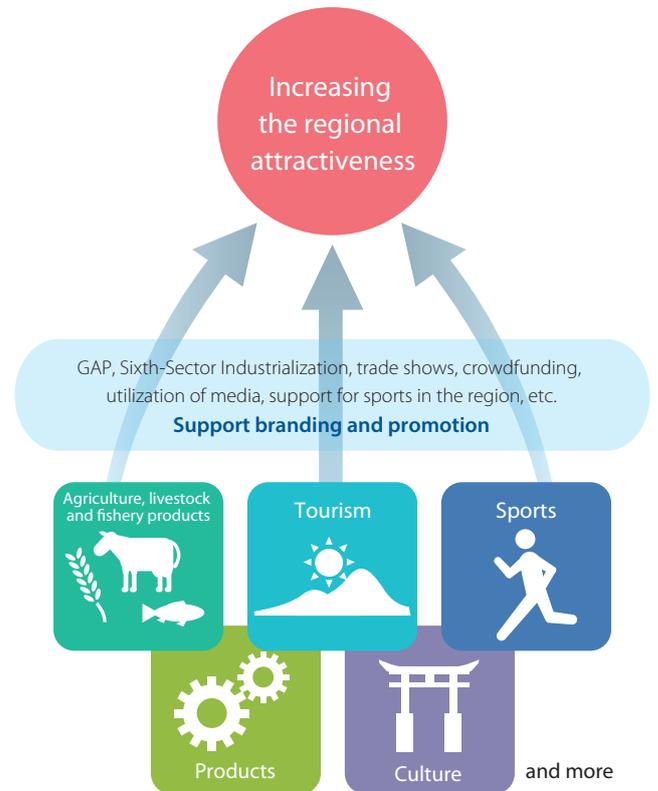
Financing case

The Bank provided financing to a company aiming to develop a proprietary water purification system that enables safe use of “hydrophilic parks” by anybody.

Increasing the regional brand attractiveness

“Rediscover Buried Local Resources and Introduce Them to Areas outside the Region”

Shiga Prefecture is home to unique cultures thanks to the rich natural environment that Lake Biwa provides. The Bank rediscovers local resources, develops branding and supports their promotion so as to create a bustling community.



*GAP (Good Agricultural Practice)

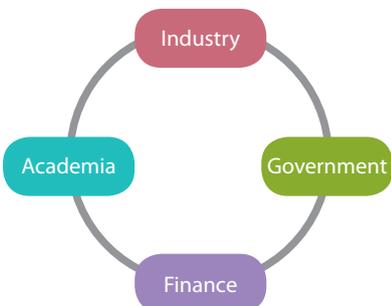
Continuous improvement activities through accurate implementation, record-keeping, inspection, and evaluation of each process in agricultural production, in accordance with each inspection item pursuant to applicable laws and regulations required for agricultural production activities.

Initiatives through public-private partnerships and industry-academia-government-finance partnerships

Demonstrate Superb Capabilities via Regional Partnerships

Via regional partnerships, we link local resources and local funds, and create a virtuous circle propelling the regional economy, thereby aiming to create innovation in the region through economic revitalization.

- Utilization of grants
- Utilization of public property
- Support industry-academia-government-finance partnerships
- Publicize and promote PPP/PFI



*** PPP (Public Private Partnership)**

A method to offer public services through partnership between governments and private companies.

*** PFI (Private Finance Initiative)**

A new method used for construction, maintenance and operation of public facilities that leverages the funds, managing capabilities and technical expertise of private companies.

Regional trading company project

Offering More Proactive Support to Customers for Regional Revitalization

As a "Sustainability Design Company," the Bank launched the regional trading company project to offer more proactive, specific business support toward resolving issues facing customers and realizing their dreams.



Based on the market-in approach, we are advancing the project in order for us to have truly required functions and to contribute to realizing a sustainable society.

Possible business contents

- 1) Exploration of local products and other resources, marketing and sales support
- 2) Exploration of tourism resources, development of tourism products and tourism promotion support
- 3) Support for securing human resources, bringing human resources back to the region
- 4) Support for adopting IT in the region and among customers

Value to be provided

- Support new business creation intended to break out of traditional businesses.
- Support branding of cultures, history and industry deeply rooted in the region, as well as their promotion.
- Strengthen industry-academia-government-finance partnerships, contribute to revitalization of the regional economy and support innovation in the regional economy.
- Help resolve issues facing the region and businesses and enhance added value in tandem with customers.

Supporting branding business for local products

Nihon Ryokucha Co., Ltd.

The Bank awarded the Nonohana Prize to a new business of a local company engaged in the manufacture of instant green tea for over 50 years. Aside from the prize, we also provided a wide range of support such as crowdfunding and exhibiting at the Regional Bank Food Selection, which significantly grew the company's marketing channels.



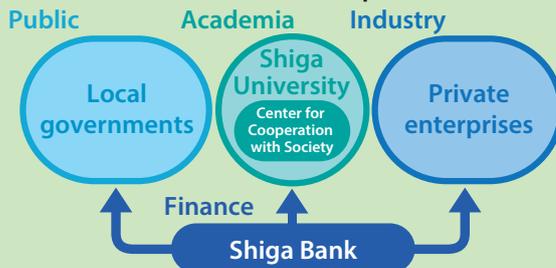
Promotion of PPP/PFI

Omi Public Private Partnership Research Forum

Shiga Prefecture, Shiga University and the Bank jointly structured a platform participated in by all local governments within the Prefecture.

In May 2019, the platform was certified as a PPP/PFI Regional Platform Arrangement granted by the Cabinet Office and the Ministry of Land, Infrastructure, Transport and Tourism. We are striving for creation of opportunities for public-private dialogue, and business opportunities for the private sector.

Omi Public Private Partnership Research Forum



Kakehashi Special Issue in commemoration of the 85th anniversary of the Shiga Bank

Rediscover the traditions, cultures and brands in Shiga

Under the theme of "Rediscover Shiga," we published a special issue to convey the attractiveness of Shiga, home to Lake Biwa, to everyone inside and outside the prefecture.

With sincere gratitude to our customers in the region for their support, we conducted "appreciation activity to the region," whose details are provided at the end of this booklet.

We also nominated articles featuring the attractiveness of the prefecture for the COOL JAPAN AWARD 2019, and one of the articles won a prize at the award.

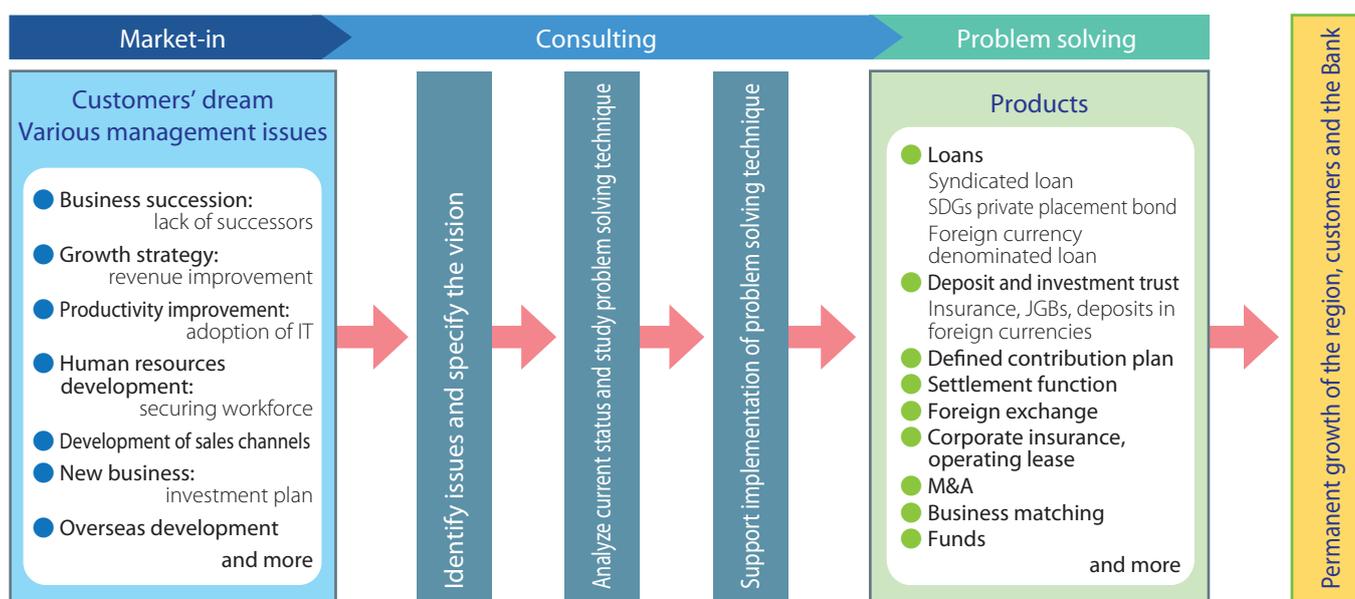


Strategies for corporate customers

Providing problem-solution type financial information services to connect with the region

In our corporate business strategy, the vision we are aiming for is sustainable development of the region through providing problem-solution type financial information services. Sharing dreams (goals) of the communities and customers, we will engage in sales promotion to realize their dreams (goal-based support). Bringing out the earnings power of the region and supporting the value improvement of customers, we will deliver "delight" that goes beyond "satisfaction."

Diagram of goal-based support for corporate customers

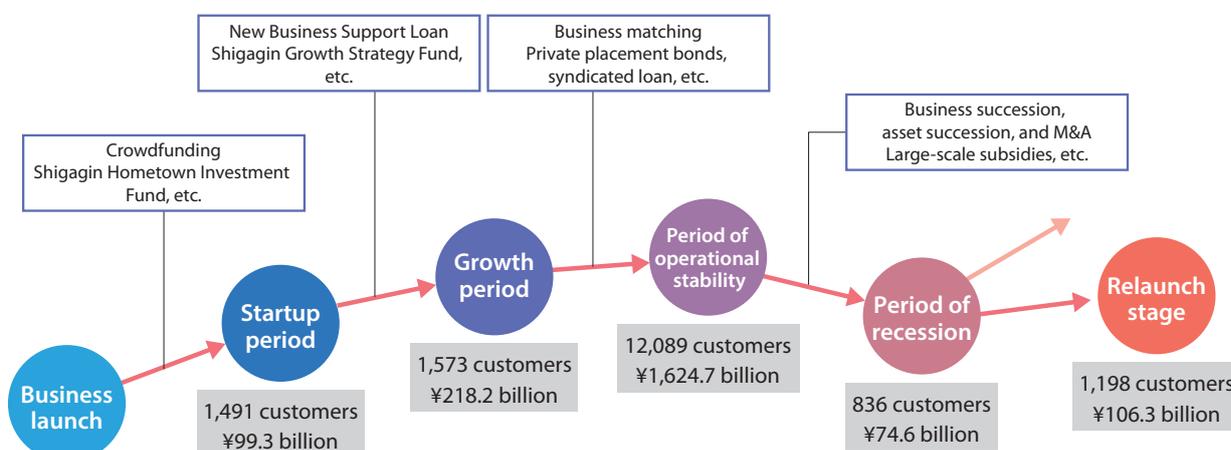


Answers are within customers

Japan is entering a depopulation phase nationwide, and the region in which the Bank operates is no exception. Also one of the serious issues is discontinuance of business due to labor shortages and a lack of successors caused by depopulation and demographic changes. As regional economies are expected to be shrinking over the mid-term, conventional ideas or rehashing the past will not open up a sustainable future for the regions. To promote client growth and create sustainable regional economies, regional financial institutions must innovate

themselves through further fulfilling their financial intermediary functions and providing solutions. Corporate management issues vary and each and every manager has their own concerns. Close support tailored to the client companies' stage of development has become even more essential. Under the guideline of "Answers are within customers," the Bank will empathetically listen to customers' management issues and dreams, and provide support from the customers' perspective.

Demonstrating consulting functions and providing diversified methods of financing



No. of borrowers and balance of loans, by stage of corporate development (as of March 2019)

Providing solutions tailored to corporate development stages

The Bank provides a wide range of financing options corresponding to the development stage of the customer. Through consultation, we offer optimal solutions in the forms of startup support, growth support including sales channel development, response to various management issues in the growth period, smooth business succession,

and empowerment of the regrowth stage. By supporting sustainable growth of client companies in this manner, we aim to realize the “Sampo yoshi” philosophy, which means to bring happiness to three sides: the customers, the Bank and the region.

Major problem solving methods

● Resolving management issues concerning sales channel development

To help business clients grow their marketing channels, we annually organize a business matching fair. In fiscal 2019, the fair was revamped as the SDGs Business Matching Fair with an aim to create sales channels of companies supporting SDGs and to achieve a sustainable regional economy.

● Resolving management issues related to human resources

To client companies with no successors, we provide support for smooth business succession and business handover, such as third-party succession through an M&A or succession by employees.

● Resolving management issues related to productivity improvement

Improvement of corporate productivity is the key to overcoming the serious human resource shortage. In addition to offering settlement functions such as EB and Densai, we provide IT business support by helping improve business flow or introduce IT tools at client companies in an effort to raise customers' productivity.

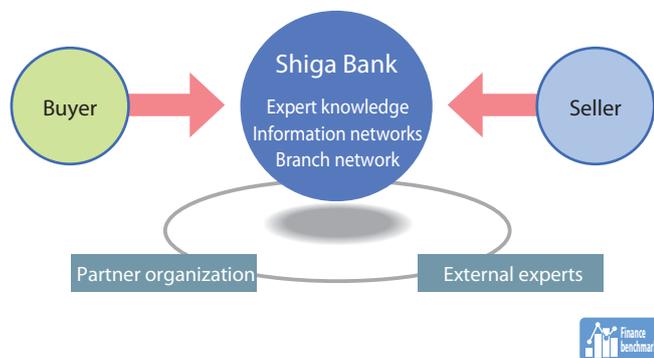
● Business creation and growth strategies

The Bank helps with strategy planning for new business development including business creation, venture-type business succession, and management innovation. To develop a business, management strategies consistent with the management philosophy are required. Formulating plans, preparing budgets and implementing the PDCA cycle are shortcuts to steady growth.

We offer various methods of financing including syndicated loans and SDGs private-placement bonds that support customers' business strategies.

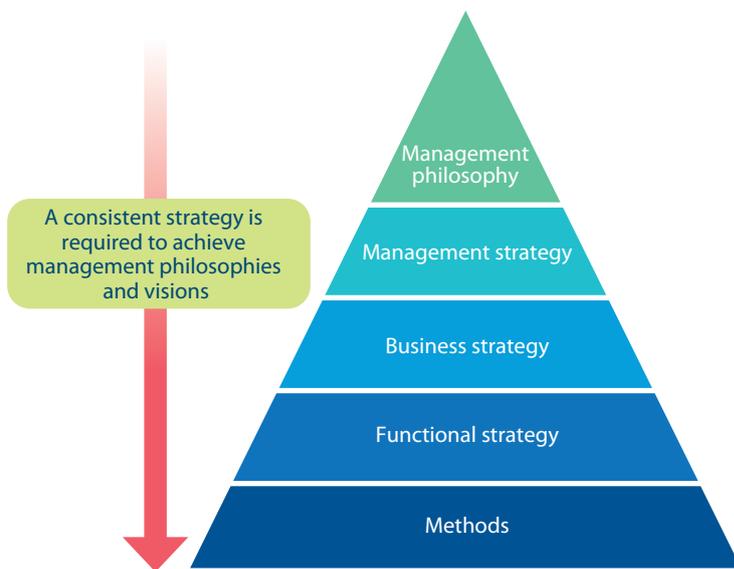
Major advantages of M&A

Buyer	Seller
Expands business area	Resolves issues of succession
Strengthens businesses	Realizes earnings for the founder
Diversify revenue sources	Enables sustainable growth
Acquire human resources	Concentrates resources at business operations



Item	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
No. of customers receiving M&A support	35	29

In addition, to client companies with workforce-related issues such as securing of executive human resources, the Bank supports creation of stable employment by using strategic centers for professional human resources and other human resource specialist businesses.



Value to be provided

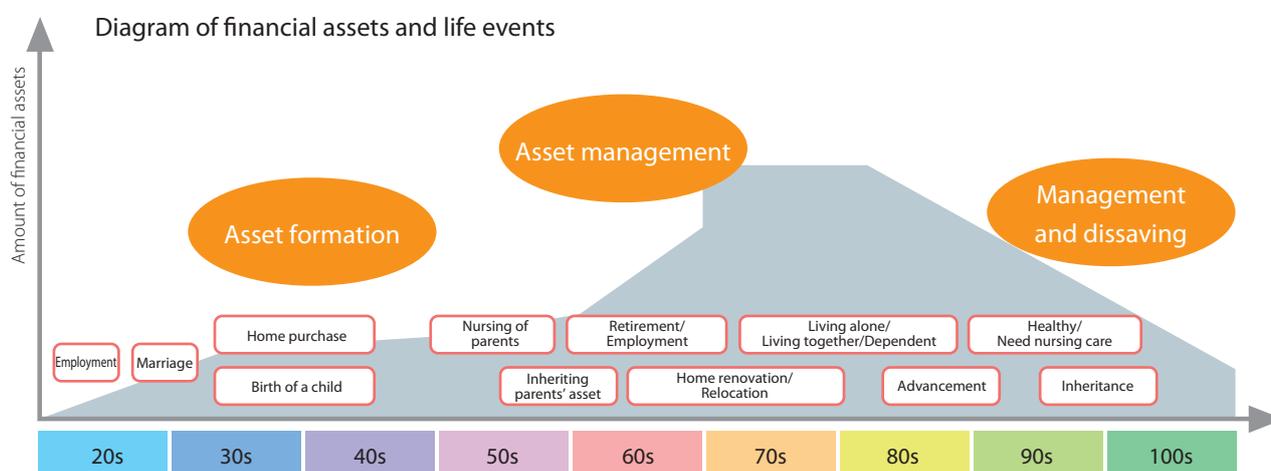
- Support sustainable development of the region and bring out the appeal of the region.
- Move closer to customers' dreams and resolve management issues to contribute to improvement in corporate value.
- Turn SDGs into business and aid customers in building new business models.

Customer-first “Goal-based support”

Life-spans of over 100 years are giving rise to issues such as asset formation planning in response to longevity and asset management after retirement. In addition, as the shift “from savings to asset formation” has struggled to make progress, the financial assets of Japanese households have not grown for the past 20 years. Based on the “policy for customer-first business operation,” the Bank strives for the asset formation of customers.

For resolving social issues tailored to the life stages of customers, we will help define the future of customers and work to make their dreams come true with “goal-based support.”

The following chart represents the change in the amount of financial assets according to the transition of life stages, with the amount of financial assets on the vertical axis and age on the horizontal axis. After gaining employment, assets are built up despite outlays at such life events as marriage, birth of a child, and home purchase, and the assets increase until retirement. For retiring generations, longer life-spans are expected to diversify situations in terms of working, household composition and health. We therefore move closer to each customer and provide support tailored to each stage of their life.



Asset formation

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

To promote “long-term investment, diversified investment, and asset accumulation” for continuous asset formation from the working generation, we will proactively propose investment trusts and tax-exempt programs such as NISA that are particularly effective for customers’ asset formation. We will also improve customer convenience by expanding indirect (non-face-to-face) channels.

Asset management

The Bank offers a wide-ranging lineup of products including investment trusts and life insurance products as well as serving as a financial instruments intermediary. In order to cater to diversifying customer needs, we will work to further broaden our product lineup.

To enable customers to operate asset management according to their diversifying lifestyles and post-retirement plans, we provide support to them from the goal-based perspective.

Management and dissaving

Longer life-spans call for the effective use of accumulated assets and passing valuable assets on to the next generation. We cater to the needs for inheritance, and help with smooth asset succession to the next generation.

In addition to asset management, we strive to build a system that allows multiple consultations to be made as a one-stop service with regard to inheritance, asset succession, and effective use of real estate, so as to offer accurate advice in line with the customers’ plans, based on proposals from various angles.

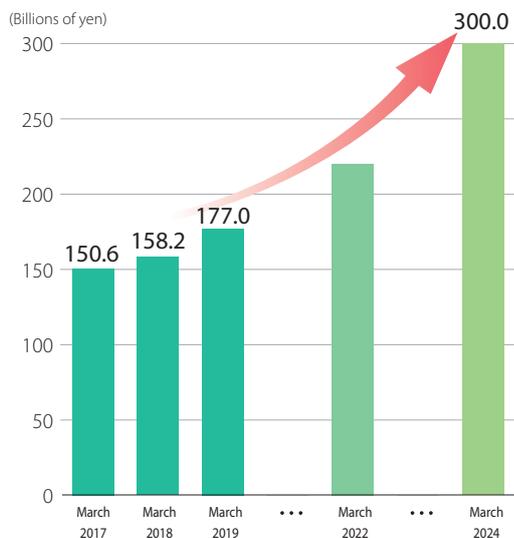


Benchmark challenges for the 7th Medium-Term Business Plan

To make our deposit assets business sustainable, we will promote its shift to a subscription model business. In this context, we position the expansion in the balance of assets under custody as an important indicator, as it serves as a testament to the customers' trust in us.

The Bank aims to expand the balance of assets under custody (investment trust + financial instruments intermediary) to ¥300.0 billion for the year ending March 31, 2024.

Balance of investment trust and financial instruments intermediary



Customer-first business operation

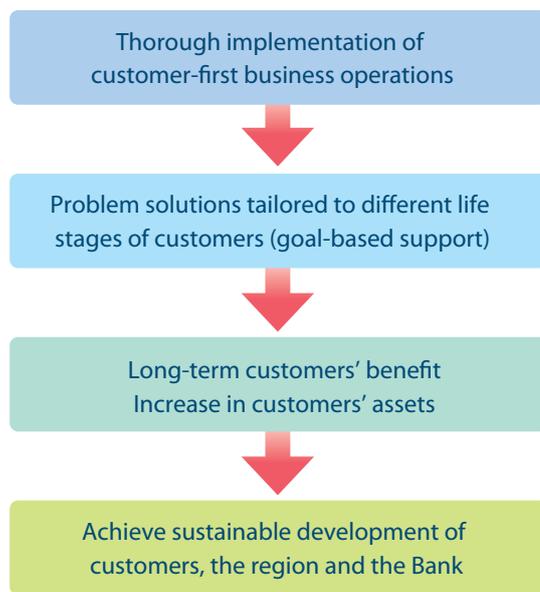
Aiming for contributing to the asset formation of customers, the Bank formulated a "policy for customer-first business operation" and will strengthen its initiatives that put customers first. Also, we regularly disclose the implementation status to see how deep our initiatives took hold, thereby striving for better business operations.

Policy for customer-first business operation

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

Customers' long-term and stable asset formation followed by corporate value improvement of the Bank

The business model we pursue under the strategies for individual customers is expressed as "contributing to increasing benefit and assets of customers for the long-term with thorough implementation of customer-first business operations and problem solutions tailored to the different life stages of customers (goal-based support)," and by doing so we aim to achieve sustainable development of customers, the region and the Bank.



Value to be provided

- Support customers' asset formation through implementation of customer-first business operations.
- With the circulation of money through asset management, contribute to developing the regional economy.
- Provide solutions tailored to different life stages of customers based on goal-based support.

Achieve greater convenience through responding to digitization

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

Digitization of society

The rapid spread of the smartphone has made it possible to use many services at “anytime” and “anywhere,” with greater speed and ease of use than ever. Going forward, we also expect accelerating development in ICT with improvements in transmission speed and wider use of AI.

In response to the development of ICT, the financial industry has likewise begun to develop new services through FinTech measures.

Under these circumstances, the Bank attaches even more importance as management issues to providing new services that meet customer needs by leveraging ICT and improving the productivity of conventional operations.

Our corporate direction

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

The Bank has designated ICT is one of the pivots of its business strategy. It has basic policies of ICT strategy: (1) contributing to greater convenience and customer satisfaction through ICT; (2) improving the productivity of business operations; and (3) working to provide worry-free, secure ICT services.

In line with its basic policies of ICT strategy, the Bank is committed to proactively mobilizing ICT to understand our customers even better and provide high value-added services by aiming for (1) “expanding financial services” to provide accurate responses to customer needs; (2) further “streamlining business operations and ensuring risk control”; and (3) “creating a system to realize strategic management policies” in a flexible and scalable way.

Basic policies of ICT strategy

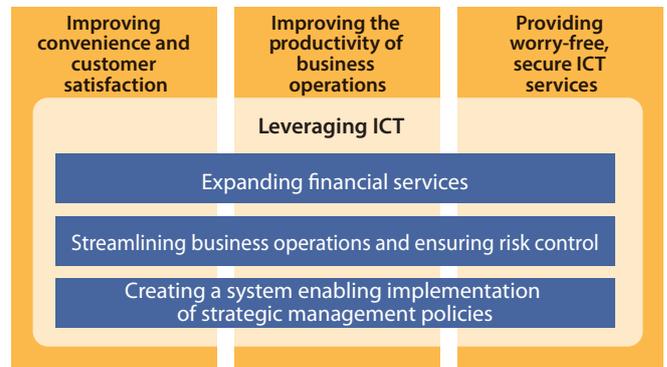


Diagram of solid ICT infrastructure

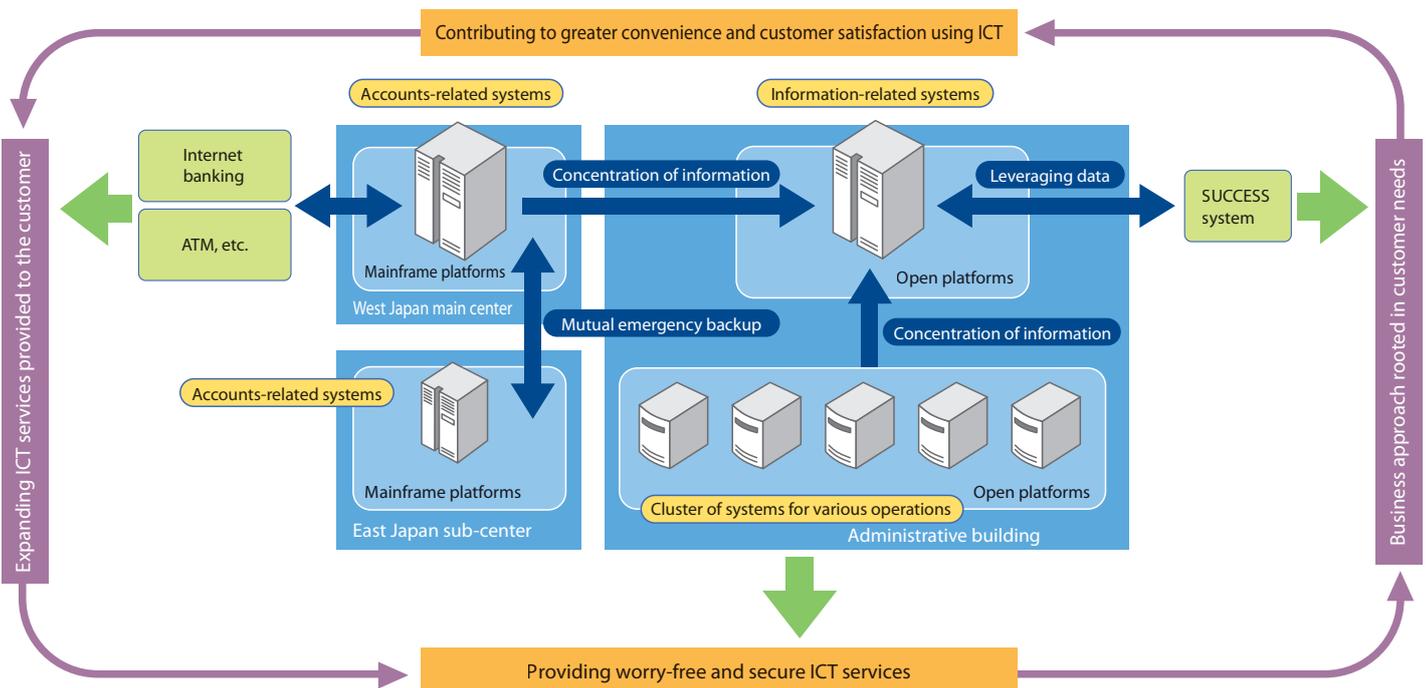
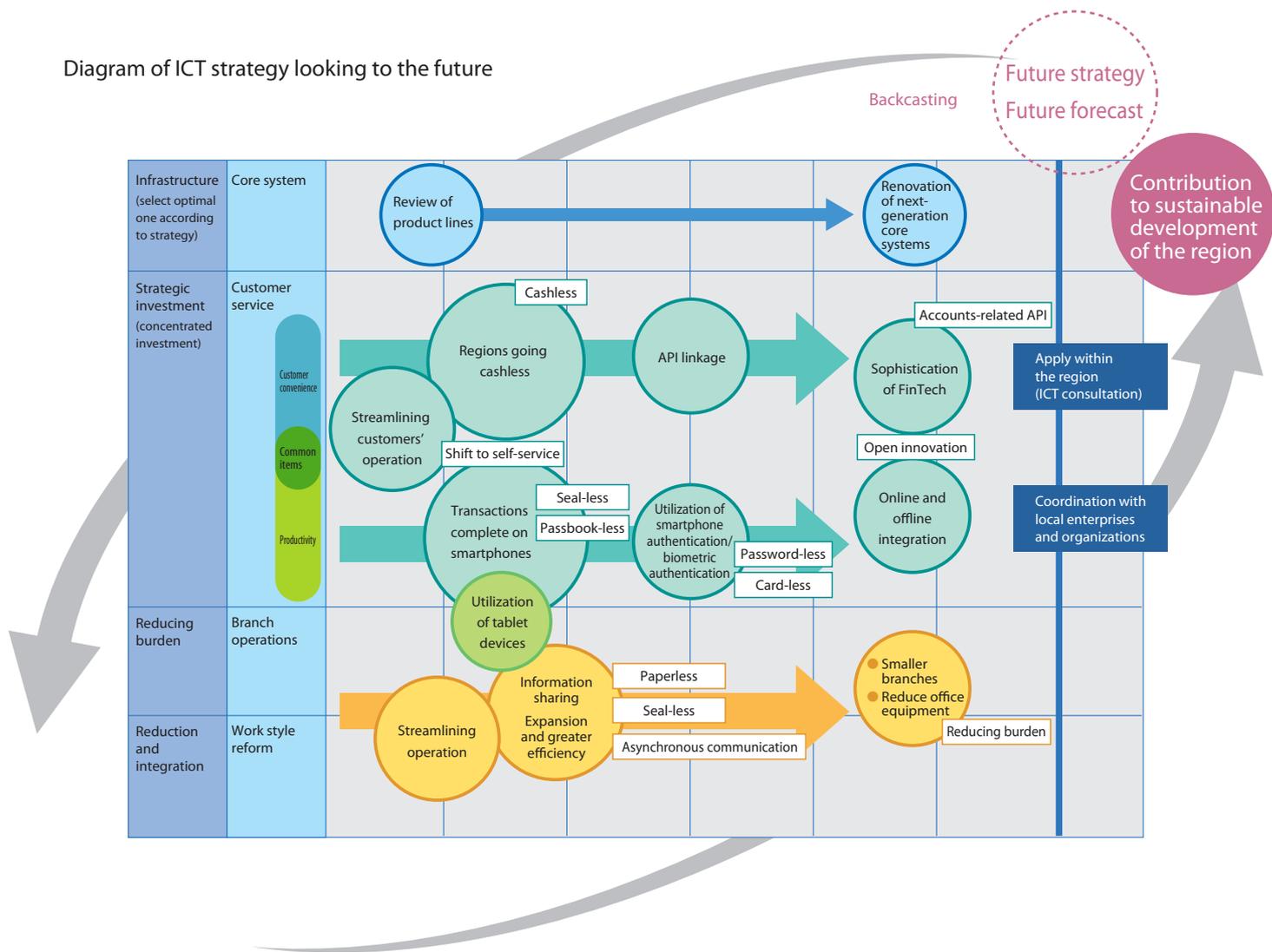


Diagram of ICT strategy looking to the future



Responding to a cashless society

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

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

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

Future initiatives

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

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

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

Value to be provided

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

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

Against a background of major changes in the economic environment and in customer trends (linked with population decrease, aging population with low birth rate, the spread of ATMs in convenience stores and smartphones, etc.), the operating environment of our branches is about to change significantly due in part to the increased usage of online-based financial transactions, while the number of customers coming to branches is on the decrease.

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

Branch reforms

Measures to reform branches

To respond to the increasingly diversifying needs of customers and to provide them with tailored services, it is necessary to understand accurately the expected functions of our branches and to switch to administration methods and facilities as well as systems better adapted to the times.

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

Measures in the “Operational Overhaul Project”

In the “Operational Overhaul Project,” the Bank has formed a cross-departmental project team at Headquarters to drastically review overall administrative operations, centered on deposits, foreign exchange, and other operations handled by branches, in order to significantly cut the amount of administrative work and its cost by increasing productivity.

By increasing productivity, the Bank shall also achieve deeper relations with customers and enhance the level of customer service, including reducing wait times at branches and increasing the time spent making proposals to customers at counters.

As measures to increase productivity, the Bank is working on implementing “backless” reforms to concentrate administrative processing at Headquarters, and reforms to front office operations with new processing methods that consider paperless and cashless approaches, in addition to reforming branch layouts to enhance customer service and strengthen sales capabilities.

Extending Operational Overhaul to all branches

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

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

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



Next-generation branch (Yokaichi Branch)

Branch and channel strategy

Branch strategy

The number of customers coming to our established branches is falling due to population decline, declining birthrate, aging population, the rapid development of online business and social interaction, increased usage of smartphones and similar devices and other trends. At the same time, with greater use of online banking, customer expectations of bank branches as a marketing channel have also changed greatly.

Under these circumstances, the Bank is making adjustments to branch functions to address new market characteristics and trends. By specifying clearer roles for individual branches, the Bank aims to improve customer convenience and upgrade services as well as strengthen its business posture and optimize its use of corporate resources.

In branch initiatives within Shiga Prefecture, the Bank will take measures to further improve services by creating a business posture that better meets customer needs, while duly noting changing demographics and regional characteristics and growth potential. This means shifting from branches of offering full branch banking services to branches with specific functions including sub-branches and Agents.

In business initiatives outside the prefecture, the Bank opened Kyoto Branch in 1938, Osaka Branch in 1941, and Tokyo Branch in 1946, becoming one of the earliest “wide-area regional banks.”

In new branch openings outside the prefecture in recent years, the Bank has established “branches specializing in corporate business.” These chiefly target SMEs, as part of the new “exuding strategy” for branches, in which a certain volume of business is achieved through business approaches that make maximum use of local and interpersonal connections and knowledge – rather than growing through rapid openings of a string of new branches with the sole object of boosting volumes.

Going forward, we consider it strategically necessary to focus on the software rather than the hardware given expectations of further change in the social and economic structure against a background of declining population and innovation in the technologies of AI and the IoT. We are committed to equipping branches with smart technologies using FinTech and expanding services that enable completion of procedures without coming to a branch, to position us to better meet diversifying customer needs.

Introduction of the “Block system”

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

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

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

Mobile banking vehicle the Shiganosuke GO!

In four areas of Kutsuki, Kashiwabara, Nishi Azai, Yogo, we are operating sales with the “Mobile Banking Vehicle Shiganosuke GO!” from the perspective of ensuring convenience for customers.

The introduction of the mobile banking vehicle allows us to provide financial services in regions and commercial facilities, etc. with relatively few stores, and we can also utilize it for the ATM services and supplying power in the event of a large-scale disaster. Looking ahead, we intend to utilize the mobile banking vehicle for CSR activities, and excursions to venues for regional events and other promotional activities.

The Bank will utilize new sales channels as we focus on further expanding contact points with customers, and we will endeavor to continue providing a high level of service.



Enhancement of non-face-to-face channels

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

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



Supporting global development of regional business

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

Improvement of overseas consulting menu

Problem-solution type support strategies

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



Providing financial intermediary functions satisfying customer needs

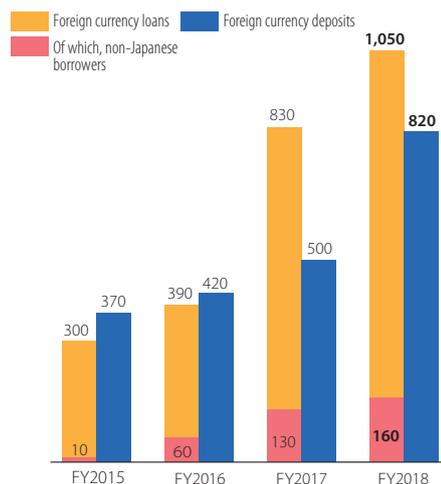
Increase deposits and loans denominated in foreign currencies

With respect to loans denominated in foreign currencies, we will respond to the funding needs of customers for establishment of overseas subsidiaries, capital expenditures and other projects, utilizing coordinated funding denominated in foreign currencies with the Japan Bank for International Cooperation (JBIC). Furthermore, we will meet needs for funding in foreign currencies of domestic customers utilizing “fund-provisioning measures to support strengthening the foundations for economic growth (special rules for the U.S. dollar lending arrangement)” implemented by the Bank of Japan.

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

Balance of loans and deposits denominated in foreign currencies

(Millions of U.S. dollars)



Development of global human resources and expansion of network

Expanding our field further to wider Asia

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



Value to be provided

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

Market investment strategy

Aiming for maximization of total return

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

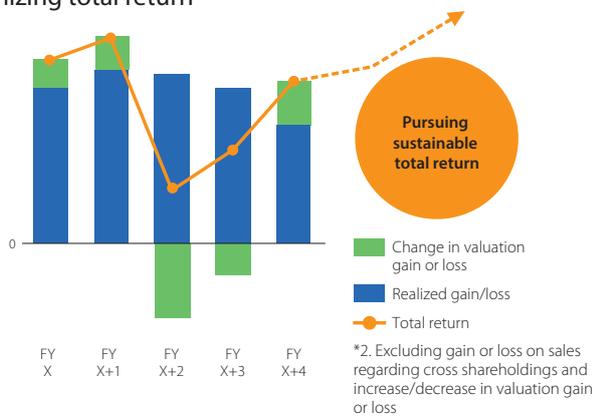
Pursuing sustainable, stable return

Management structure focusing on total return*1

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

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

Maximizing total return*2

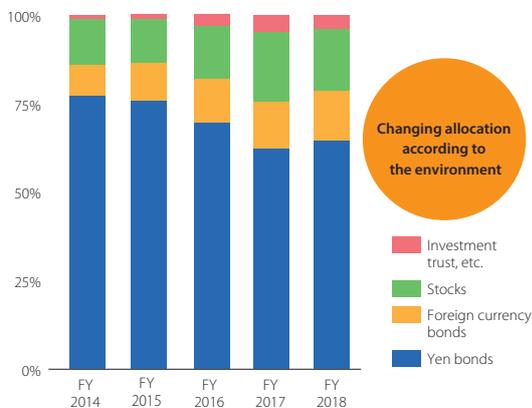


Multi-asset management*3 in tune with changes in the external environment

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

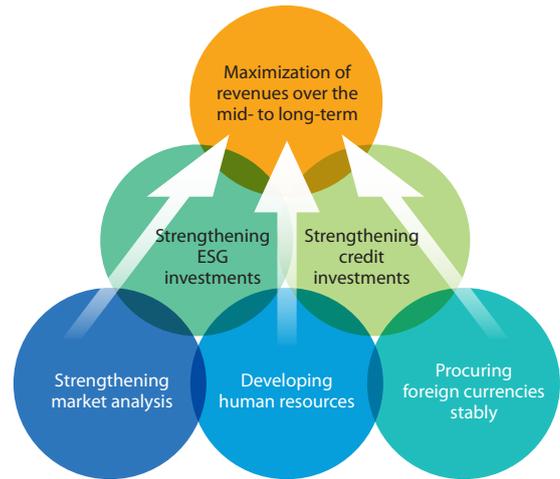
*3. Multi-asset management: a diversified investment method that aims for stable investment returns in the long-term by changing asset allocation in response to the market environment

Trends in ratio of balance of securities



Maximization of revenues over the mid- to long-term

Toward ensuring sustainable revenues



Strengthening ESG investment

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

Strengthening credit investment

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

Strengthening the market analysis ability

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

Developing human resources

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

Procuring foreign currency stably

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

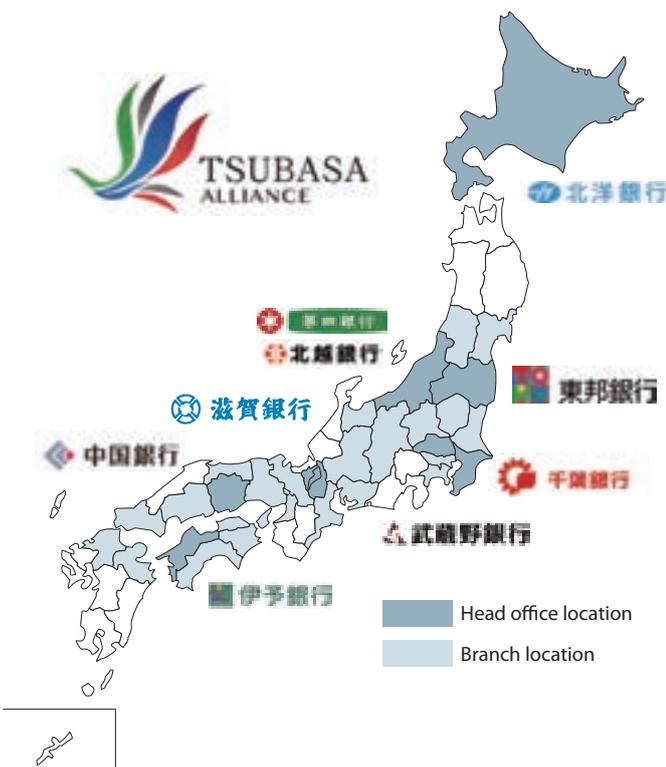
Value to be provided

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

Joined the “TSUBASA Alliance”

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

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



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

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

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

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

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

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

Announced TSUBASA Declaration on SDGs

TSUBASA Declaration on SDGs

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

May 22, 2019

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

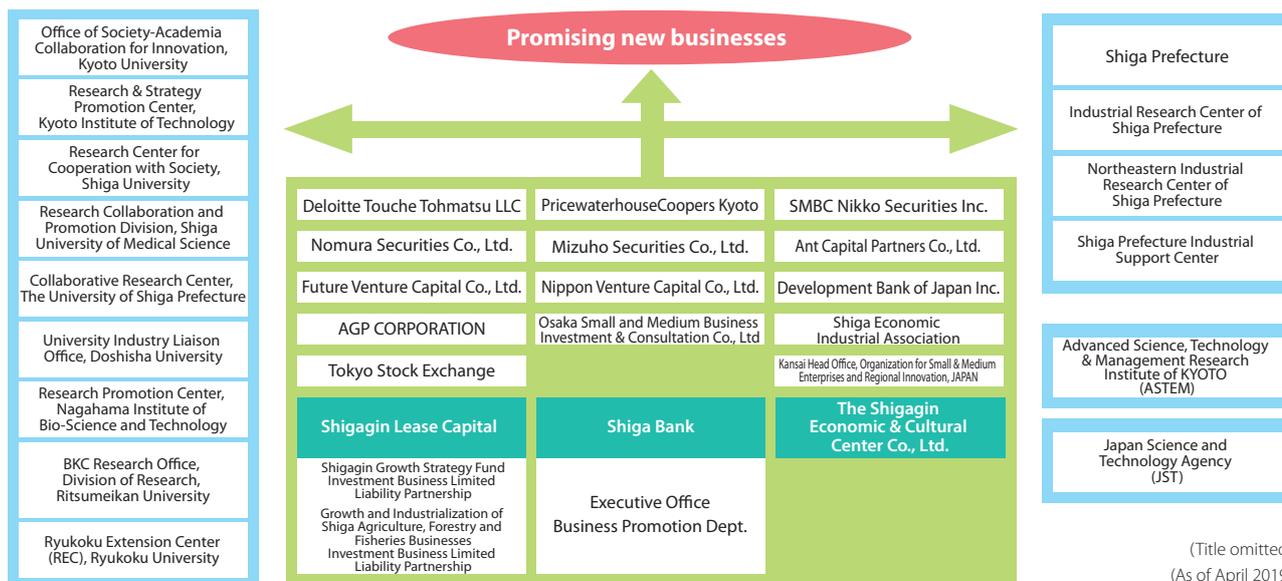


Cooperation with the community

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

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

Shigagin new business support network Nonohana Support Group



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

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

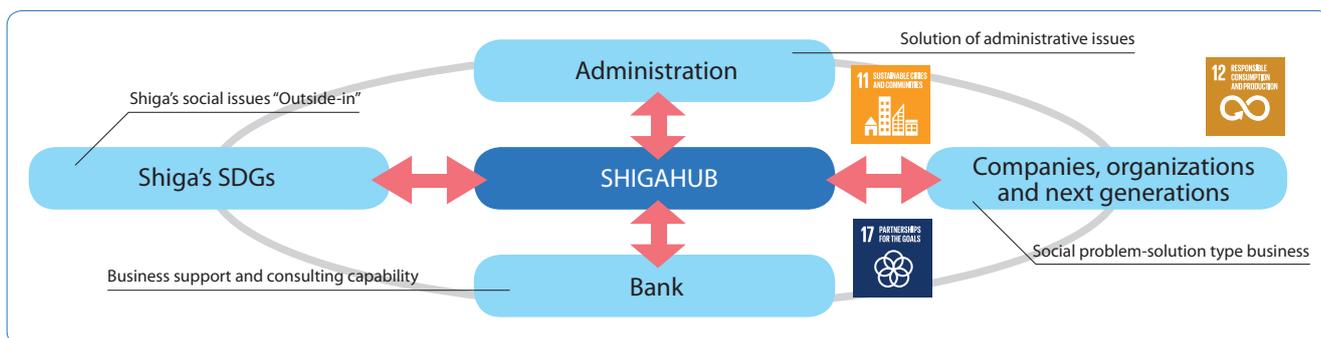
3. Business alliance toward regional revitalization through spread of sustainable agriculture and development of regional agriculture

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

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

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

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



Corporate Governance

Basic views on corporate governance

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

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.

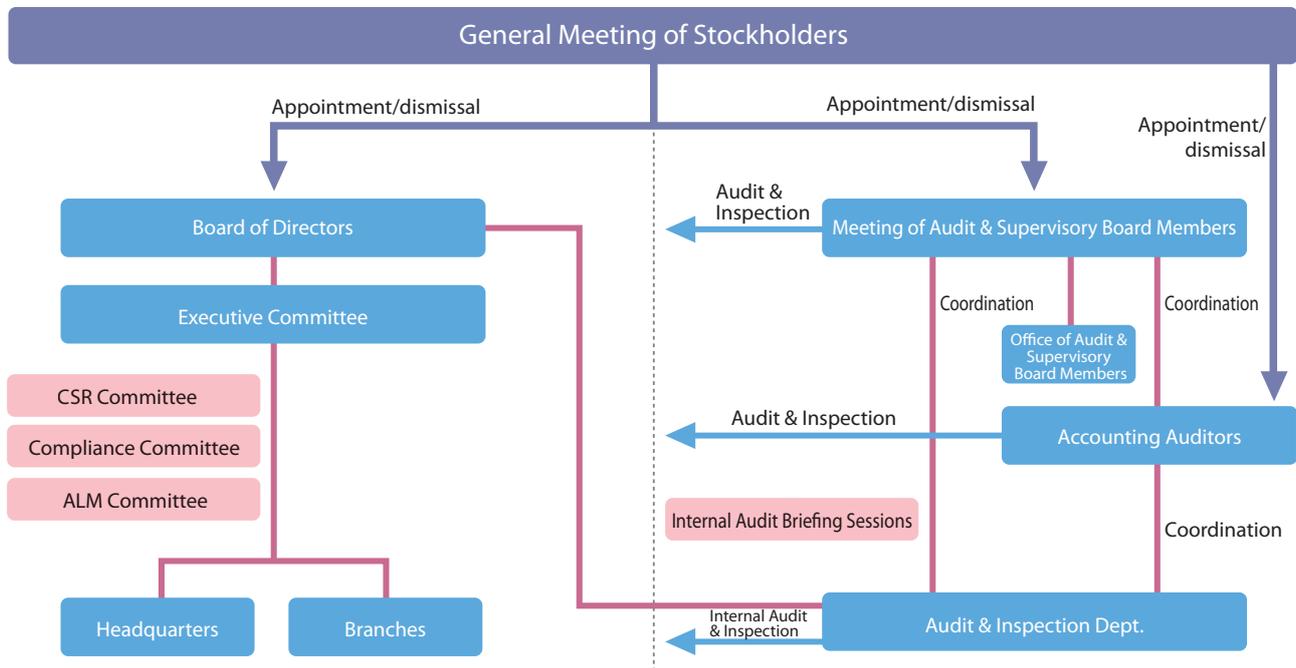
In terms of business operations, centered on the Executive Committee that is a decision-making body for business execution, the Compliance Committee and the ALM Committee have been established and the internal audit offices monitor their operational status.

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

Internal control system status

At the Bank, in accordance with Companies Act and the Regulations for Enforcement of the Companies Act, the fundamental policy of our internal control structure was discussed and determined by the Board of Directors. As detailed below, the Bank has a system to ensure appropriate practices in the execution of its daily business.

Shiga Bank’s corporate governance system (as of June 30, 2019) is shown in the chart below.



Company Organizations (as of June 30, 2019)

1. Board of Directors

The Board of Directors, with 10 members, including two from outside the Bank, meets once a month in principle. At the meetings, decisions are made on important business matters for conduct business. Audit & Supervisory Board Members attend all such meetings to monitor the performance of Directors.

2. Meeting of Audit & Supervisory Board Members

As a company with the Audit & Supervisory Board system, the Bank holds a meeting of Audit & Supervisory Board Members whose participants are four Audit & Supervisory Board Members, including two from outside the Bank, once a month, in principle. The meeting of Audit & Supervisory Board Members carries out tasks such as decision of audit policies, audit plans, audit methods and division of audit duties. In accordance with audit plans, etc., determined by the meeting of Audit & Supervisory Board Members, full-time Audit & Supervisory Board Members conduct objective and rational audits by attending important meetings including those of the Board of Directors and Executive Committee, as well as internal audit briefing sessions and by reviewing important documents, conducting visiting audits at branches and interviewing with departments of the Head Office and through other measures. In addition, they exchange opinions and information with internal audit offices and Accounting Auditors regularly and as needed to improve audit effectiveness. Outside Audit & Supervisory Board Members conduct audits based on sufficient discussion at the meeting of Audit & Supervisory Board Members by fully communicating and cooperating with full-time Audit & Supervisory Board Members and receiving various reports from internal control offices. Also, the Bank has established a structure where duties of Audit & Supervisory Board Members are fulfilled by placing full-time employees independent of Directors, for assisting duties of Audit & Supervisory Board Members.

3. Executive Committee

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

4. Internal Audit System

Seeking to conduct its business in a sound and appropriate manner, the Bank established the Audit & Inspection Department to undertake internal audits. The Department performs audits of the Bank's branches to ensure that their internal control mechanisms are functioning properly and effectively, in accordance with annual internal audit plans approved each year by the Board of Directors. The internal Audit briefing sessions meets as a rule once a month with the attendance of the management team including the President of the Bank, and holds 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.

5. CSR Committee

The CSR Committee chaired by the President considers plans to fulfill social responsibility (SR) to all stakeholders for the purpose of "creating and enhancing value as a sincere company" and contributing to the Bank's sustainable development based on the CSR Charter, or our Management Principles.

6. Compliance Committee

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

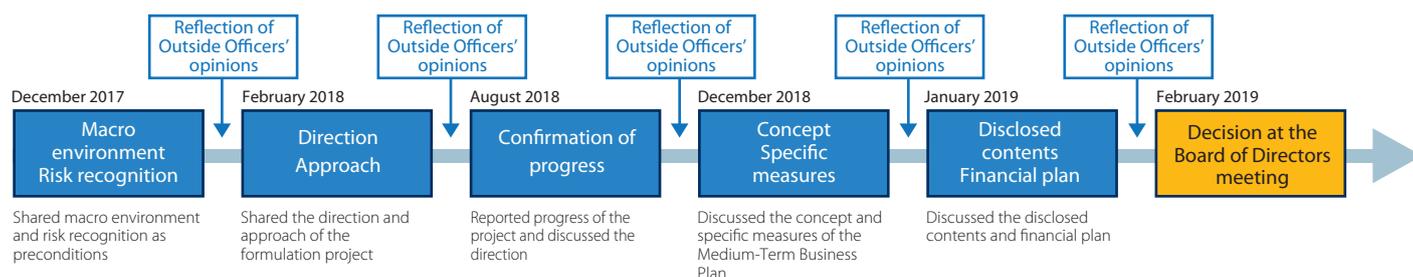
7. ALM Committee

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

8. Accounting Auditors

Accounting audits are conducted by Deloitte Touche Tohmatsu LLC, with which the Bank concluded an audit agreement.

The Board of Directors' involvement in development of the 7th Medium-Term Business Plan



Independent Outside Officer

Name	Position	Reason for appointment	The rate of attendance at meetings of Board of Directors in fiscal 2018
Hajime Yasui	Outside Director	The Bank expects that he will utilize in the Bank's management a wealth of experience at the Bank of Japan and an audit firm, profound knowledge regarding corporate accounting, and high insight into finance.	12 out of 12 regular meetings of the Board of Directors (attendance ratio: 100%) 1 out of 1 extraordinary meeting of the Board of Directors (attendance ratio: 100%)
Minako Takeuchi	Outside Director	The Bank expects that she will utilize in the Bank's management a wealth of experience and high insight into overall management as a corporate executive.	Newly elected in June 2019
Satoshi Nishikawa	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, profound knowledge regarding corporate accounting and high insight into finance.	12 out of 12 regular meetings of the Board of Directors (attendance ratio: 100%) 1 out of 1 extraordinary meeting of the Board of Directors (attendance ratio: 100%) 12 out of 12 regular meetings of the Audit & Supervisory Board Members (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%) 1 out of 1 extraordinary meeting of the Board of Directors (attendance ratio: 100%) 12 out of 12 regular meetings of the Audit & Supervisory Board Members (attendance ratio: 100%)

Directors and Executive Officers (as of June 26, 2019)

Directors

Chairman **Yoshio Daido**

April 1972 Joined the Bank
 May 2000 General Manager of Credit Supervision Dept.
 June 2001 Director and General Manager of Credit Supervision Dept.
 June 2002 Director and General Manager of Business Promotion Dept.
 June 2003 Managing Director and General Manager of Business Promotion Dept.
 June 2004 Managing Director
 April 2006 Senior Managing Director
 June 2007 Deputy President
 June 2008 President
 April 2016 Chairman (current position)



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 **Etsuo Imai**

April 1979 Joined the Bank
 June 2006 General Manager of Kusatsu Branch
 June 2009 Director and General Manager of Credit Supervision Dept.
 June 2011 Director and General Manager of Kyoto Branch
 June 2013 Managing Director
 June 2016 Senior Managing Director (current position)



Managing Director **Yasunaga Ono**

April 1983 Joined the Bank
 June 2009 General Manager of General Planning Dept.
 June 2011 General Manager of Hikone Branch
 June 2013 General Manager of Business Promotion Dept.
 June 2014 Director and General Manager of Business Promotion Dept.
 June 2015 Managing Director (current position)



Managing Director **Motohiro Nishi**

April 1982 Joined the Bank
 June 2011 General Manager of Business Promotion Dept.
 June 2013 Director and General Manager of Osaka Branch
 April 2016 Director and General Manager of Kyoto Branch
 June 2016 Managing Director and General Manager of Kyoto Branch
 June 2019 Managing Director (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 & CIO **Shinya Kubota**

April 1986 Joined the Bank
 April 2013 General Manager of Moriyama Branch
 June 2015 General Manager of General Planning Dept.
 June 2017 Director and General Manager of General Planning Dept.
 June 2018 Managing Director (current position)



Director and General Manager of Kyoto Branch **Katsuyoshi Horiuchi**

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



Outside Director **Minako Takeuchi**

April 1983 Joined NEC Corporation
 December 2002 Retired from NEC Corporation
 January 2003 Joined STANTON CHASE INTERNATIONAL
 August 2013 Representative Director, TM Future Corporation (current position)
 September 2015 Director, JAPAN PROFESSIONAL BASKETBALL LEAGUE (current position)
 June 2019 Outside Director, the Bank (current position)



Outside Director **Hajime Yasui**

April 1975 Joined the Bank of Japan
 March 2003 Retired from the Bank of Japan
 April 2003 Director, ChuoAoyama Audit Corporation
 July 2006 Director, Financial Assurance Division, PricewaterhouseCoopers Aarata LLC
 July 2007 Manager of Risk Regulatory Advisory and Chief of PricewaterhouseCoopers Aarata Institute, PricewaterhouseCoopers Aarata LLC
 April 2008 Chief of PricewaterhouseCoopers Aarata Institute, PricewaterhouseCoopers Aarata LLC
 January 2014 Advisor of Integrated Financial Services Promotion Division and Chief of PricewaterhouseCoopers Aarata Institute, PricewaterhouseCoopers Aarata LLC
 January 2014 President and Representative Director, Yasui Associates Co., Ltd. (current position)
 June 2014 Outside Auditor, the Bank & Supervisory Board Member, the Bank
 July 2014 Advisor, PricewaterhouseCoopers Aarata LLC
 July 2014 Advisor, Japan Business Assurance Co., Ltd.
 June 2017 Outside Director, the Bank (current position)



Audit & Supervisory Board Members

Audit & Supervisory Board Member Kazuyoshi Hayashi

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



Audit & Supervisory Board Member Masato Hasegawa

April 1981 Joined the Bank
 April 2010 General Manager of Administration
 Dept.
 June 2012 Director and General Manager of Audit &
 Inspection Dept.
 June 2016 Audit & Supervisory Board Member
 (current position)



Outside Audit & Supervisory Board Member Satoshi Nishikawa

April 1971 Joined the Ministry of Finance
 July 1998 Deputy Director-General of the Financial
 Bureau in charge of Tobacco and Salt
 Industries
 June 2000 Retired from the Ministry of Finance
 July 2000 Director, Urban Development
 Corporation (currently Urban
 Renaissance Agency)
 June 2004 Director & Vice President, Nagoya Stock
 Exchange, Inc.
 June 2009 Managing Director, SHIDAX
 CORPORATION
 June 2012 Outside 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
 (current position)
 May 2012 Registered as a Patent Attorney
 June 2017 Outside Audit & Supervisory Board
 Member, the Bank (current position)
 January 2019 Joined NISHIKIBASHI PARTNERS LPC;
 Partner (current position)



Executive Officers

Hiroyuki Nakajima

General Manager of
 Computer System
 Dept. and Counselor
 of ICT Strategy
 Office, General
 Planning Dept.



Masato Takemura

General Manager of
 Credit Supervision
 Dept.



Kazuo Aoki

General Manager of
 Head Office Business
 Dept.



Koji Kawaguchi

General Manager of
 Financial Markets &
 International Dept.



Katsuyuki Nishikawa

General Manager of
 Audit & Inspection
 Dept.



Kanji Kishida

General Manager of
 Administration Dept.



Nobuyuki Tanaka

General Manager of
 Osaka Branch



Message from the Outside Director

We will remain an indispensable bank for the region amid changes in society and time



Hajime Yasui
Director

Q What do you have in mind toward sustainable growth and mid- to long-term enhancement of corporate value of the Shiga Bank?

A As an Outside Director, I must: (1) outline direction such as corporate strategies and contribute to creation of an environment which supports appropriate risk-taking; and (2) supervise the executives in an effective manner. Regarding the former, I provide the executives with useful information that I gather by using my network. Through this way, I would like to narrow in on an “unexpected range” for the executives and create an environment where stable management is easily ensured over the mid- to long-term. Also for the latter, I am collecting information about what is going on in the Bank.

What I think is important for the Bank’s sustainable growth is to change “the best in the past but not now” immediately to the best at present, amid significant changes in the environment surrounding the regional bank management. The executives should already know this through meetings with the relevant authorities and discussion at Board of Directors meetings. In order to enhance customer value, it will be important for employees working in the field to review whether their work practices are

rational, not just “sticking to old customs” amid the advancement of digitalization and ongoing ultra-low interest rates, in light of the purpose of the Medium-Term Business Plan and messages from meetings of the branch managers, etc., to present problems proactively to their superiors, and to diligently work on their duties with confidence. I believe this is the meaning of “Mindset-Work reforms” in the Medium-Term Business Plan.

Q What are the strength of the Shiga Bank?

A I mention three points. Firstly, its corporate identity has been established and a sound corporate culture seems to have taken root. The Bank’s motto (being tough on ourselves, kind to others and serving society) had been already adopted when current officers and employees joined the Bank. Therefore, I feel that the officers and employees share the common image of the Bank’s ideal vision as they have been taught to live up to this motto repeatedly on various occasions. Particularly, when officers and employees face an unprecedented situation, the motto will be something to fall back on. I believe that this greatly helps to maintain the high reputation of the Bank.

Secondly, the Bank utilizes the achievements of its sophisticated credit risk management for business activities, etc. The Bank has worked for sophistication of credit risk management before others and based on the data, conducted "ratings communication" with nearly 4,600 customer companies to share their recognition of their current situations and have discussions about, for example, how customer companies can grow sustainably in the future. This has greatly contributed to expansion of the Bank's business base. Furthermore, the Bank also utilizes the achievements of its sophisticated credit risk management practically for business management, such as management of branches and criteria for timing and size of risk-taking, which is a go-ahead attempt.

Finally, the Bank has positioned Sustainable Development Goals (SDGs) adopted by the United Nations in 2015 as a pillar of its management. SDGs are an approach of contributing to society through companies' business operations. The Bank understands this as the ideal vision of a regional bank and announced the Shigagin SDGs Declaration in November 2017, the first as a regional bank. Regional banks can never grow without development of local companies which support regional economies and as young people are more aware of social contribution, positioning SDGs as the core of management will motivate employees and help support the Bank's sustainable value creation.

Q

How were the Outside Directors involved in developing the new Medium-Term Business Plan that started in April? Also, what is your evaluation about the new Medium-Term Business Plan?

A

The Board of Directors had six discussions about the current Medium-Term Business Plan. Currently, regional banks are facing a difficult business environment such as a decreasing population, continued ultra-low interest rates, and accelerating digitalization. It may be said that sustainability of regional banks themselves are being tested. However, financial functions are essential for regional economy and this will never change. I thought a key for the current business plan is to create foundations such that the Bank will be able to meet such financial needs into the future.

Executive members initially presented two approaches: (1) the Bank should help in slowing down the pace of shrinking of the regional economy with decreasing population even a little bit; and (2) a direction for the coming five years should be presented, counted back from the ideal vision for fiscal 2030, which is the last year of the SDGs. I thought that this indicates materialization of "The Regional Bank" set out in the previous Medium-Term Business

Plan and supported this direction strongly. The Bank showed its ideal vision as a "Sustainability Design Company," using the word "Company" instead of "Bank." I view this highly because it responds to future prospects that "financial functions will be positioned as a part of the service industry" with further digitalization. Many employees must have joined the Bank as they were attracted by the phrase "design the regional society" on the recruitment brochure. I hope that they promote "Mindset-Work reforms" so that such motivation will be realized in the current Medium-Term Business Plan and as a result, the Bank will become indispensable for the region.

Q

What is governance a regional bank should aim for?

A

Recent governance reforms have been conducted to boost sustainable value creation of listed companies. Japan's Corporate Governance Code adopts the "comply or explain" rule and therefore, the Bank, as a listed company, needs to consider requirements of the Code deeply and take a stance that if a code is reasonably inappropriate given a regional bank's mission of facilitation of regional finance, the Bank should not adopt it and show a clear reason, while necessary codes should be adopted. For example, increasing ROE, on which the Code focuses, may decrease capital adequacy which indicates soundness and so striking an optimal balance needs serious consideration.

No matter how the Bank takes governance measures, what's important is, as the business environment surrounding regional banks is becoming increasingly severe, to prepare for any upcoming situations through open discussions about, for example, any potential risk that the executives may have overlooked and adequacy of the speed of business model reforming, utilizing the eyes and networks of Outside Officers.



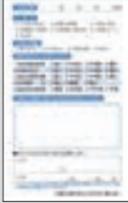
Stakeholder communication

The Shiga Bank believes that we can provide better value by recognizing social issues and building trust relationships through repeated communication with various stakeholders deeply relating to our business activities. We aim for sustainable development of the local community and enhancement of corporate value by disclosing information transparently and utilizing opinions and requests from stakeholders for better management.

Customers

Individuals

We aim to provide customer-oriented services tailored to the life stage of each customer and improve reliability, trustworthiness and satisfaction through the PDCA cycle toward CS enhancement and other systems.



Communication card

Specific dialogue methods

- Communication card
- Customer questionnaire survey
- Call center
- CS promotion leader



Corporations

We offer consulting services in a timely and appropriate manner and promote proactive approaches with SDGs as a starting point, through deep dialogues about the future of businesses to improve both corporate value of customers and social value of the region.

Specific dialogue methods

- Ratings CS/SS
- ESG investments and loans
- Management club, etc.



Regional communities

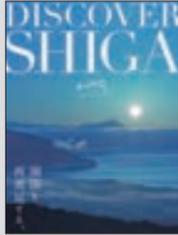
We contribute to enhancement of vitality of the overall region by solving social issues through relationships with regional communities, responding to potential needs and conducting regional branding toward a resilient and sustainable society.

Specific dialogue methods

- Shiga SDGs x Innovation Hub
- Dialogue toward a Regional Circular and Ecological Sphere
- CSR Report
- *Kakehashi*, a general information magazine for the region
- Welfare fund
- Culture business and supports promotion



SHIGA HUB



Kakehashi




Stockholders and investors

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

Specific dialogue methods

- Announcement of financial results
- General Meeting of Stockholders
- Seminars for investors
- ANNUAL REPORT
- Exercise of voting rights via the Internet/smartphone
- Implementation of engagement



ANNUAL REPORT 2018

Administrative and educational bodies, NPO, NGO, etc.

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

Specific dialogue methods

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



Financial economy lecture at Shiga University of Medical Science



Financial education at the Head Office

Global environment

We strive to realize a society where children who will form the next generation can live with a sense of security by carrying out direct and indirect activities through volunteer services and our business operations, while making discussion with external parties about approaches to environmental problems including climate changes and crises looming over local resources and ecosystem.

Specific dialogue methods

- Regional volunteers
- Participation in various initiatives and dialogues
- CSR lectures
- Environmental accounting disclosure
- Environment management organization



Monetary donation to the business for releasing Nigorobuna fish (*carassius auratus grandoculis*) and Wataka fish (*ischikauia*)



Nigorobuna fish



Wataka fish

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.

Specific dialogue methods

- Alliances with other domestic banks
- Business tie-ups with overseas financial institutions
- ATM alliance
- FinTech alliance



Participation in the TSUBASA Alliance

Employees and their families

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.

Specific dialogue methods

- Diversity & inclusion
- Recruitment system
- System for discussion
- Internal reporting system
- Labor-management negotiation



System for discussion

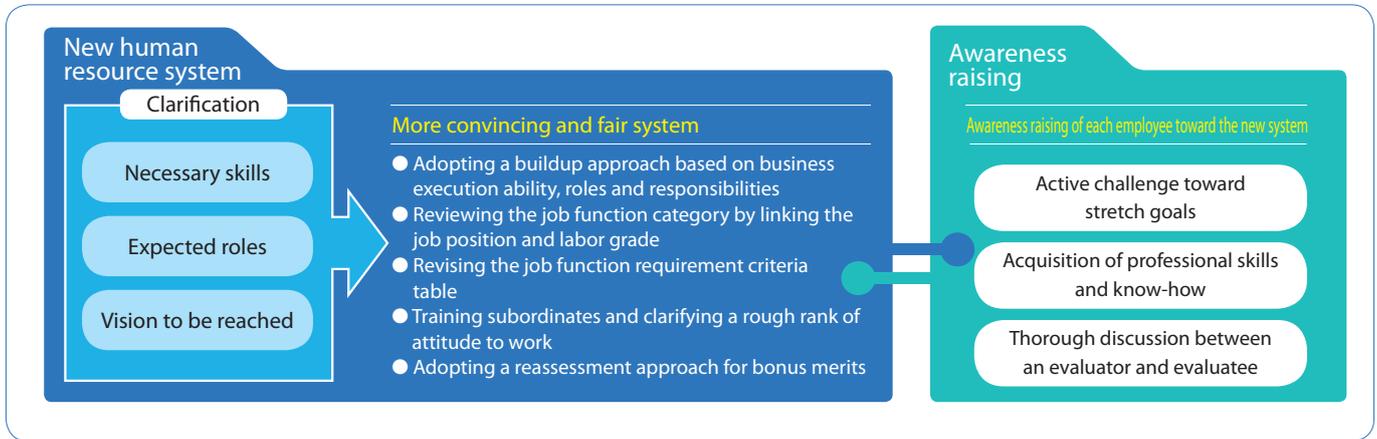


Working father and mother support seminar

Disclosure Policy < Basic approach >
 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 local communities.
 * Details can be found on our website. (https://www.shigagin.com/pdf/disclosure_policy.pdf)

Promoting employee activities and environment creation

The new human resource system that began in October 2017 is highly convincing and fair with clearer evaluation criteria. In addition, through improved discussion and proactive attempts, we aim to realize an organization where efforts and endeavors of each and every employee are further reflected in their evaluations so that they can feel greater job satisfaction and work lively.



Human resources development policy (the 7th Medium-Term Business Plan)

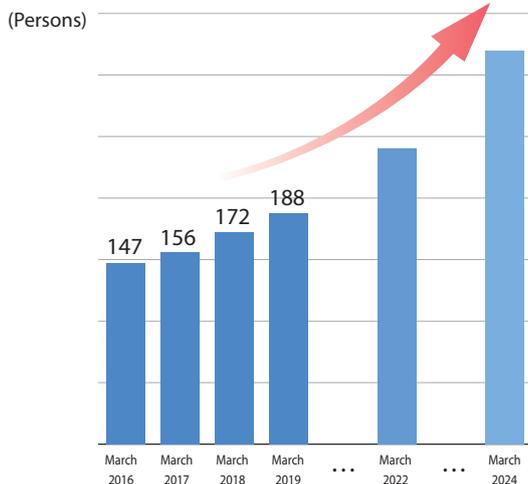
“Development of bank employees needed by customers and the regional community”

- Bank employees having common sense as an adult and high professional ethics
- Future-oriented bank employees who can draw out “a true answer in a customer”
- Bank employees who can carry through their duties with pride, responding to environmental changes flexibly
- Kind and caring bank employees who can think and work on their own as a team and an organization member

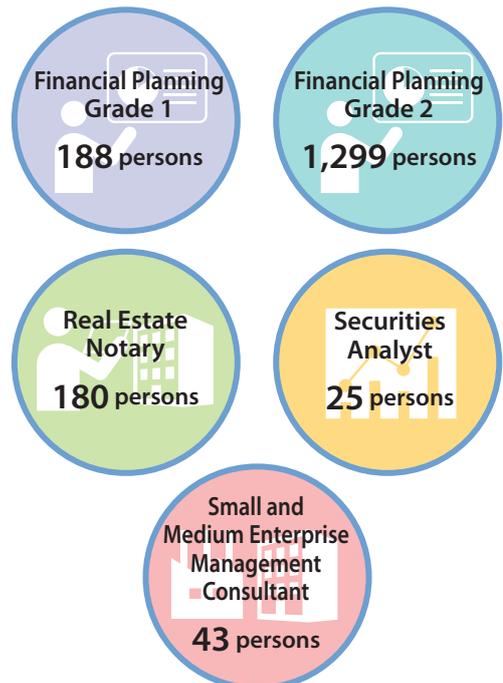
Development of problem-solution type human resources

The Bank provides internal consulting training sessions and also actively dispatches its employees to external specialized institutions. In addition, the Bank improves the support system for qualification acquisition and the incentive system for those who acquired qualification. Thus, we will develop bank employees who can promote their self-growth cycle as a financial professional.

Number of employees with Financial Planning Grade 1 certification



Number of employees with professional qualification



We particularly recommend that our employees acquire the Financial Planning Grade 1 necessary for performing high-level consulting activities.

Organization where diverse human resources work actively

Internal recruitment system

The Bank develops skilled human resources who can work actively in various special fields, including ICT strategy establishment, the consulting division, development of global human resources, and corporate business by female workers, through the internal recruitment system.

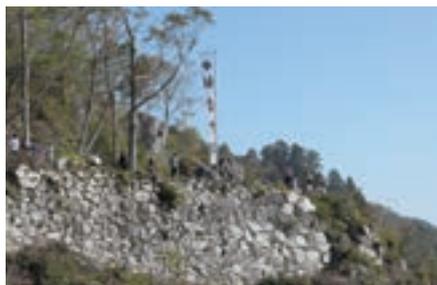


Development of young employees

The Bank provides opportunities for young employees to obtain a wide range of work knowledge regardless of their branches and responsibilities, for creating an organization where diverse human resources work actively. In addition to business skills, we also provide a curriculum to enhance professional ethics as an employee of the Shiga Bank and cultivate an enriched humanness through activities such as regional contribution.



Participation in Kannon-ji Castle Ruins maintenance project



Stone wall of Kannon-ji Castle Ruins

Career formation for empowering female workers

We provide career support for appointment to a higher position, considering improvement of their future lifestyle and workstyle.

Past training sessions

- Career advancement training (Assistant General Manager)
- Female leader encouragement training (middle-class employees)
- Business improvement study session for female workers (young employees)

Supporting growth of workers' minds

Healthy mind and body is integral for each employee to fulfil their full potential and remain highly productive. We provide training sessions for higher mental health literacy centering on self-care and managers' care for co-workers' mental health to every position ranging from new staff to officers to support their mind growth (improvement of autonomy) and create a workplace where they can work lively.



Mental health training session

Providing various learning occasions

We hold seminars for branch and section managers and pressure-free plan seminars on holidays to provide opportunities to obtain knowledge in various fields and hot topics. An annual total of over 4,000 employees improve themselves on holidays. We hold 30 seminars per year which have been established as learning opportunities.

Past seminars

- Learn management from psychology and behavioral science
- Understand the essence of SDGs
- Management issues and solution methods on human resources of SMEs

and more

Promoting employee activities and environment creation

Work-life balance

To promote a better work-life balance, we have enhanced our various leave systems. In fiscal 2018, we established a new “work-life balance leave,” in order to further enhance work-life balance. Also in fiscal 2019, we expanded our leave system to cover temporary and part-time staff.

1. Enhancement of our various leave systems

- Consecutive leave system
- Half-day annual paid leave system
- Spouse maternity special leave system
- Refresh leave system
- Anniversary leave system
- Work-life balance leave system

2. Support for a balance between childcare and work

The period of our childcare leave is three years at maximum, exceeding the legal period. We provide support for continuous career formation such as provision of various information during childcare leave, meetings for a smooth return before going back to work from childcare leave and support seminars after returning from childcare leave. In addition, we have worked on further improvement of our system such that the shorter working hours system and sick/injured childcare leave system, which were available until the child enters an elementary school, have been extended to until the third grade of elementary school.

3. Support for a balance between nursing care and work

We have improved our system such as providing a one-year family-care leave system for employees with a family member that needs constant nursing care and revising the unpaid nursing leave available for 10 days per year to the paid nursing leave.

4. Reduction of total working hours

We are striving to reduce the total working hours by significantly reviewing and systematizing operations for higher productivity. We set 90 days a year (in fiscal 2018) to “early homecoming days” as a Bank-wide initiative to help employees balance work and home.

Monthly overtime hours per employee

FY2014	FY2015	FY2016	FY2017	FY2018
15.8 hours	14.7 hours	13.6 hours	12.7 hours	11.2 hours

Creating a “healthy” working environment for mind and body

We believe that the mental and physical “health” of our employees is essential for our sustainable development. We are creating an environment where each employee can work in a lively, healthy manner.

1. Establishment of an outside counselling system

To forestall mental health problems, we launched a counselling system where all employees are given counselling tickets by which they can consult with an outside professional at ease for free.



2. Support by nurses at internal health offices

For employees with health concerns, the Bank dispatches two nurses working at its health offices to each branch and has an occupational health physician interview the employees. Particularly for young employees, we provide many opportunities for consultation such as during group training, to give them meticulous support.

3. Stress check

We conduct a stress check every year and provide feedback to all respondents. In addition, they can have a meeting with an occupational health physician, if they request. (Percentage of those who took a stress check in fiscal 2018: 91%)

4. Regular health checkups and complete physical examinations, etc.

We encourage employees to have a regular health checkup or complete physical examination every year for early detection and prevention of diseases. Employees aged 30 or older are granted a special leave roughly every two years for undergoing a complete physical examination. (Percentage of those who had a regular health checkup in fiscal 2018: 99%).

Diversity & Inclusion

Positive action

1. Committee for Advancing Women's Success

We established the Committee for Advancing Women's Success in December 2006 and decided relevant policies from a view that reflecting women's opinions to our management and creating opportunities for active participation of women are indispensable for the Bank's sustainable development.

2. Appointment of women

The Bank's action plan in response to the Act on Promotion of Women's Participation and Advancement in the Workplace

Period of the plan: April 1, 2016 to March 31, 2020

- Proportion of women in management (branch and section manager level or higher): more than 5%
- Proportion of women in management (senior staff level or higher): more than 25%
- Percentage of women involved in corporate PR: more than 20%

We support women's advancement in the workplace through seminars and other events. We will take further measures to develop the roles of women in the workplace.

3. Ikuboss declaration

The Bank adopted the "Ikuboss declaration," the first for a regional bank in the Kinki area, in April 2016. The declaration is aimed at empowering female employees and further speeding up the work style reform, thus invigorating the organization.



4. Platinum Kurumin certification

We were awarded the "Platinum Kurumin certification," the first for a regional bank in the Kinki area, on April 20, 2016. We will continue to improve our childcare support system and create a better workplace environment that nurtures employee engagement.



Raising awareness of human rights

To cultivate human rights sensitivity, the Bank organizes employee training sessions to deepen understanding of sexual harassment, power harassment, Dowa discrimination and other human rights issues. In fiscal 2019, the Bank organized a range of training courses with the theme of "proper knowledge and understanding of every kind of human rights." We make efforts for human rights enlightenment through other initiatives, such as displays of various kinds of posters and asking a wide range of employees to come up with slogans.

In addition, as a director company of Shiga Human Rights Promotion Corporation Liaison Council, we are striving to raise awareness of human rights with other member companies in the prefecture toward solving all issues regarding human rights including Dowa discrimination.

LGBT

We held a lecture titled "Human rights of LGBT persons — toward creation of a pleasant workplace," by inviting an external lecturer and created an occasion for discussion to deepen participants' understanding of LGBT.

Employment of people with disabilities

We are creating an environment where people with disabilities can work actively, aiming to maintain and improve the employment rate of people with disabilities. (The legal employment rate is 2.2%; 2.183% as of March 31, 2019, up 0.012% from the previous year.)

1. Cleaner team

A cleaner team comprising eight people with disabilities has been established in the Head Office. Persons in charge of employment of people with disabilities in the Personnel Affairs Department and the team members have regular meetings about their duties and physical conditions and cooperate with each other by demonstrating their individualities. In this way, we will create a workplace where those members can work lively.

2. Para-sports

The Bank supports Hiroko Kondo (belonging to the Personnel Affairs Department), a blind marathon runner. We aim to support promotion of sports and a better understanding of disability through her activities.



Photo provided by The Mainichi Newspapers

Risk management

Basic views

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

Based on the Bank's policy that "Shiga Bank must be sound in order for the local community to be healthy," 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 sustainably enhance profitability based on reasonable risk-taking.

Continuing the initiatives we have launched so far, we plan to improve our risk management capabilities based on the principle of self-responsibility.

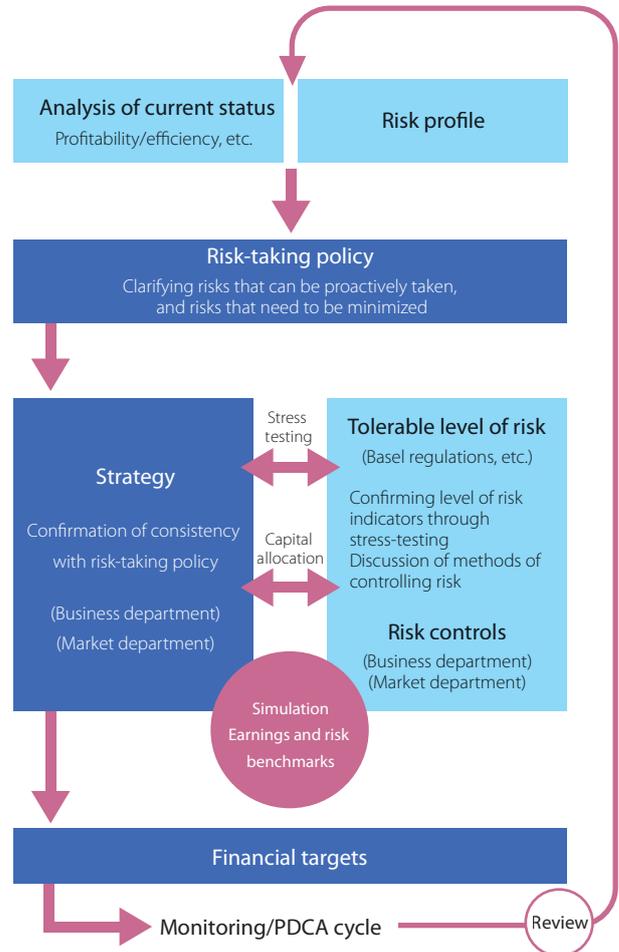
Risk Appetite Framework

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

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

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

Process of developing financial targets



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.



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 Assets & Liabilities Managing Department is responsible for unified monitoring of 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 1) regulatory capital (own capital needed to satisfy capital adequacy regulations) and 2) 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 3) price change risk in investments in securities by keeping it within a specified range.

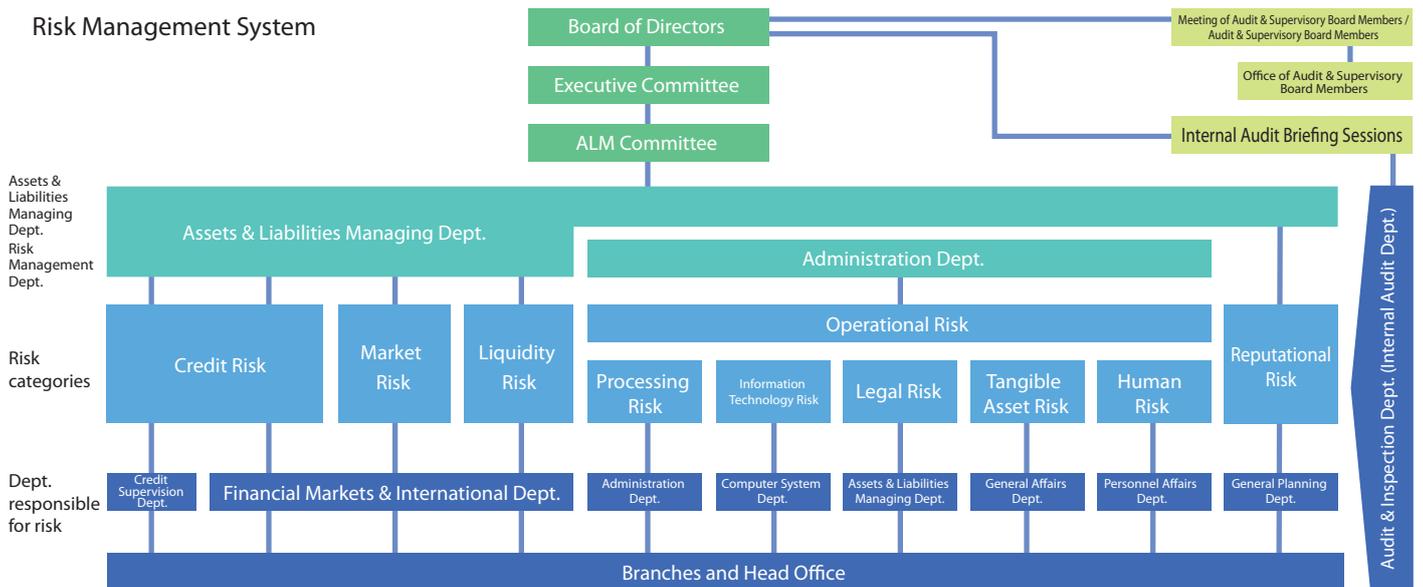
Internal capital adequacy assessment process (stress test)

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

Glossary

VaR (Value at risk)

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



Risk management

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 size and scope, the Bank believes that it is necessary to establish a credit risk management system and control the risk using rational yardsticks. 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 of the Bank, 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 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 order to more precisely implement credit risk management the Bank does not merely analyze the results of the measurements of the amount of credit risk; it implements credit risk management while being aware at all times of the risks faced by its customers.

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 proactively 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.

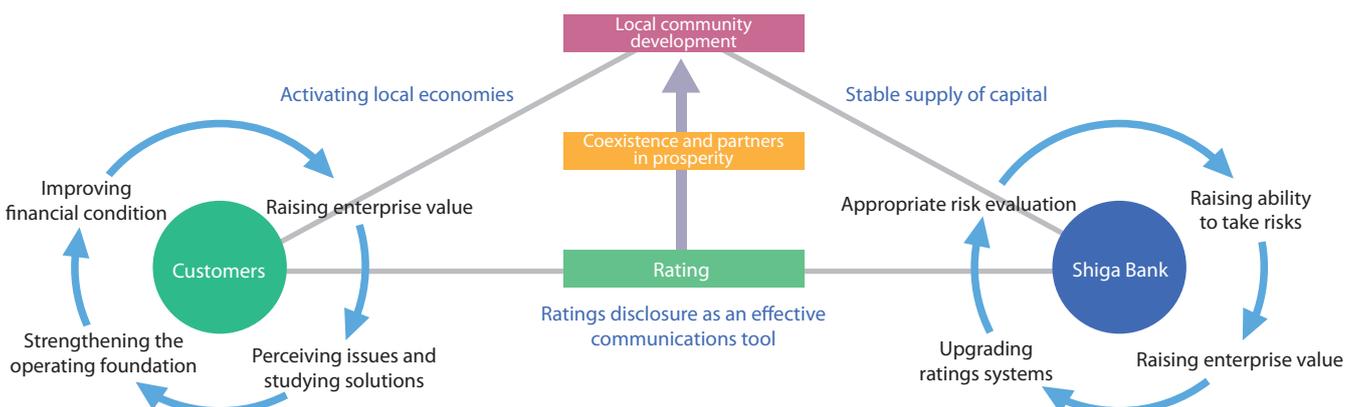
For organizational aspects, the credit risk control unit independent of the business promotion and credit supervision units has designed a self-assessment system of credit ratings and conducted various verification to check the operations of the others and build a solid operation system.

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.

Fully recognizing the possibility of unexpected risk arising during the course of business operations due to uncertainties accompanying market changes and the necessity of responding promptly and in accordance with the nature of the risk, the Bank aims to ensure stable profits by controlling market risk within a fixed scope based on quantitative methods.

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.

Of the market risks, for the risk 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 the loss due to market fluctuations does 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 Audit & Inspection Dept., 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 comprised of the President and the responsible directors and to 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.

The Bank views liquidity risk 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 Financial Markets Department as fund-raising management department monitors fund-raising factors including the financial environment, balance of liquid assets, expected cash outflows, and events that are expected to have an impact on fund-raising on a daily basis, and acts as appropriate. In addition, the Assets & Liabilities Managing Department keeps track of day-to-day risk management by the fund-raising management department, and ensures appropriate management of liquidity risk through regular reporting to the ALM Committee regarding the status of fund-raising.

For the liquidity coverage ratio regulation which is the standard for judging soundness of the liquidity, the Bank takes appropriate action.



Risk management

Operational Risk Management System

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

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

Processing risk management

Processing risk refers to the risk that the Bank will incur a loss, or the credibility of the Bank will be damaged, due to dishonesty or scandals, processing accidents, flaws in the processing management system, executives and employees failing to perform accurate processing, or other problems of this kind.

The Bank is deeply aware that sound processing is the foundation of its credibility, and of the importance of information management, so in order to reduce processing risk and eliminate accidents and dishonesty it is focusing on human resources development, strengthening our organization, development of regulations and manuals, and compliance, while also working on strengthening daily processing instruction and training systems and endeavoring to improve processing quality.

Information Technology Risk Management

Information technology risk is the risk of losses being caused to customers or the Bank due to problems such as computer system failure, malfunction, defect, or illegal abuse.

The Bank has installed an earthquake-proof structure enabling computer systems to continue functioning even in an earthquake disaster, and also has in place **administrative offices** that can operate for up to 72 hours using in-house power generation systems. In addition, we use **data centers** located in East and West Japan that enable mutual backup with the latest technology. The Bank carries out various safety measures for the assumed system risk including virus entry measures and unauthorized access measures to prevent information leakage and strive for the stable operation and information protection of the system.

With compilation of its **contingency plan**, the Bank has further taken every precaution against any kind of accident or large-scale disaster.

Implementation of RCSA

The Bank has put in place a risk management system in compliance with capital adequacy requirements, and carries out regular in-house RCSA.* The Bank identifies and evaluates risk independently.

The Bank also engages in collation and analysis of operational risk information (accident data, etc.) to ensure implementation of the PDCA cycle to increase the efficiency of risk management. These measures for risk control, transfer and avoidance further raise risk management standards.

The Bank uses the "Standardized Approach" in the calculation of amounts equivalent to the operational risk under the capital adequacy ratio requirements.

* RCSA is an abbreviation for Risk & Control Self-Assessment. This is a method for independent risk management, involving compilation and implementation of necessary risk reduction measures based on identification of risks inherent in all business processes and operational systems and in fixed tangible assets, etc., with an evaluation and full appraisal of risk that remains even after counter-measures have been taken.

Cybersecurity

The Bank considers that responding to cyberattacks is one of the most important management issues, from the perspective of maintaining the stable operation of our network and systems in order to provide our customers with safe and secure financial services.

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 to collecting and analyzing information to quickly identify risks and respond appropriately, we are also endeavoring to enhance our capabilities for responding to these risks through training and drills.

Furthermore, for online banking and other non-face-to-face transactions, we endeavor to ensure security through a combination of measures to prevent unauthorized activity, including safe authorization methods.

*CSIRT: Computer Security Incident Response Team

Reputational Risk Management System

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

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



Enhancing Legal Compliance

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

Legal compliance system

The Bank has stipulated the Code of Conduct based on the CSR Charter, our management principles. A **Legal Compliance Committee** chaired by the senior managing director of the Bank takes the lead to comply with this Code of Conduct and to comply thoroughly with laws and regulations, and once in a fiscal year we draw up a **Compliance Program** and endeavor to implement it.

Specifically, training is conducted every year at each department, branch and affiliate in accordance with set themes, and the extent to which the training has been understood is monitored by the Head Office. Departments, branches and affiliates which are determined not to understand it sufficiently redouble their efforts and try to strengthen their legal compliance system by continuously implementing the PDCA cycle.

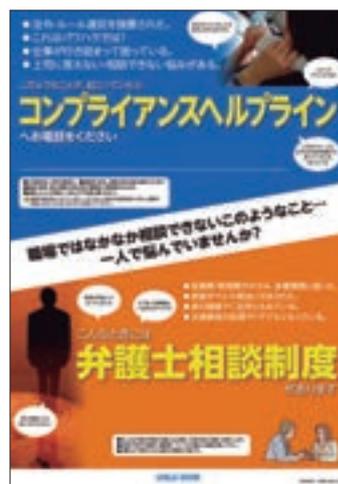
In fiscal 2019, we intend to run training programs with the themes of preventing money laundering using a risk-based approach, preventing recurrence of a misconduct, and enhancing cybersecurity literacy.

Instead of conventional lecture-type training, participatory training with a focus on discussion is being adopted.

Whistle-blowing system established

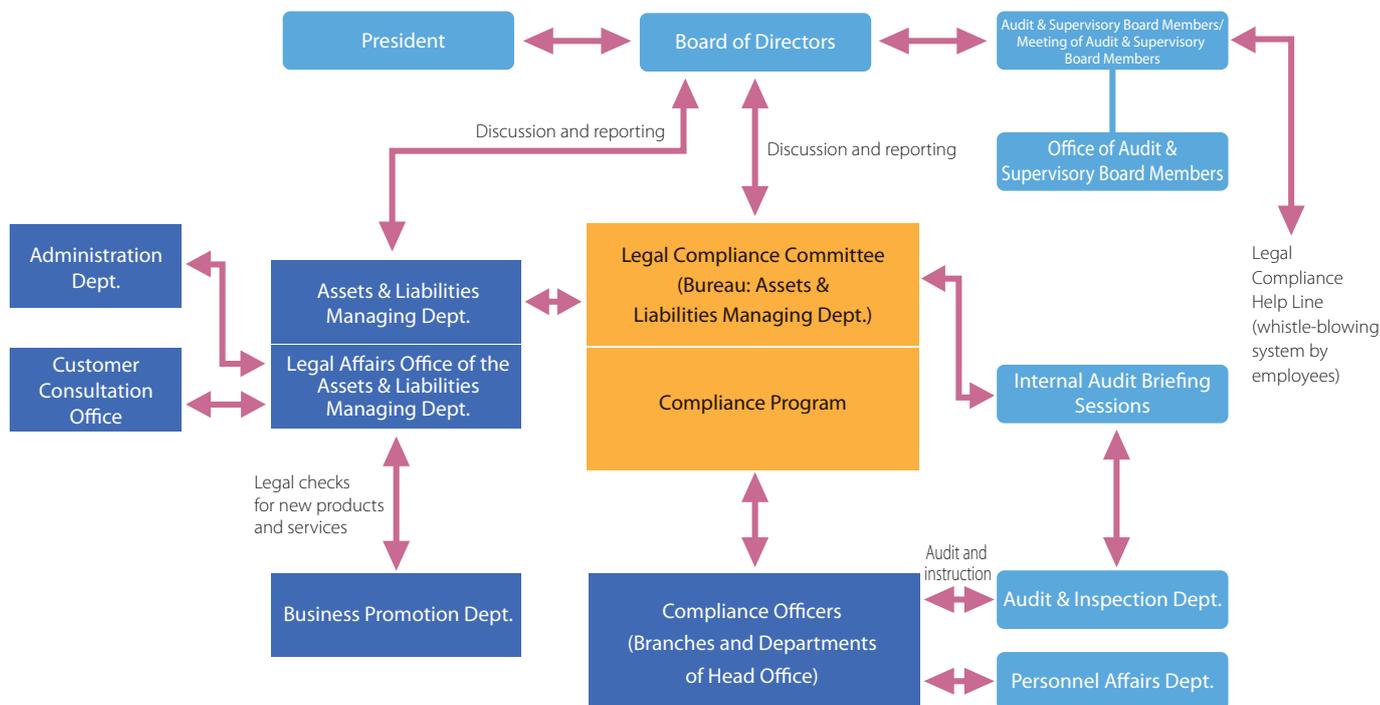
In order to promote compliance management, we have established a **legal compliance help line** (24 hours a day) for employees to contact when they have discovered a violation of laws, regulations, or rules in the workplace and cannot discuss their concerns with their superiors or colleagues.

We have also jointly established a system that allows employees to **consult with lawyers** and solve problems early when they face legal problems outside the workplace.



Poster publicizing the Bank's whistleblowing system

Legal compliance system



Compliance

Measures against money laundering

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

Amid this situation, in February 2018, the Financial Services Agency developed and announced the “Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism” that clarify basic approaches of effective measures against the unlawful financing taken by financial institutions.

Under the guidelines, banks and other financial institutions are required to additionally confirm more items than required by the Act on Prevention of Transfer of Criminal Proceeds, depending on details and conditions of customer transactions, in addition to items required by the said Act and other laws.

Major initiatives of the Bank

- Launched the “project team for measures against money laundering and the financing of terrorism” for promoting cross-departmental efforts in July 2018
- Revised the “risk evaluation report concerning money laundering” (hereinafter, the “risk evaluation report”) in December 2018
- Put in place the Money Laundering Countermeasures Office as an expert supervising organization in the Assets & Liabilities Managing Department to strengthen a structure for preventing the unlawful financing in January 2019.

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

Measures to eliminate anti-social forces

The Bank has traditionally taken active measures to eliminate anti-social forces. To strengthen these measures, we have adopted an “anti-social forces elimination clause” to the Ordinary Deposit Regulations and other rules. Under the clause, if an account holder is found to belong to anti-social forces, the Bank can suspend or cancel any transaction with the account holder at its discretion. At the same time, we established the **“Shiga Bank Anti-social Forces Elimination Regulations.”**

New customers are requested to represent and declare that they do not belong to anti-social forces, before they open an ordinary deposit account.

Special fraud prevention system

Protecting customer deposits from “special fraud”

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

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

Thanks to these measures, we received 15 certifications of appreciation for special fraud prevention from police stations in Shiga Prefecture during one year from January to December 2018 (19 certifications in 2017 and 15 in 2016). Many cases of special fraud attempts were prevented because employees were highly conscious of special fraud when serving customers at counters, lobbies and ATMs and the Bank ensured swift and close cooperation with the police.

The Bank will continue to prevent special fraud cases increasing every year by considering itself as a “last bastion” of protecting customers’ important deposits from financial crime.

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 Group,” in accordance with laws and regulations.

Personal information protection and management

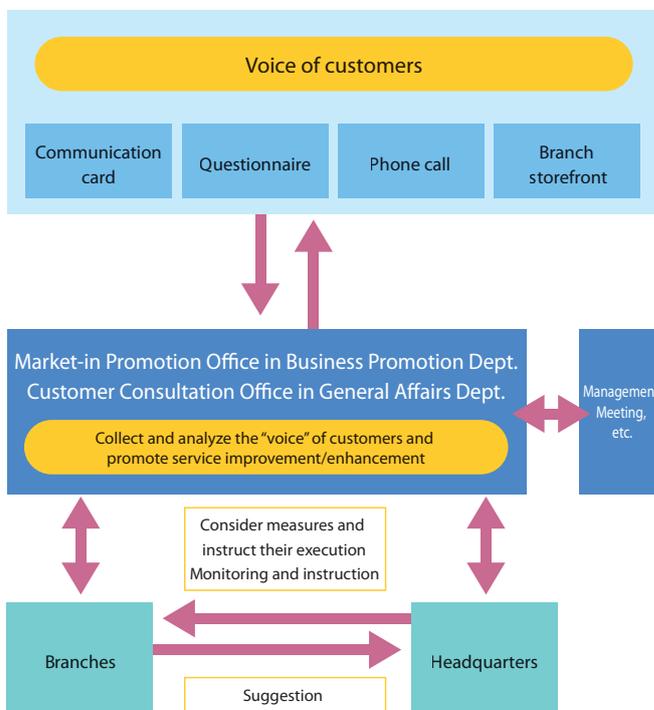
While advanced information and communication technology represented by the Internet, social media, cloud services and FinTech has brought more convenient services, it has also been pointing to growing importance of appropriate protection and management of personal information.

What we believe matters most is appropriate and strict handling of customers' personal information (including My Number individual numbers for social security and taxation). To this end, we established the "Personal Information Protection Policy" and the "Basic Policy on Handling of Specific Personal Information, etc." as basic policies for appropriate and strict handling of personal information. (These policies are available in Japanese on the Bank's website.)

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

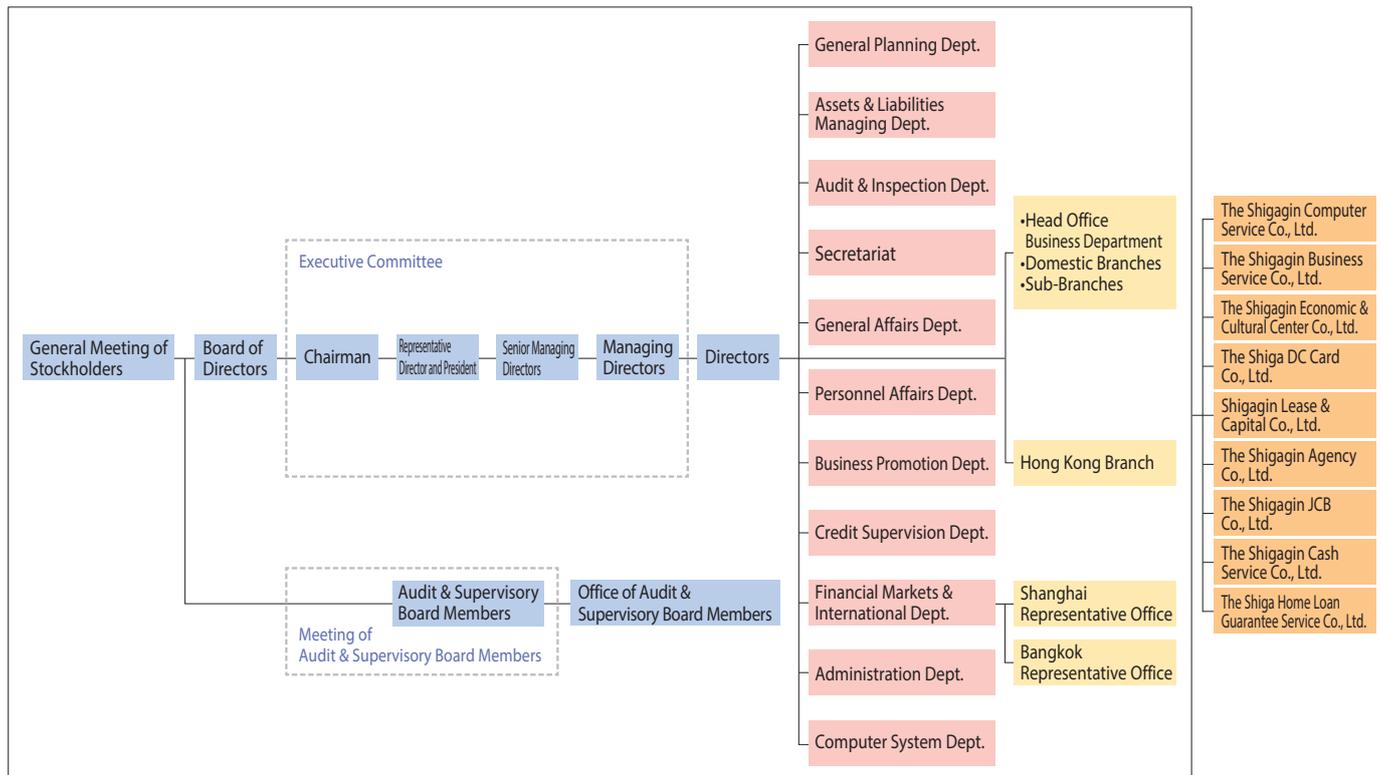
System for listening to the voice of customers

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



Organization Chart

As of June 30, 2019



Consolidated Subsidiary

Company Name

The Shigagin Computer Service Co.,Ltd.

The Shigagin Business Service Co.,Ltd.

The Shigagin Economic & Cultural Center Co.,Ltd.

The Shiga DC Card Co.,Ltd.

The Shigagin Lease & Capital Co.,Ltd.

The Shigagin Agency Co.,Ltd.

The Shigagin JCB Co.,Ltd.

The Shigagin Cash Service Co.,Ltd.

The Shiga Home Loan Guarantee Service Co.,Ltd.

Profile

(As of March 31, 2019)

Corporate Name : THE SHIGA BANK, LTD.
 Head Office : 1-38, Hamamachi, Otsu, Shiga 520-8686, Japan
 Established : October 1, 1933
 Total Assets : ¥6,100.4 billion
 Deposits (including negotiable certificates of deposits) : ¥4,952.5 billion
 Loans : ¥3,795.8 billion
 Common Stock : ¥33.0 billion
 Employees: 2,006
 Offices and Branches : 133 (including 25 agents)

Financial Section

The Shiga Bank, Ltd. and Consolidated Subsidiaries

Consolidated Five-year Summary

	Millions of yen				
	2019	2018	2017	2016	2015
As of March 31					
Total assets	¥6,115,271	¥5,875,040	¥5,539,561	¥5,025,426	¥4,996,976
Investment securities	1,352,017	1,346,672	1,467,592	1,428,917	1,542,013
Loans and bills discounted	3,779,056	3,618,866	3,461,905	3,257,723	3,051,704
Deposits	4,849,187	4,685,466	4,516,648	4,331,151	4,281,984
Total equity	402,227	407,905	374,246	346,714	349,851
Years ended March 31					
Total income	98,586	90,537	90,162	95,940	88,499
Total expenses	77,587	70,644	69,412	73,621	64,439
Income before income taxes	20,998	19,892	20,749	22,319	24,060
Net income attributable to owners of the parent	14,681	13,884	14,895	15,508	13,675
Per share data (in yen)					
Cash dividends	¥ 42.50	¥ 40.00	¥ 8.00	¥ 8.00	¥ 6.00
Net income	282.24	266.68	57.21	59.57	51.87
Net equity	7,863.37	7,832.18	1,425.41	1,310.98	1,324.63
Ratio					
Capital ratio	15.68%	16.98%	16.67%	16.45%	15.94%
ROE	3.62%	3.56%	4.18%	4.52%	4.32%

Financial review (Consolidated basis)

During the fiscal year under review, despite signs that exports and manufacturing were affected by an economic slowdown overseas, the Japanese economy expanded moderately as corporate earnings and business sentiment generally maintained good levels and employment and income conditions improved steadily as a result of the government's economic policies and monetary easing policies by the Bank of Japan.

However, there remain concerns toward full-fledged economic recovery mainly driven by increasing uncertainty about U.S. economic policies, economic trends in emerging and resource-producing countries, and turmoil surrounding negotiations for the UK's exit from the European Union.

Within Shiga Prefecture, corporate production weakened owing to the impact of an economic slowdown overseas and, despite signs of firm demand in certain sectors, growth slowed overall. Although the overall economy of the prefecture is in a moderate recovery trend, it appears to remain flat for the immediate future.

Balance sheets

Total assets at fiscal year-end stood at ¥6,115,271 million, a year-on-year increase of ¥240,231 million.

With regards to the main account balance of assets, securities stood at ¥1,352,017 million (an increase of ¥5,345 million from the end of the previous fiscal year), while loans and bills discounted totaled ¥3,779,056 million (an increase of ¥160,189 million from the end of the previous fiscal year).

In liabilities, total liabilities increased by ¥245,908 million from the end of the previous fiscal year to ¥5,713,043 million.

With regards to the main account balance of liabilities, deposits totaled ¥4,849,187 million (an increase of ¥163,720 million from the end of the previous fiscal year), negotiable certificates of deposit ¥84,955 million (an increase of ¥3,270 million from the end of the previous fiscal year), call money ¥49,989 million (a decrease of ¥84,645 million from the end of the previous fiscal year), payables under securities lending transactions ¥218,995 million (an increase of ¥113,141 million from the end of the previous fiscal year),

borrowed money ¥367,480 million (an increase of ¥50,607 million from the end of the previous fiscal year), and bonds with stock acquisition rights ¥22,198 million (an increase of ¥950 million from the end of the previous fiscal year).

Total equity amounted to ¥402,227 million, a decrease of ¥5,677 million from the end of the previous fiscal year.

This is mainly due to a year-on-year decrease of ¥15,698 million in total accumulated other comprehensive income to ¥140,741 million primarily resulting from a decrease in net unrealized gains on available-for-sale securities, despite a year-on-year increase of ¥10,017 million in shareholders' equity to ¥261,356 million primarily resulting from an increase in retained earnings.

Statements of operations

Regarding income, total income posted a year-on-year increase of ¥8,824 million to ¥98,558 million, mainly due to an increase in other income primarily resulting from an increase in gains on sales of stocks and other securities from the sale of cross-shareholdings, etc. Meanwhile, total expenses increased by ¥7,451 million from the previous fiscal year to ¥77,544 million, mainly due to an increase in interest expenses primarily resulting from foreign currency procurement and an increase in other expenses primarily resulting from an increase in credit costs. As a result, the Bank posted income before income taxes for the fiscal year under review of ¥21,013 million, up ¥1,373 million year-on-year, and net income attributable to owners of parent of ¥14,681 million, up ¥796 million year-on-year.

Furthermore, comprehensive income posted a year-on-year decrease of ¥39,867 million to ¥1,017 million of loss.

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

Cash flows

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

Net cash provided by operating activities posted a decrease of ¥36,864 million year-on-year to ¥89,967 million, mainly due to increases in deposits which are the source of fund procurement, and loans and bills discounted which are essential to fund management. Net cash used in investing activities posted an increase of ¥165,132 million year-on-year to ¥15,450 million, mainly due to an increase in purchases of securities as a result of initiatives for effective fund management. Net cash used in financing activities posted a decrease of ¥538 million year-on-year to ¥4,664 million. This was mainly due to an effect of increased payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation in the previous fiscal year, despite increased payments from purchases of treasury stock for returns to shareholders.

As a result, cash and cash equivalents as of the end of the fiscal year under review amounted to ¥810,413 million, an increase of ¥69,857 million year-on-year.

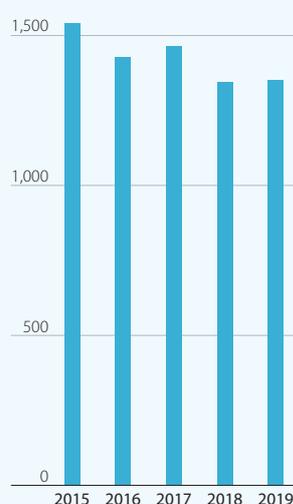
Deposits
(Billions of yen)



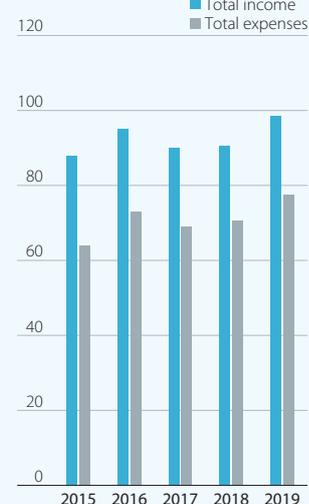
Loans and bills discounted
(Billions of yen)



Investment securities
(Billions of yen)



Total income and expenses
(Billions of yen)



Consolidated Balance Sheet

As of March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Assets			
Cash and due from banks (Notes 3 and 31)	¥ 811,032	¥ 741,203	\$ 7,307,252
Call loans and bills bought.....	4,022	4,755	36,237
Debt purchased.....	4,624	5,393	41,661
Trading securities (Note 4).....	172	374	1,549
Money held in trust (Note 5).....	15,323	10,570	138,057
Investment securities (Notes 4, 12, 19 and 31)	1,352,017	1,346,672	12,181,430
Loans and bills discounted (Notes 7, 13, 31 and 37)	3,779,056	3,618,866	34,048,616
Foreign exchange assets (Note 8).....	8,625	8,053	77,709
Other assets (Notes 9, 12 and 37).....	82,705	78,741	745,157
Tangible fixed assets (Notes 10, 11, and 14)	56,033	56,788	504,847
Intangible fixed assets.....	2,389	2,811	21,524
Deferred tax assets (Note 30).....	665	655	5,991
Customers' liabilities for acceptances and guarantees (Notes 19 and 37).....	25,776	25,037	232,237
Allowance for possible loan losses.....	(27,174)	(24,883)	(244,832)
Total assets	6,115,271	5,875,040	55,097,495
Liabilities			
Deposits (Notes 12, 15 and 31)	4,849,187	4,685,466	43,690,305
Negotiable certificates of deposit (Note 31)	84,955	81,685	765,429
Call money and bills sold (Note 31).....	49,989	134,634	450,391
Payables under securities lending transactions (Notes 12 and 31).....	218,995	105,853	1,973,105
Borrowed money (Notes 12, 16 and 31).....	367,480	316,872	3,310,928
Foreign exchange liabilities (Note 8).....	93	151	837
Bonds with stock acquisition rights (Note 17)	22,198	21,248	200,000
Other liabilities (Notes 18 and 37).....	42,057	34,454	378,926
Liability for employees' retirement benefits (Note 29)	1,810	5,794	16,307
Liability for retirement benefits of directors and Audit & Supervisory Board Members.....	8	10	72
Liability for reimbursement of deposits.....	502	501	4,522
Allowance for repayment of excess interest	30	42	270
Reserve for other contingent losses.....	195	200	1,756
Deferred tax liabilities (Note 30).....	42,653	48,071	384,295
Deferred tax liabilities for land revaluation (Note 14)	7,110	7,110	64,059
Acceptances and guarantees (Notes 19 and 37).....	25,776	25,037	232,237
Total liabilities	5,713,043	5,467,135	51,473,493
Equity (Notes 20, 21 and 35)			
Common stock, authorized, 100,000,000 shares; issued, 53,090,081 shares as of March 31, 2019 and 2018 (*)	33,076	33,076	298,008
Capital surplus.....	24,536	24,536	221,064
Stock acquisition rights	129	125	1,162
Retained earnings.....	209,664	197,201	1,889,035
Treasury stock – at cost 1,954,512 shares and 1,025,454 shares as of March 31, 2019 and 2018, respectively (*).....	(5,921)	(3,476)	(53,347)
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities (Notes 4 and 6).....	130,613	144,872	1,176,799
Deferred losses on derivatives under hedge accounting.....	(3,895)	(1,436)	(35,093)
Land revaluation surplus (Note 14).....	11,357	11,357	102,324
Defined retirement benefit plans.....	2,665	1,647	24,011
Total equity	402,227	407,905	3,623,993
Total liabilities and equity	¥6,115,271	¥5,875,040	\$55,097,495

(*) Shares have been restated, as appropriate, to reflect a 1-for-5 reverse stock split effected October 1, 2018. See Notes to Consolidated Financial Statements.

Consolidated Statement of Income

Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Income (Note 36)			
Interest income:			
Interest on loans and discounts.....	¥37,738	¥37,399	\$340,012
Interest and dividends on securities.....	13,487	13,503	121,515
Other interest income.....	242	243	2,180
Fees and commissions.....	14,957	14,404	134,759
Other operating income (Note 22).....	17,975	17,798	161,951
Other income (Note 23).....	14,184	7,189	127,795
Total income	98,586	90,537	888,242
Expenses			
Interest expenses:			
Interest on deposits.....	2,625	1,567	23,650
Interest on borrowing and rediscounts.....	2,688	1,981	24,218
Other interest expenses.....	1,833	1,169	16,515
Fees and commissions.....	5,082	4,882	45,787
Other operating expenses (Note 24).....	16,537	14,944	148,995
General and administrative expenses.....	41,972	43,204	378,160
Other expenses (Note 25).....	6,847	2,894	61,690
Total expenses	77,587	70,644	699,044
Income before income taxes	20,998	19,892	189,188
Income taxes (Note 30)			
Current.....	5,732	4,076	51,644
Deferred.....	584	1,931	5,261
Net income	14,681	13,884	132,273
Net income attributable to owners of the parent	¥14,681	¥13,884	\$132,273

	Yen		U.S. dollars
	2019	2018(*)	2019
Per share information (Note 34)			
Basic net income.....	¥282.24	¥266.68	\$ 2.543
Diluted net income.....	249.42	235.80	2.247
Cash dividends applicable to the year.....	42.50	40.00	0.383

(*) Per share figures have been restated, as appropriate, to reflect a 1-for-5 reverse stock split effected October 1, 2018.
See Notes to Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Net income	¥ 14,681	¥ 13,884	\$ 132,273
Other comprehensive income (Note 33):			
Net unrealized gains (losses) on available-for-sale securities.....	(14,258)	24,768	(128,462)
Deferred losses on derivatives under hedge accounting.....	(2,458)	(230)	(22,146)
Defined retirement benefit plans.....	1,018	427	9,171
Total other comprehensive income.....	(15,698)	24,965	(141,436)
Comprehensive income.....	¥ (1,017)	¥38,850	\$ (9,162)
Attributable to			
Owners of the parent.....	¥ (1,017)	¥38,850	\$ (9,162)

See Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

Years ended March 31, 2019 and 2018

	Thousands		Millions of yen											
	Outstanding number of shares of common stock (*)	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Accumulated Other Comprehensive Income					Total	Non-controlling interests	Total equity
							Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation surplus	Defined retirement benefit plans				
Balance as of April 1, 2017	52,061	¥33,076	¥24,577	¥113	¥185,201	¥(3,490)	¥120,103	¥(1,206)	¥11,561	¥1,220	¥371,158	¥3,088	¥374,246	
Changes during the year:														
Net income attributable to owners of the parent					13,884						13,884		13,884	
Cash dividends, ¥40.00 per share (*)					(2,082)						(2,082)		(2,082)	
Purchase of treasury stock	(4)					(13)					(13)		(13)	
Sales of treasury stock					(5)	26					21		21	
Change in the parent's ownership interest due to transactions with noncontrolling interests			(41)								(41)		(41)	
Reversal of land revaluation surplus					203						203		203	
Other changes	7			12			24,768	(230)	(203)	427	24,773	(3,088)	21,685	
Net change in the year		—	(41)	12	12,000	13	24,768	(230)	(203)	427	36,747	(3,088)	33,658	
Balance as of March 31, 2018	52,064	¥33,076	¥24,536	125	¥197,201	¥(3,476)	¥144,872	¥(1,436)	¥11,357	¥1,647	¥407,905	—	¥407,905	
Changes during the year:														
Net income attributable to owners of the parent					14,681						14,681		14,681	
Cash dividends, ¥42.50 per share (*)					(2,212)						(2,212)		(2,212)	
Purchase of treasury stock	(938)					(2,476)					(2,476)		(2,476)	
Sales of treasury stock					(5)	30					25		25	
Other changes	9			4			(14,258)	(2,458)	—	1,018	(15,694)	—	(15,694)	
Net change in the year		—	—	4	12,462	(2,445)	(14,258)	(2,458)	—	1,018	(5,677)	—	(5,677)	
Balance as of March 31, 2019	51,135	¥33,076	¥24,536	¥129	¥209,664	¥(5,921)	¥130,613	¥(3,895)	¥11,357	¥2,665	¥402,227	¥—	¥402,227	

	Thousands of U.S. dollars (Note 1)												
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Accumulated Other Comprehensive Income					Total	Non-controlling interests	Total equity
						Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation surplus	Defined retirement benefit plans				
Balance as of March 31, 2018	\$298,008	\$221,064	\$1,126	\$1,776,745	\$(31,318)	\$1,305,270	\$(12,938)	\$102,324	\$14,839	\$3,675,150	\$—	\$3,675,150	
Changes during the year:													
Net income attributable to owners of the parent				132,273							132,273		132,273
Cash dividends, \$0.38 per share (*)				(19,929)							(19,929)		(19,929)
Purchase of treasury stock					(22,308)						(22,308)		(22,308)
Sales of treasury stock				(45)	270						225		225
Other changes			36			(128,462)	(22,146)	—	9,171	(141,400)	—	(141,400)	
Net change in the year	—	—	36	112,280	(22,029)	(128,462)	(22,146)	—	9,171	(51,148)	—	(51,148)	
Balance as of March 31, 2019	\$298,008	\$221,064	\$1,162	\$1,889,035	\$(53,347)	\$1,176,799	\$(35,093)	\$102,324	\$24,011	\$3,623,993	\$—	\$3,623,993	

(*) Shares and per share figures have been restated, as appropriate, to reflect a 1-for-5 reverse stock split effected October 1, 2018. See Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Operating activities:			
Income before income taxes	¥ 20,998	¥ 19,892	\$ 189,188
Depreciation	2,794	3,038	25,173
Losses on impairment of long-lived assets	—	348	—
Increase (decrease) in allowance for possible loan losses	2,291	(4,562)	20,641
Increase (decrease) in reserve for other contingent losses	(4)	32	(36)
Decrease in liability for retirement benefits	(3,984)	(3,036)	(35,895)
Decrease in liability for retirement benefits of directors and Audit & Supervisory Board Members	(1)	(2)	(9)
Increase (decrease) in liability for reimbursement of deposits	1	(2)	9
Decrease in allowance for repayment of excess interest	(11)	(19)	(99)
Interest income	(51,468)	(51,145)	(463,717)
Interest expense	7,147	4,717	64,393
Gains on sales and write-down of investment securities	(11,462)	(4,502)	(103,270)
Losses on money held in trust	197	67	1,774
Foreign exchange losses (gains)	(6)	9	(54)
Losses on disposals of fixed assets – net	15	198	135
Net increase in loans and bills discounted	(160,189)	(156,960)	(1,443,274)
Net increase in deposits	163,720	168,818	1,475,087
Net increase (decrease) in negotiable certificate of deposits	3,270	(4,792)	29,462
Net increase in borrowed money (excluding subordinated loans)	50,607	110,041	455,959
Net decrease in due from banks (excluding deposits in Bank of Japan)	28	208	252
Net decrease (increase) in call loans and others	1,502	(2,067)	13,532
Net increase (decrease) in call money and bills sold	(84,645)	44,358	(762,636)
Net increase (decrease) in payables under securities lending transactions	113,141	(32,093)	1,019,380
Net increase in foreign exchange assets	(572)	(2,798)	(5,153)
Net increase (decrease) in foreign exchange liabilities	(57)	89	(513)
Interest received (cash basis)	51,045	49,760	459,906
Interest paid (cash basis)	(5,956)	(3,921)	(53,662)
Other	(4,476)	(5,199)	(40,327)
Subtotal	93,923	130,474	846,229
Income taxes – paid	(3,956)	(3,643)	(35,642)
Net cash provided by operating activities	89,967	126,831	810,586
Investing activities:			
Purchases of securities	(433,208)	(342,172)	(3,903,126)
Proceeds from sales of securities	271,608	258,606	2,447,139
Proceeds from redemptions of securities	152,567	235,124	1,374,601
Increase in money held in trust	(10,000)	—	(90,098)
Decrease in money held in trust	5,231	—	47,130
Purchases of tangible fixed assets	(1,314)	(1,777)	(11,838)
Proceeds from sales of tangible fixed assets	104	96	937
Purchases of intangible fixed assets	(439)	(196)	(3,955)
Net cash provided by (used in) investing activities	(15,450)	149,682	(139,201)
Financing activities:			
Purchases of treasury stock	(2,476)	(13)	(22,308)
Proceeds from sales of treasury stock	25	21	225
Dividends paid	(2,212)	(2,082)	(19,929)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(3,128)	—
Net cash used in financing activities	(4,664)	(5,202)	(42,021)
Foreign currency translation adjustments on cash and cash equivalents	5	(6)	45
Net increase in cash and cash equivalents	69,857	271,304	629,399
Cash and cash equivalents, beginning of year	740,555	469,250	6,672,267
Cash and cash equivalents, end of year (Note 3)	¥810,413	¥ 740,555	\$7,301,675

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Years ended March 31, 2019 and 2018

1. Basis of presenting consolidated financial statements

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

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

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

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥110.99 to U.S.\$1, the rate of exchange at March 31, 2019, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen amounts have been or could be readily converted, realized or settled in U.S. dollar amounts at this rate or any other rates.

2. Summary of significant accounting policies

(a) Principles of consolidation

The accompanying consolidated financial statements for the years ended March 31, 2019 and 2018 include the accounts of the Bank and nine consolidated subsidiaries.

The consolidated subsidiaries' respective fiscal periods end March 31 for the years ended March 31, 2019 and 2018.

The Bank has four and five other nonconsolidated subsidiaries in 2019 and 2018, 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 for which current value can be estimated are stated at fair value at the fiscal year end. Securities whose fair value cannot be reliably determined are stated at cost using the moving-average method. Valuation gains/losses on securities available for sale are included in net assets, net of income taxes (cost of sales, in principle, is computed by the moving-average method).

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

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

(e) Derivatives and hedging activities

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

i. Interest rate risk hedges

The Bank applies deferred hedge accounting to hedge transactions against interest rate risk arising from financial assets and liabilities which includes the method of designating hedging instruments to hedged items as well as the method stipulated in "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 24, February 13, 2002).

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 Audit Committee Report No. 25, July 29, 2002).

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

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

(f) Bills discounted

Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report 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 ¥3,572 million (\$32,183 thousand) and ¥3,572 million at March 31, 2019 and 2018, 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 possible loan losses

Allowance for possible 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. For other loans, an allowance is provided based on historical loan loss experience over a certain period of time.

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

For collateralized or guaranteed claims to debtors who are legally bankrupt or virtually bankrupt, the amount deemed unrecoverable, which is the amount of claims exceeding the estimated value of collateral or guarantees, has been written off and amounted to ¥12,347 million (\$111,244 thousand) and ¥13,473 million as of March 31, 2019 and 2018, respectively.

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

(l) Retirement and Pension Plans

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

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

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

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

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

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

(n) Liability for reimbursement of deposits

Liability for reimbursement of deposits that were derecognized as liabilities under certain conditions is provided for possible 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) New accounting pronouncements

"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 issued in March 2018)

"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30 issued in March 2018)

(1) Summary

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

Step 1: Identify the contract with the customer

Step 2: Identify the performance obligations under the contract

Step 3: Determine the transaction price

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

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

(2) Effective date

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

(3) Effects of application of the standard and guidance

The Group is in the process of measuring the effects of applying the new standard and guidance.

(w) Additional information

Transfer of fixed assets

The Bank has decided to transfer certain of its fixed assets and concluded a sales agreement on March 15, 2019. Details of the transfer are as follows:

(1) Reason for the transfer

In order to efficiently use its management resources, the Bank has reviewed its assets held and decided to transfer certain of those assets.

(2) Details of the transferred assets and overview of the transferee

The Bank decided to transfer a business asset outside of Shiga prefecture (one location).

The transferee is a domestic business corporation. The transferee has no capital or personnel relationship with the Bank and is not a related party of the Bank, while there are some business transactions between the two.

(3) Transfer schedule

Date of the sales agreement: March 15, 2019

Time of delivery and payment: To be executed by the end of November 2019

(4) Effect of the transfer on profit or loss of the Bank's business

The Bank expects to recognize a gain of ¥4.9 billion (\$44,148 thousand) in other income for the year ending March 31, 2020.

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, 2019 and 2018, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash and due from banks.....	¥811,032	¥741,203	\$7,307,252
Other due from banks.....	(618)	(647)	(5,568)
Cash and cash equivalents.....	¥810,413	¥740,555	\$7,301,675

4. Securities

Securities at March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Japanese government bonds.....	¥ 262,298	¥ 243,533	\$ 2,363,257
Japanese local government bonds.....	216,869	209,363	1,953,950
Japanese corporate bonds.....	377,421	380,947	3,400,495
Corporate stocks.....	229,874	265,829	2,071,123
Other securities.....	265,553	246,997	2,392,584
Total.....	¥1,352,017	¥1,346,672	\$12,181,430

Fair value and other information on securities at March 31, 2019 and 2018 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
	2019	2018	2019
	Losses included in loss during the fiscal year		
Trading securities.....	¥(145)	¥(11)	\$(1,306)

(2) Held-to-maturity securities

No securities were classified as held to maturity as of March 31, 2019 and 2018.

(3) Available-for-sale securities

Available-for-sale securities as of March 31, 2019 and 2018 were as follows:

	Millions of yen		
	2019		
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)
Consolidated balance sheet amount exceeding cost:			
Stocks.....	¥ 219,734	¥ 50,493	¥169,240
Bonds:.....	797,109	782,976	14,133
Japanese government bonds ...	227,405	220,895	6,510
Japanese local government bonds	216,256	213,780	2,475
Japanese corporate bonds.....	353,448	348,300	5,147
Others.....	131,087	128,852	2,235
Subtotal.....	¥1,147,932	¥ 962,323	¥185,609
Consolidated balance sheet amount not exceeding cost:			
Stocks.....	¥ 6,268	¥ 7,389	¥ (1,120)
Bonds:.....	59,479	59,743	(263)
Japanese government bonds ...	34,892	35,099	(207)
Japanese local government bonds	613	614	(0)
Japanese corporate bonds.....	23,973	24,029	(55)
Others.....	124,892	126,913	(2,021)
Subtotal.....	190,641	194,046	(3,405)
Total.....	¥1,338,573	¥1,156,369	¥182,203

	Millions of yen		
	2018		
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)
Consolidated balance sheet amount exceeding cost:			
Stocks.....	¥ 251,892	¥ 55,687	¥196,204
Bonds:.....	679,962	667,905	12,056
Japanese government bonds ...	206,369	201,608	4,760
Japanese local government bonds	184,411	181,466	2,944
Japanese corporate bonds.....	289,181	284,830	4,351
Others.....	58,196	57,664	532
Subtotal.....	¥ 990,050	¥ 781,257	¥208,793

	Millions of yen		
	2018		
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)
Consolidated balance sheet amount not exceeding cost:			
Stocks.....	¥ 9,976	¥ 10,901	¥ (924)
Bonds:.....	153,882	155,252	(1,369)
Japanese government bonds ...	37,164	38,059	(894)
Japanese local government bonds	24,952	25,116	(164)
Japanese corporate bonds.....	91,765	92,075	(310)
Others.....	180,893	185,548	(4,654)
Subtotal.....	344,753	351,701	(6,948)
Total.....	¥1,334,803	¥1,132,959	¥201,844

	Thousands of U.S. dollars		
	2019		
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)
Consolidated balance sheet amount exceeding cost:			
Stocks.....	\$ 1,979,763	\$ 454,932	\$ 1,524,822
Bonds:.....	7,181,809	7,054,473	127,335
Japanese government bonds ...	2,048,878	1,990,224	58,653
Japanese local government bonds	1,948,427	1,926,119	22,299
Japanese corporate bonds.....	3,184,503	3,138,120	46,373
Others.....	1,181,070	1,160,933	20,136
Subtotal.....	\$10,342,661	\$ 8,670,357	\$ 1,672,303
Consolidated balance sheet amount not exceeding cost:			
Stocks.....	\$ 56,473	\$ 66,573	\$ (10,090)
Bonds:.....	535,895	538,273	(2,369)
Japanese government bonds ...	314,370	316,235	(1,865)
Japanese local government bonds	5,523	5,532	(0)
Japanese corporate bonds.....	215,992	216,496	(495)
Others.....	1,125,254	1,143,463	(18,208)
Subtotal.....	1,717,641	1,748,319	(30,678)
Total.....	\$12,060,302	\$10,418,677	\$1,641,616

(4) Bonds classified as held to maturity were not sold for the years ended March 31, 2019 and 2018.

(5) Available-for-sale securities sold

	Millions of yen		
	2019		
	Sales amount	Gains on sales	Losses on sales
Stocks.....	¥ 26,566	¥11,065	¥1,077
Bonds:.....	118,614	3,506	16
Japanese government bonds.....	117,882	3,504	16
Japanese local government bonds	—	—	—
Japanese corporate bonds.....	731	1	—
Others.....	76,675	557	1,502
Total.....	¥221,856	¥15,129	¥2,596

	Millions of yen		
	2018		
	Sales amount	Gains on sales	Losses on sales
Stocks.....	¥ 19,934	¥ 3,758	¥ 88
Bonds:.....	94,332	1,241	89
Japanese government bonds.....	92,582	1,231	69
Japanese local government bonds	245	1	—
Japanese corporate bonds.....	1,505	9	19
Others.....	97,237	1,259	1,195
Total.....	¥ 211,505	¥ 6,259	¥1,373

	Thousands of U.S. dollars		
	2019		
	Sales amount	Gains on sales	Losses on sales
Stocks.....	\$ 239,354	\$ 99,693	\$ 9,703
Bonds.....	1,068,690	31,588	144
Japanese government bonds.....	1,062,095	31,570	144
Japanese local government bonds.....	—	—	—
Japanese corporate bonds.....	6,586	9	—
Others.....	690,828	5,018	13,532
Total.....	\$1,998,882	\$136,309	\$23,389

(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, 2019 and 2018.

(7) Impairment losses on securities

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

Impairment losses amounted to ¥284 million (\$2,558 thousand) and ¥346 million which consist of stocks for the same amount as of March 31, 2019 and 2018, 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			
	2019		2018	
	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.....	¥15,323	¥(15)	¥10,570	¥6

	Thousands of U.S. dollars	
	2019	
	Consolidated balance sheet amount	Gains (losses) included in profit (loss) during the fiscal year
Money held in trust classified as trading.....	\$138,057	\$(135)

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

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

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

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net unrealized gains on investment securities.....	¥181,915	¥201,555	\$1,639,021
Deferred tax liabilities.....	(51,301)	(56,683)	(462,212)
Noncontrolling interests.....	—	—	—
Net unrealized gains on available-for-sale securities.....	¥130,613	¥144,872	\$1,176,799

7. Loans and bills discounted

Loans and bills discounted at March 31, 2019 and 2018, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Bills discounted.....	¥ 12,684	¥ 14,555	\$ 114,280
Loans on bills.....	103,164	107,800	929,489
Loans on deeds.....	3,280,489	3,144,220	29,556,617
Overdrafts.....	382,717	352,290	3,448,211
Total.....	¥3,779,056	¥ 3,618,866	\$34,048,616

Loans in legal bankruptcy totaled ¥429 million (\$3,865 thousand) and ¥719 million as of March 31, 2019 and 2018, respectively. Nonaccrual loans totaled ¥38,333 million (\$345,373 thousand) and ¥40,702 million as of March 31, 2019 and 2018, respectively. Loans in legal bankruptcy are loans in which the interest accrual is discontinued (excluding the portion recognized as bad debts) based on management's judgment of the collectability of principal or interest resulting from the delay in payments of interest or principal for a considerable period of time and other factors. Nonaccrual loans are loans in which the interest accrual is discontinued, other than loans in legal bankruptcy and loans granting deferral of interest payment to the debtors in financial difficulties to assist them in their recovery.

Past due loans (three months or more) as to principal or interest payments totaled ¥112 million (\$1,009 thousand) and ¥247 million as of March 31, 2019 and 2018, respectively. Loans classified as loans in legal bankruptcy and nonaccrual loans are excluded.

Restructured loans totaled ¥13,735 million (\$123,749 thousand) and ¥10,521 million as of March 31, 2019 and 2018, respectively. Such restructured loans are loans on which creditors grant concessions (e.g., reduction of the stated interest rate, deferral of interest payments, extension of maturity dates, waiver of the face amount, or other concessive measures) to the debtors to assist them in recovering from financial difficulties and eventually being able to pay creditors. Loans classified as loans in legal bankruptcy, nonaccrual loans and past due three months or more are excluded.

The total face value of bills discounted at March 31, 2019 and 2018 was ¥12,747 million (\$114,848 thousand) and ¥14,625 million, respectively.

8. Foreign exchanges

Foreign exchange assets and liabilities at March 31, 2019 and 2018, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Assets:			
Due from foreign correspondents.....	¥7,553	¥ 7,107	\$ 68,051
Foreign bills of exchange purchased.....	0	7	0
Foreign bills of exchange receivable.....	1,071	938	9,649
Total.....	¥8,625	¥ 8,053	\$ 77,709
Liabilities:			
Foreign bills of exchange sold.....	¥ 85	¥ 143	\$ 765
Accrued foreign bills of exchange.....	8	7	72
Total.....	¥ 93	¥ 151	\$ 837

9. Other assets

Other assets at March 31, 2019 and 2018, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Prepaid expenses.....	¥ 33	¥ 62	\$ 297
Accrued income.....	4,664	4,428	42,021
Derivatives.....	2,869	4,744	25,849
Other (Note 12).....	75,138	69,506	676,979
Total.....	¥82,705	¥ 78,741	\$745,157

10. Tangible fixed assets

Tangible fixed assets at March 31, 2019 and 2018, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Buildings.....	¥15,323	¥ 16,195	\$138,057
Land.....	37,925	37,990	341,697
Construction in progress.....	172	6	1,549
Other.....	2,612	2,595	23,533
Total.....	¥56,033	¥ 56,788	\$504,847

Accumulated depreciation on tangible fixed assets at March 31, 2019 and 2018 amounted to ¥46,790 million (\$421,569 thousand) and ¥46,497 million, respectively.

11. Long-lived assets

The Group recognized impairment losses for the years ended March 31, 2019 and 2018, as follows:

The Bank groups assets by branch, which is the minimum unit for management accounting. 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 ¥348 million for the year ended March 31, 2018 since the carrying amounts of the assets held by the above branches and other exceeded the sum of the undiscounted future cash flows. For the year ended March 31, 2019, no impairment losses were recorded.

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.

Location	Description	Classification	Impairment losses		
			Millions of yen		Thousands of U.S. dollars
			2019	2018	2019
Shiga Prefecture	Idle assets	Land and buildings.....	¥ —	¥ 348	\$ —
Total.....			¥ —	¥ 348	\$ —

Impairment losses are included in other expenses (Note 25).

12. Assets pledged

Assets pledged as collateral and related liabilities at March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Investment securities.....	¥620,591	¥443,173	\$5,591,413
Other assets (investments in leases).....	757	1,269	6,820

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Related liabilities			
Deposits.....	¥ 14,997	¥ 7,375	\$ 135,120
Payables under securities lending transactions.....	218,995	105,853	1,973,105
Borrowed money.....	341,788	287,727	3,079,448

In addition, other assets (deposits to central counterparty) of ¥29,829 million (\$268,753 thousand) and ¥27,520 million at March 31, 2019 and 2018, respectively, and investment securities totaling ¥11,016 million (\$99,252 thousand) and ¥13,038 million at March 31, 2019 and 2018, respectively, were pledged as collateral for settlement of exchange and as securities for futures transactions and others.

Other assets include guarantee deposits of ¥446 million (\$4,018 thousand) and ¥445 million at March 31, 2019 and 2018 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, 2019 and 2018 amounted to ¥945,525 million (\$8,519,010 thousand) and ¥907,963 million, respectively, and the amounts of unused commitments whose original contract terms are within one year or unconditionally cancelable at any time were ¥884,841 million (\$7,972,258 thousand) and ¥860,756 million at March 31, 2019 and 2018, 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, 2019 and 2018, the carrying amount of the land after the above one-time revaluation exceeded the fair value by ¥9,460 million (\$85,232 thousand) and ¥12,463 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, 2019 and 2018, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Current deposits.....	¥ 212,423	¥ 195,273	\$ 1,913,893
Ordinary deposits.....	2,361,811	2,223,037	21,279,493
Deposits at notice.....	57,364	57,885	516,839
Time deposits.....	2,071,011	2,104,876	18,659,437
Other deposits.....	146,576	104,393	1,320,623
Total.....	¥4,849,187	¥4,685,466	\$43,690,305

16. Borrowed money

At March 31, 2019 and 2018, the weighted-average interest rates applicable to borrowed money were 0.71% and 0.52%, respectively.

Borrowed money at March 31, 2019 and 2018, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Subordinated loans.....	¥ 20,000	¥ 20,000	\$ 180,196
Borrowing from banks and other....	347,480	296,872	3,130,732
Total.....	¥367,480	¥316,872	\$3,310,928

Annual maturities of borrowed money at March 31, 2019 were as follows:

Year ending March 31	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
2020.....	¥344,579		\$3,104,595
2021.....	1,477		13,307
2022.....	863		7,775
2023.....	382		3,441
2024.....	140		1,261
2025 and thereafter.....	20,035		180,511
Total.....	¥367,480		\$3,310,928

17. Bonds

Bonds at March 31, 2019 and 2018, consisted of the following:

	Millions of yen		Thousands of U.S. dollars	Interest rate	Due
	2019	2018	2019		
Convertible bonds with stock acquisition rights (*)	¥22,198	¥21,248	\$200,000	—	June 23, 2020

(*) The above convertible bonds with stock acquisition rights are subordinated bonds with non-viability write-off clause. The description of the said bonds was as follows:

Description of bonds	Unsecured convertible bonds with stock acquisition rights, payable in Euro/U.S. dollars, due June 23, 2020 (subordinated bonds with non-viability write-off clause)
Class of shares to be issued	Ordinary shares of common stock
Issue price for stock acquisition rights	—
Exercise price of shares (*)	\$29.425
Total amount of debt securities issued	\$200,000 thousand
Total amount of shares issued by exercising stock acquisition rights	—
Percentage of shares with stock acquisition rights	100%
Exercise period of stock acquisition rights	From April 7, 2015 to June 9, 2020
Content and amount of assets in case stock acquisition rights are exercised by contributions of non-cash assets	At the time of exercise of the respective stock acquisition rights, the bonds pertaining to the stock acquisition rights shall be contributed, and the price of such bonds shall be the same amount as their face value.

(*) In line with the decision of the Bank's ordinary general shareholders' meeting held on June 26, 2018 to conduct a 1-for-5 reverse stock split on October 1, 2018, the exercise price of shares has been adjusted from \$5.885 to \$29.425 on October 1, 2018.

18. Other liabilities

Other liabilities at March 31, 2019 and 2018, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Accrued income taxes	¥ 3,481	¥ 1,637	\$ 31,363
Accrued expenses	5,076	4,284	45,733
Unearned income	8,126	7,904	73,213
Derivatives	8,115	5,324	73,114
Other	17,258	15,303	155,491
Total	¥42,057	¥34,454	\$378,926

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 ¥31,261 million (\$281,656 thousand) and ¥26,807 million as of March 31, 2019 and 2018, respectively, were set off because those which 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 total of the aggregate amount of legal reserve and additional paid-in capital equals 25% (100% for banks pursuant to the Banking Act) of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

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

(3) Appropriations of retained earnings

The following appropriation of retained earnings at March 31, 2019 will be proposed at the Bank's ordinary general shareholders' meeting held on June 26, 2019.

	Millions of yen	Thousands of U.S. dollars
Cash dividends (dividend amount per share: ¥22.5 (\$0.203)) (*)	¥1,150	\$10,361

(*) The Bank implemented a 1-for-5 reverse stock split on October 1, 2018. The dividend amount per share is the amount after the reverse stock split.

21. Stock options

The stock options outstanding as of March 31, 2019, are as follows:

Description	Persons granted	Number of options granted (*)	Date of grant	Exercise price	Exercise period
2013 Stock Option	5 directors	5,660 shares	August 20, 2013	¥ 1 (\$ 0.01)	From August 21, 2013 to August 20, 2043
2014 Stock Option	7 directors	6,620 shares	August 20, 2014	¥ 1 (\$ 0.01)	From August 21, 2014 to August 20, 2044
2015 Stock Option	7 directors	6,460 shares	August 20, 2015	¥ 1 (\$ 0.01)	From August 21, 2015 to August 20, 2045
2016 Stock Option	8 directors	10,920 shares	August 19, 2016	¥ 1 (\$ 0.01)	From August 20, 2016 to August 19, 2046
2017 Stock Option	9 directors	9,980 shares	August 18, 2017	¥ 1 (\$ 0.01)	From August 19, 2017 to August 18, 2047
2018 Stock Option	9 directors	10,000 shares	August 20, 2018	¥ 1 (\$ 0.01)	From August 21, 2018 to August 20, 2048

(*) 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:

Year Ended March 31, 2019	2013 Stock Option	2014 Stock Option	2015 Stock Option
<u>Non-vested</u>			
April 1, 2018—Outstanding	—	—	—
Granted	—	—	—
Canceled	—	—	—
Vested	—	—	—
March 31, 2019—Outstanding	—	—	—
<u>Vested</u>			
April 1, 2018—Outstanding	7,420	8,320	8,040
Vested	—	—	—
Exercised	(1,760)	(1,700)	(1,580)
Canceled	—	—	—
March 31, 2019—Outstanding	5,660	6,620	6,460

Year Ended March 31, 2019	2016 Stock Option	2017 Stock Option	2018 Stock Option
<u>Non-vested</u>			
April 1, 2018—Outstanding	—	2,955	—
Granted	—	—	10,000
Canceled	—	—	—
Vested	—	(2,955)	(7,500)
March 31, 2019—Outstanding	—	—	2,500

Year Ended March 31, 2019	2013 Stock Option	2014 Stock Option	2015 Stock Option
<u>Vested</u>			
April 1, 2018—Outstanding	13,160	8,865	—
Vested	—	2,955	7,500
Exercised	(2,240)	(1,840)	—
Canceled	—	—	—
March 31, 2019—Outstanding	10,920	9,980	7,500

	2013 Stock Option	2014 Stock Option	2015 Stock Option
Exercise price	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)
Average stock price at exercise (*)	¥2,820 (\$25.41)	¥2,820 (\$25.41)	¥2,820 (\$25.41)
Fair value price at grant date (*)	¥2,640 (\$23.78)	¥2,945 (\$26.53)	¥3,170 (\$28.56)

	2016 Stock Option	2017 Stock Option	2018 Stock Option
Exercise price	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)
Average stock price at exercise (*)	¥2,820 (\$25.41)	¥2,820 (\$25.41)	— (\$ —)
Fair value price at grant date (*)	¥2,365 (\$21.31)	¥2,785 (\$25.09)	¥2,800 (\$25.23)

(*) 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 2018 Stock Option

Estimate method:	Black-Scholes option-pricing model
Volatility of stock price:	20.062%
Estimated remaining outstanding period:	1 year and 7 months
Estimated dividend (*):	¥40 per share
Risk free interest rate:	0.130% negative

(*) Estimated dividend has been restated, as appropriate, to reflect a 1-for-5 reverse stock split on October 1, 2018.

22. Other operating income

Other operating income for the years ended March 31, 2019 and 2018, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Gains on foreign exchange transactions-net.....	¥ 530	¥ 759	\$ 4,775
Gains on sales of bonds.....	3,936	2,382	35,462
Other	13,508	14,655	121,704
Total.....	¥17,975	¥17,798	\$161,951

23. Other income

Other income for the years ended March 31, 2019 and 2018, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Reversal of allowance for possible loan losses	¥ —	¥ 246	\$ —
Gains on sales of stocks and other securities	11,199	3,946	100,900
Recovery of claims previously charged-off	569	515	5,126
Gains on revision of retirement benefit plan	—	799	—
Other	2,415	1,681	21,758
Total	¥14,184	¥7,189	\$127,795

24. Other operating expenses

Other operating expenses for the years ended March 31, 2019 and 2018, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Losses on sales of government bonds	¥ 1,489	¥ 1,211	\$ 13,415
Expenses on derivatives other than for hedging	2,328	294	20,974
Other	12,719	13,438	114,595
Total	¥16,537	¥14,944	\$148,995

25. Other expenses

Other expenses for the years ended March 31, 2019 and 2018, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Provision of allowance for possible loan losses	¥3,447	¥ —	\$31,056
Losses on sales of stocks and other securities	1,454	265	13,100
Charge-off of loans and bills discounted	798	892	7,189
Losses on devaluation of stocks and other securities	370	349	3,333
Losses on disposal of fixed assets	43	202	387
Losses on impairment of long-lived assets	—	348	—
Other	733	835	6,604
Total	¥6,847	¥ 2,894	\$61,690

26. Gains (losses) related to bonds

Gains (losses) related to bonds for the years ended March 31, 2019 and 2018, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Gains (losses) related to bonds including Japanese government bonds:			
Gains on sales of bonds	¥ 3,936	¥ 2,382	\$ 35,462
Losses on sales of bonds	(1,489)	(1,211)	(13,415)
Total	¥ 2,446	¥ 1,171	\$ 22,038
Gains (losses) on derivatives:	¥(2,328)	¥ (294)	\$(20,974)
Gains related to bonds	¥ 117	¥ 876	\$ 1,054

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

Gains (losses) related to stocks and other securities for the years ended March 31, 2019 and 2018, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Gains (losses) related to stocks and other securities:			
Gains on sales of stocks and other securities	¥11,199	¥3,946	\$100,900
Losses on sales of stocks and other securities	(1,454)	(265)	(13,100)
Losses on devaluation of stocks and other securities	(370)	(349)	(3,333)
Gains related to stocks and other securities	¥ 9,374	¥3,331	\$ 84,458

28. Leases

Lessor

One subsidiary leases certain equipment and other assets.

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

Investments in leases included in other assets on the balance sheets as of March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Gross lease receivables	¥16,964	¥17,168	\$152,842
Unguaranteed residual values	476	524	4,288
Unearned interest income	(1,573)	(1,586)	14,172
Investments in leases	¥15,867	¥16,106	\$142,958

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, 2019 are as follows:

	Thousands of U.S. dollars	
	Millions of yen	U.S. dollars
2020	¥350	\$3,153
2021	360	3,243
2022	360	3,243
2023	335	3,018
2024	215	1,937
2025 and thereafter.....	10	90

Maturities of gross lease receivables related to investments in leases as of March 31, 2019 are as follows:

	Thousands of U.S. dollars	
	Millions of yen	U.S. dollars
2020	¥5,344	\$48,148
2021	4,349	39,183
2022	3,249	29,272
2023	2,218	19,983
2024	1,156	10,415
2025 and thereafter.....	645	5,811

The minimum rental commitments under noncancelable operating leases as of March 31, 2019 and 2018, were as follows:

	2019		2018		2019	
	Millions of yen		U.S. dollars		U.S. dollars	
Due within one year	¥ 5	¥ 7			\$45	
Due after one year	6	7			54	
Total.....	¥11	¥14			\$99	

29. 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, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	
Balance at beginning of year	¥48,756	¥51,418	\$439,282	
Current service cost	1,808	1,892	16,289	
Interest cost	209	216	1,883	
Actuarial losses (gains)	(29)	225	(261)	
Benefits paid	(3,195)	(2,732)	(28,786)	
Prior service cost	—	—	—	
Decrease due to transfer to a defined contribution plan	—	(2,263)	—	
Balance at end of year	¥47,549	¥48,756	\$428,407	

(2) The changes in plan assets for the years ended March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	
Balance at beginning of year	¥43,083	¥42,706	\$388,170	
Expected return on plan assets	727	505	6,550	
Actuarial gains	1,441	395	12,983	
Contribution from the employer	1,892	2,093	17,046	
Benefits paid	(1,284)	(1,226)	(11,568)	
Decrease due to transfer to a defined contribution plan	—	(1,390)	—	
Balance at end of year	¥45,861	¥43,083	\$413,199	

(3) 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	
	2019	2018	2019	
Funded defined benefit obligation	¥47,549	¥48,756	\$428,407	
Plan assets	(45,861)	(43,083)	(413,199)	
Net liability arising from the balance sheet	¥ 1,688	¥ 5,672	\$ 15,208	

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	
Liability for retirement benefits	¥1,688	¥5,672	\$15,208	
Asset for retirement benefits	—	—	—	
Net liability arising from the balance sheet	¥1,688	¥5,672	\$15,208	

(4) The components of net periodic benefit costs for the years ended March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	
Service cost	¥1,808	¥1,892	\$16,289	
Interest cost	209	216	1,883	
Expected return on plan assets	(727)	(505)	(6,550)	
Recognized actuarial losses (gains)	(6)	370	(54)	
Amortization of prior service cost	—	—	—	
Net periodic benefit costs	¥1,284	¥1,974	\$11,568	
Gains on transfer to a defined contribution plan (*)	—	(799)	—	

(*) The Bank recorded the gains as gains on revision of retirement benefit plan in other income for the year ended March 31, 2018.

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	
Prior service cost	¥ —	¥ —	\$ —	
Actuarial gains	(1,464)	(614)	(13,190)	
Total	¥(1,464)	¥(614)	\$(13,190)	

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unrecognized prior service cost	¥ —	¥ —	\$ —
Unrecognized actuarial gains	(3,833)	(2,368)	(34,534)
Total	¥(3,833)	¥(2,368)	\$ (34,534)

(7) Plan assets:

a. Components of plan assets

	2019	2018
Bonds	17%	19%
Stocks	54	54
Cash and cash equivalents	9	7
General accounts	20	20
Total	100%	100%

(Note) Total plan assets included retirement benefits trust of 45% and 43%, for the years ended March 31, 2019 and 2018, 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, 2019 and 2018, were set forth as follows:

	2019	2018
Discount rate	0.43%	0.43%
Expected rate of return on plan assets		
Plan assets (except for retirement benefits trust)	3.01%	2.17%
Plan assets (retirement benefits trust)	0.00%	0.00%
Estimated rate of salary increase	4.10%	3.50%

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, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at beginning of year	¥122	¥120	\$1,099
Net periodic benefit costs	16	18	144
Benefits paid	(17)	(16)	(153)
Contribution to the plan	—	—	—
Balance at end of year	¥121	¥122	\$1,090

(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
	2019	2018	2019
Unfunded defined benefit obligation	¥121	¥122	\$1,090
Net liability arising from the balance sheet	¥121	¥122	\$1,090

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Liability for retirement benefits	¥121	¥122	\$1,090
Net liability arising from the balance sheet	¥121	¥122	\$1,090

(3) Net periodic benefit costs recognized in the simplified method for the years ended March 31, 2019 and 2018, were ¥17 million (\$153 thousand) and ¥19 million, respectively.

3. Defined contribution plan

The Bank's required contribution to the defined contribution plan for the year ended March 31, 2019 and 2018 were ¥334 million (\$3,009 thousand) and ¥157 million, respectively.

4. Other matters related to retirement benefit plans

The effect of partial transfer of the funded defined benefit corporate pension plan to the defined contribution plan for the year ended March 31, 2018, was as follows:

	Millions of yen
Decrease in projected benefit obligations	¥(2,263)
Assets transferred to the defined contribution plan	1,390
Subtotal	(873)
Recognized actuarial losses	73
Total	¥ (799)

The Bank recorded the effect of this transfer as gains on revision of retirement benefit plan in other income for the year ended March 31, 2018.

30. Income taxes

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities at March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Deferred tax assets:			
Allowance for possible loan losses	¥ 10,149	¥ 9,883	\$ 91,440
Devaluation of stocks and other securities	5,081	5,359	45,778
Liability for employees' retirement benefits	3,909	4,603	35,219
Depreciation	1,395	1,333	12,568
Accrued enterprise tax	252	175	2,270
Other	3,616	2,600	32,579
Less valuation allowance	(13,748)	(13,793)	(123,867)
Total	¥ 10,655	¥ 10,163	\$ 95,999
Deferred tax liabilities:			
Reserve for advance depreciation of fixed assets	(175)	(175)	(1,576)
Net unrealized gains on available-for-sale securities	(51,301)	(56,683)	(462,212)
Defined retirement benefit plans	(1,167)	(721)	(10,514)
Total	(52,643)	(57,580)	(474,303)
Net deferred tax liabilities	¥(41,987)	¥(47,416)	\$ (378,295)

31. Financial instruments and related disclosures

1. Overall situation concerning financial instruments

(1) Basic policy for financial instruments

As a regional financial institution with its main business base in Shiga Prefecture, the Group provides financial services centered on banking operations.

The Group's main operations are to extend loans to customers in its business area, and make investments in securities by mainly using funds that are received as deposits from customers and those that are obtained through the financial market.

To carry out these operations, the Group has financial assets and financial liabilities that are largely subject to interest rate volatility. To prevent adverse effects from such interest rate volatility, the Group conducts Asset Liability Management (ALM), the comprehensive management of assets and liabilities.

(2) Nature and extent of risks arising from financial instruments

The financial assets held by the Group are primarily loans to customers within its business area and are subject to credit risk of incurring losses when the value of such assets declines or disappears due to deterioration in the financial condition of its customers. The Group's domestic loan portfolio attempts to distribute risk by industry sector to eliminate its exposure to credit risk caused by changes in the business environment in certain industries.

The Group holds investment securities, primarily comprised of bonds, corporate stocks and investment trusts, for the following purposes: to sell them to customers, for purely investment purposes, and for strategic investment. These are subject to market risk of incurring potential losses due to fluctuations of interest rates, foreign exchange rates, stock markets and others, and the credit risk of the issuers.

Foreign currency-denominated loans and bonds are subject to foreign exchange risk in addition to the risks as described above. They are managed to reduce foreign exchange risk by procuring foreign currency funds through currency swaps, repurchase transactions, or call transactions.

Financial liabilities are primarily deposits from customers as well as borrowed money and bonds with stock acquisition rights. Borrowed money and bonds with stock acquisition rights are — 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 size and scope, the Group has established regulations and standards pertaining to such risk. It has also developed a borrower 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 borrowers, 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 borrower resides.

With respect to conducting market transactions for securities or other instruments, a limit is set semiannually at the Meeting of Managing Directors for bond issuer credit risk and counterparty risk for derivative and financial transactions, and the credit status and the market prices are managed on a daily basis. The Group has established a system in which reports about those risks are routinely given to the Meeting of Managing Directors.

(ii) Market risk management

The Group has compiled a set of Market Risk Management Rules with the goal of upgrading market risk management, strengthening internal controls, and ensuring sound management. To achieve stable profits, the Group institutes a financial plan and risk management policy semiannually and is working to build an appropriate risk management system.

1) Interest rate risk management

As interest rate risk inevitably arises in banking business operations, the Group manages all assets and liabilities (including off-balance transactions), such as deposits, loans, and securities, in a comprehensive manner through ALM.

Along with the aforementioned Market Risk Management Rules, the Group has established standards for risk management methods and reporting procedures. The Group conducts monitoring through such models as Value at Risk (VaR) and the maturity ladder approach, and reports to the ALM Committee on a regular basis.

2) Exchange rate risk management

For exchange rate volatility risk, the Group sets position limits at the Meeting of Managing Directors to manage positions that are subject to exchange rate risk. The Group controls positions by using derivative transactions, including foreign currency transactions and currency swaps.

The Group establishes an acceptable level of risk using VaR and manages the level of risk on a daily basis so that it stays within an acceptable range.

3) Price volatility risk management

To rigorously manage price volatility risk for transactions, including securities, the Group has divided the organization into a market transaction sector, business management sector, and risk management sector.

For market transactions including securities, the Group takes into account overall Group risk and return, based on a financial plan and a risk management policy, and formulates a business management plan in the market sector.

When making investments, the Group calculates position amounts, gains, and losses as well as VaR and Basis Point Value (BPV) based on the abovementioned policy and plan. The extent to which the Group complies with the established acceptable risk limit and other risk limits is monitored on a daily basis and is reported to management.

4) Derivative transaction management

With respect to derivative transactions, the divisions concerned with the execution of transactions, the evaluation of hedge effectiveness, and business management have been separated, and an internal checking system has been established. Because a majority of the Group's derivative transactions are performed for the purposes of hedging and cover transactions to customer transactions, the Group manages them so that asset and liability risks and market risks are offset with each other.

5) Quantitative information regarding market risks

Regarding market risks, the Group measures the quantitative risk of interest rate risks and stock price volatility risks through VaR, a statistical method. Principally by reporting these risks to the ALM Committee and other organizations on a regular basis, the Group ensures appropriate monitoring and management. In calculating the risk amounts, the Group adopts a historical simulation method (a holding period of one year, a confidence interval of 99%, and an observing period of two years).

Interest rate risks

The Group measures interest rate risks of all its assets and liabilities, including loans, securities and deposits, and derivative transactions.

The Group's interest rate risk amounts stood at ¥5,753 million (\$51,833 thousand) as of March 31, 2019 and ¥9,643 million as of March 31, 2018.

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 ¥70,288 million (\$633,282 thousand) as of March 31, 2019, and ¥76,592 million as of March 31, 2018.

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, 2019 and 2018, are shown below. Immaterial accounts on the consolidated balance sheet are not included in the table below. Some instruments, such as unlisted stocks, whose fair value cannot be reliably determined, are not included in the table below (see Note 2).

	Millions of yen		
	2019		
	Consolidated balance sheet amount	Fair value	Difference
Cash and due from banks	¥ 811,032	¥ 811,032	¥ —
Investment securities			
Trading securities.....	7,744	7,744	—
Available-for-sale securities.....	1,338,171	1,338,171	—
Loans and bills discounted.....	3,779,056	—	—
Allowance for possible loan losses (*1)	(26,421)	—	—
	3,752,635	3,777,053	24,418
Assets total.....	5,909,582	5,934,001	24,418
Deposits.....	4,849,187	4,849,487	300
Negotiable certificates of deposit.....	84,955	84,957	2
Call money and bills sold.....	49,989	49,989	—
Payables under securities lending transactions	218,995	218,995	—
Borrowed money.....	367,480	367,819	339
Liabilities total.....	5,570,607	5,571,249	642
Derivative transactions (*2)			
Deferred hedge accounting is not applied	357	357	—
Deferred hedge accounting is applied.....	(5,603)	(5,603)	—
Derivative transactions total.....	¥ (5,246)	¥ (5,246)	¥ —

	Millions of yen		
	2018		
	Consolidated balance sheet amount	Fair value	Difference
Cash and due from banks	¥ 741,203	¥ 741,203	¥ —
Investment securities			
Trading securities.....	7,396	7,396	—
Available-for-sale securities.....	1,334,033	1,334,033	—
Loans and bills discounted.....	3,618,866	—	—
Allowance for possible loan losses (*1)	(24,218)	—	—
	3,594,648	3,613,506	18,857
Assets total.....	5,677,281	5,696,139	18,857
Deposits.....	4,685,466	4,685,774	308
Negotiable certificates of deposit.....	81,685	81,688	2
Call money and bills sold.....	134,634	134,634	—
Payables under securities lending transactions	105,853	105,853	—
Borrowed money.....	316,872	317,567	694
Liabilities total.....	5,324,512	5,325,518	1,005
Derivative transactions (*2)			
Deferred hedge accounting is not applied	1,485	1,485	—
Deferred hedge accounting is applied.....	(2,065)	(2,065)	—
Derivative transactions total.....	¥ (579)	¥ (579)	¥ —

	Thousands of U.S. dollars		
	2019		
	Consolidated balance sheet amount	Fair value	Difference
Cash and due from banks	\$ 7,307,252	\$ 7,307,252	\$ —
Investment securities			
Trading securities.....	69,772	69,772	—
Available-for-sale securities.....	12,056,680	12,056,680	—
Loans and bills discounted.....	34,048,616	—	—
Allowance for possible loan losses (*1).....	(238,048)	—	—
	33,810,568	34,030,570	220,001
Assets total.....	53,244,274	53,464,285	220,001
Deposits.....	43,690,305	43,693,008	2,702
Negotiable certificates of deposit.....	765,429	765,447	18
Call money and bills sold.....	450,391	450,391	—
Payables under securities lending transactions	1,973,105	1,973,105	—
Borrowed money.....	3,310,928	3,313,983	3,054
Liabilities total.....	50,190,170	50,195,954	5,784
Derivative transactions (*2)			
Deferred hedge accounting is not applied	3,216	3,216	—
Deferred hedge accounting is applied.....	(50,482)	(50,482)	—
Derivative transactions total.....	\$ (47,265)	\$ (47,265)	\$ —

(*1) General allowance for loan losses and specific allowance for loan losses provided to "Loans and bills discounted" are separately presented in the above table.

(*2) Derivative transactions recorded in "Other assets" and "Other liabilities" are aggregated and shown herein. Assets and liabilities attributable to the derivative transactions are totally offset and the net liability position as a consequence of offsetting would be represented with brackets.

(Note 1) Valuation method of financial instruments

Assets

(1) Cash and due from banks

As fair values of cash and due from banks without maturity approximate book values, the Group deems the book values to be the fair values. Since contractual terms of cash and due from banks with maturities are short (i.e., less than one year) and fair values of these instruments approximate book values, the Group deems the book values to be the fair values.

(2) Securities

Fair values of securities that have market prices are based on their market prices.

With respect to those without market prices, the Group uses the present value that is calculated by discounting the future cash flows of the principal based on contracts, using an interest rate obtained by adjusting interest rates available in the interbank market in accordance with categories of internal ratings and terms, taking into account the credit risk premium and the liquidity risk premium.

Fair value information for securities by classification is included in Note 4 "Securities."

(3) Loans and bills discounted

As fair values of loans and bills discounted with short contractual terms (i.e., less than one year) approximate book values, the Group deems the book values to be the fair values.

Regarding loans with long contract terms (i.e., 1 year or longer), those with floating interest rates reflect the market rate in the short term. Consequently, unless the credit conditions of borrowers have not significantly changed after the execution of the loans, the book value of the loans is presented as the fair value, as the fair value approximates the book value. With respect to fair values of loans with long contract terms with fixed interest rates, the Group uses the present value that is calculated by discounting the future cash flows of the principal based on contracts, using an interest rate obtained by adjusting interest rates available in the interbank

market in accordance with categories of internal ratings and terms, taking into account the credit risk premium and the liquidity risk premium. Meanwhile, the fair value of certain loans (including consumer loans) is calculated by discounting the future cash flows of the principal based on contracts, using an interest rate considered to be applicable in cases when similar loans are executed.

With respect to claims against legally bankrupt debtors, virtually bankrupt debtors and debtors who are likely to go bankrupt (potentially bankrupt debtors), since credit losses are calculated based on the present value of the expected future cash flows or the estimated amounts that the Group would be able to collect from collateral and guarantees, fair values approximate the consolidated balance sheet amount net of the currently expected credit loss amount, and the Group thus deems such amounts to be fair value.

Regarding loans, for those without a fixed maturity due to loan characteristics such as limiting loans to within the value of collaterals, the Group deems the book value to be the fair value, since the fair value is expected to approximate the book value based on the estimated repayment period, interest rate, and other conditions.

Liabilities

(1) Deposits and (2) Negotiable certificates of deposit

For demand deposits, the Group deems the payment amounts required on the consolidated balance sheet date (i.e., book values) to be the fair value.

The fair value of time deposits and negotiable certificates of deposit with short deposit terms (i.e., less than one year) approximate the book value, and the Group deems the book value to be the fair value. With respect to deposits with long deposit terms (i.e., one year or longer), the Group uses the present value calculated by discounting future cash flows of the principal based on contracts, using the interest rate that would apply to newly accepted deposits in accordance with the categories of deposit terms.

(3) Call money and bills sold and (4) Payables under securities lending transactions

Since contractual terms of these instruments are short (i.e., less than one year) and fair values of these instruments approximate book values, the Group deems the book values to be the fair values.

(5) Borrowed money

As the fair value of borrowed money with short contractual terms (i.e., less than one year) approximates the book value, the Group deems the book value to be the fair value.

Regarding borrowed money with long contractual terms (i.e., one year or longer), for floating rate borrowings, the book value is presented as the fair value, because the fair value approximates book value. This is because the floating rate borrowings reflect the market interest rate in a short period and there has been no significant change in our credit conditions or in the credit conditions of our consolidated subsidiaries before or after the borrowings were made. With respect to fixed rate borrowings, the Group uses the present value calculated by discounting the future cash flows of the principal based on contracts, using an interest rate obtained by adjusting interest rates available in the interbank market in accordance with categories of terms, taking into account the Bank's credit risk premium.

Meanwhile, fair values of borrowings of consolidated subsidiaries are calculated by discounting the future cash flows of the principal based on contracts, using interest rates considered to be applicable in cases when the similar borrowings are made.

Derivatives

Fair value information for derivatives is included in Note 32 "Fair value information on derivative transactions."

(Note 2) Financial instruments whose fair value cannot be reliably determined

The following instruments are not included in "Available-for-sales securities" in the above table showing the fair value of financial instruments.

	Consolidated balance sheet amount		
	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unlisted stocks (*1) (*2).....	¥3,871	¥3,961	\$34,877
Investment in capital of partnership and others (*3).....	2,230	1,280	20,091
Total	¥6,102	¥5,241	\$54,977

(*1) Fair value of unlisted stocks is exempt from disclosure because they do not have a market price and their fair value cannot be reliably determined.

(*2) Impairment losses for unlisted stocks amounted to ¥86 million (\$774 thousand) and ¥2 million for the years ended March 31, 2019 and 2018, respectively.

(*3) Fair value of investment in capital of partnership and others is exempt from disclosure because partnership assets are composed of unlisted stock and others and their fair value cannot be reliably determined.

(Note 3) Maturity analysis for financial assets and securities with contractual maturities

	Millions of yen					
	2019					
	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.....	¥ 777,817	¥ —	¥ —	¥ —	¥ —	¥ —
Available-for-sale securities.....	220,197	226,901	133,105	50,599	81,025	363,368
Japanese government bonds.....	48,000	21,000	4,000	12,000	—	167,000
Japanese local government bonds.....	73,320	54,518	26,815	11,142	34,962	12,800
Japanese corporate bonds.....	70,320	65,687	38,377	17,423	18,314	161,757
Others.....	28,556	85,696	63,913	10,033	27,748	21,810
Loans and bills discounted (*).....	889,025	752,316	557,491	346,657	396,575	770,012
Total	¥1,887,040	¥979,218	¥690,597	¥397,257	¥477,600	¥1,133,380

	Millions of yen					
	2018					
	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.....	¥ 707,544	¥ —	¥ —	¥ —	¥ —	¥ —
Available-for-sale securities.....	158,508	354,541	137,979	71,275	69,114	242,481
Japanese government bonds.....	55,000	77,000	5,000	28,500	—	70,000
Japanese local government bonds.....	33,616	113,462	27,815	8,918	9,997	12,750
Japanese corporate bonds.....	55,651	97,411	49,125	13,507	16,752	144,042
Others.....	14,241	66,667	56,039	20,349	42,364	15,688
Loans and bills discounted (*).....	856,743	693,728	536,229	339,482	407,873	714,667
Total	¥1,722,795	¥1,048,269	¥674,209	¥410,758	¥476,987	¥957,149

	Thousands of U.S. dollars					
	2019					
	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.....	\$ 7,007,991	\$ —	\$ —	\$ —	\$ —	\$ —
Available-for-sale securities.....	1,983,935	2,044,337	1,199,252	455,887	730,020	3,273,880
Japanese government bonds.....	432,471	189,206	36,039	108,117	—	1,504,640
Japanese local government bonds.....	660,600	491,197	241,598	100,387	315,001	115,325
Japanese corporate bonds.....	633,570	591,828	345,769	156,978	165,005	1,457,401
Others.....	257,284	772,105	575,844	90,395	250,004	196,504
Loans and bills discounted (*).....	8,009,955	6,778,232	5,022,893	3,123,317	3,573,069	6,937,670
Total	\$ 17,001,892	\$ 8,822,578	\$ 6,222,155	\$ 3,579,214	\$ 4,303,090	\$ 10,211,550

(*) Loans in legal bankruptcy, virtual bankruptcy, and potential bankruptcy amounting to ¥38,762 million (\$349,238 thousand) and ¥41,421 million, and, loans and bills discounted without contractual maturities amounting to ¥28,213 million (\$254,194 thousand) and ¥28,719 million are excluded from the table above as of March 31, 2019 and 2018.

(Note 4) Maturity analysis for bonds, borrowed money, and other interest-bearing liabilities

	Millions of yen					
	2019					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (*)	¥4,486,424	¥342,593	¥20,169	¥ —	¥—	¥—
Negotiable certificates of deposit	84,755	200	—	—	—	—
Call money and bills sold	49,989	—	—	—	—	—
Payables under securities lending transactions	218,995	—	—	—	—	—
Borrowed money	344,579	2,341	523	20,035	—	—
Total	¥5,184,744	¥345,134	¥20,692	¥20,035	¥—	¥—

	Millions of yen					
	2018					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (*)	¥4,318,284	¥349,728	¥17,454	¥ —	¥ —	¥—
Negotiable certificates of deposit	81,685	—	—	—	—	—
Call money and bills sold	134,634	—	—	—	—	—
Payables under securities lending transactions	105,853	—	—	—	—	—
Borrowed money	292,893	3,176	800	10,001	10,000	—
Total	¥4,933,351	¥352,905	¥18,254	¥10,001	¥10,000	¥—

	Thousands of U.S. dollars					
	2019					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (*)	\$40,421,875	\$3,086,701	\$181,719	\$ —	\$—	\$—
Negotiable certificates of deposit	763,627	1,801	—	—	—	—
Call money and bills sold	450,391	—	—	—	—	—
Payables under securities lending transactions	1,973,105	—	—	—	—	—
Borrowed money	3,104,595	21,091	4,712	180,511	—	—
Total	\$46,713,613	\$3,109,595	\$186,431	\$180,511	\$—	\$—

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

32. 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, 2019 and 2018.

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			
	2019			
	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	¥ 300	¥ 221	¥ (0)	¥ (0)
Receivable floating rate /pay fixed rate.....	665	665	(15)	(15)
Total.....	¥ —	¥ —	¥(15)	¥(15)

	Millions of yen			
	2018			
	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	¥ 269	¥ 187	¥(2)	¥(2)
Total.....	¥ —	¥ —	¥(2)	¥(2)

	Thousands of U.S. dollars			
	2019			
	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	\$ 2,702	\$ 1,991	\$ (0)	\$ (0)
Receivable floating rate /pay fixed rate.....	5,991	5,991	(135)	(135)
Total.....	\$ —	\$ —	\$(135)	\$(135)

- Notes: 1. The above transactions were revalued at the end of each of the years and the related gains and losses are reflected in the accompanying consolidated statements of income.
2. The fair values of the above derivatives are principally based on quoted market prices, such as those of Tokyo Financial Exchange Inc., or discounted values of future cash flows.

(2) Currency-related transactions

	Millions of yen			
	2019			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the-counter:				
Currency swap.....	¥ 29,321	¥ 28,699	¥ 307	¥ 307
Forward exchange contracts:				
Sold	37,203	—	(7)	(7)
Bought	4,613	—	72	72
Currency options:				
Sold	84,020	48,147	(2,288)	1,109
Bought	84,020	48,147	2,288	(477)
Total.....	¥ —	¥ —	¥ 372	¥ 1,003

	Millions of yen			
	2018			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the-counter:				
Currency swap.....	¥ 21,796	¥ 17,476	¥ 529	¥ 529
Forward exchange contracts:				
Sold	37,628	—	1,154	1,154
Bought	15,550	—	(195)	(195)
Currency options:				
Sold	80,845	55,642	(2,945)	702
Bought	80,845	55,642	2,945	(17)
Total.....	¥ —	¥ —	¥ 1,488	¥ 2,172

	Thousands of U.S. dollars			
	2019			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the-counter:				
Currency swap.....	\$ 264,176	\$ 258,572	\$ 2,766	\$ 2,766
Forward exchange contracts:				
Sold	335,192	—	(63)	(63)
Bought	41,562	—	648	648
Currency options:				
Sold	757,005	433,795	(20,614)	9,991
Bought	757,005	433,795	20,614	(4,297)
Total.....	\$ —	\$ —	\$ 3,351	\$ 9,036

Notes: 1. The above transactions were revalued at the end of each of the years and the related gains and losses are reflected in the accompanying consolidated statements of income.

2. Fair value is calculated using discounted cash flows.

- (3) Stock-related transactions are not performed.
(4) Bond-related transactions are not performed.
(5) Financial product-related transactions are not performed.
(6) Credit derivative transactions are not performed.

Derivative transactions to which hedge accounting is applied

The following is the fair value information for derivative transactions to which hedge accounting is applied at March 31, 2019 and 2018.

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

(1) Interest-rate-related transactions

Millions of yen				
2019				
	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)	¥150,000	¥150,000	¥(5,601)

Millions of yen				
2018				
	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)	¥40,000	¥40,000	¥(2,065)

Thousands of U.S. dollars				
2019				
	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)	\$1,351,473	\$1,351,473	\$(50,464)

Notes: 1. Deferred hedge accounting is mainly applied.

2. The fair values of the above derivatives are principally based on quoted market prices, such as those of Tokyo Financial Exchange Inc., or discounted values of future cash flows.

(2) Currency-related transactions

Millions of yen				
2019				
	Hedged items	Contractual value	Contractual value due after one year	Fair value
	Loans			
Forward exchange	denominated	¥453	¥—	¥(1)
contracts.....	in foreign			
	currencies			

Millions of yen				
2018				
	Hedged items	Contractual value	Contractual value due after one year	Fair value
	Loans			
Forward exchange	denominated	¥450	¥—	¥0
contracts.....	in foreign			
	currencies			

Thousands of U.S. dollars				
2019				
	Hedged items	Contractual value	Contractual value due after one year	Fair value
	Loans			
Forward exchange	denominated	\$4,081	\$—	\$(9)
contracts.....	in foreign			
	currencies			

Notes: 1. Deferred hedge accounting is mainly applied in accordance with the JICPA Industry Audit Committee Report No. 25.

2. Fair value is calculated using discounted cash flows.

(3) Stock-related transactions are not performed.

(4) Bond-related transactions are not performed.

33. Comprehensive income

The components of other comprehensive income for the years ended March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net unrealized gains (losses) on available-for-sale securities:			
The amount arising during the period.....	¥ (7,392)	¥40,242	\$ (66,600)
Reclassification adjustments to profit or loss.....	(12,248)	(4,538)	(110,352)
Before adjustments to tax effect.....	(19,640)	35,704	(176,952)
The amount of tax effect.....	5,382	(10,935)	48,490
Total.....	¥ (14,258)	¥24,768	\$ (128,462)
Deferred losses on derivatives under hedge accounting:			
The amount arising during the period.....	¥ (5,620)	¥ (372)	\$ (50,635)
Reclassification adjustments to profit or loss.....	2,085	41	18,785
Before adjustments to tax effect.....	(3,535)	(331)	(31,849)
The amount of tax effect.....	1,076	101	9,694
Total.....	¥ (2,458)	¥ (230)	\$ (22,146)
Defined retirement benefit plans:			
The amount arising during the period.....	¥ 1,470	¥ 169	\$ 13,244
Reclassification adjustments to profit or loss.....	(6)	444	(54)
Before adjustments to tax effect.....	1,464	614	13,190
The amount of tax effect.....	(445)	(186)	(4,009)
Total.....	¥ 1,018	¥ 427	\$ 9,171
Total other comprehensive income.....	¥ (15,698)	¥24,965	\$ (141,436)

34. Net income per share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2019 and 2018, 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, 2019				
Basic EPS:				
Net income attributable to common shareholders	¥14,681	52,015	¥282.24	\$2.543
Effect of dilutive securities:				
Warrants		6,844		
Diluted EPS:				
Net income for computation	¥14,681	58,859	¥249.42	\$2.247
For the year ended March 31, 2018				
Basic EPS:				
Net income attributable to common shareholders	¥13,884	52,065	¥266.68	
Effect of dilutive securities:				
Warrants		6,818		
Diluted EPS:				
Net income for computation	¥13,884	58,883	¥235.80	

(*) Shares and per share figures have been restated, as appropriate, to reflect a 1-for-5 reverse stock split effected October 1, 2018.

35. Subsequent event

Appropriation of retained earnings

The following appropriation of retained earnings will be authorized at the ordinary general shareholders' meeting to be held on June 26, 2019:

	Millions of yen	Thousands of U.S. dollars
Cash dividends, ¥22.5 (\$0.20) per share (*)	¥1,150	\$10,361
Total	¥1,150	\$10,361

(*) The Bank implemented a 1-for-5 reverse stock split on October 1, 2018. The dividend amount per share is the amount after the reverse stock split.

36. Segment information

For the years ended March 31, 2019 and 2018

Because the Group has only one segment, banking, the description is not presented.

Related Information

(1) Information about services

	Millions of yen				
	2019				
	Lending services	Securities investment	Fees and commissions	Other	Total
Operating income from external customers	¥38,274	¥28,621	¥14,957	¥16,704	¥98,558
	Millions of yen				
	2018				
	Lending services	Securities investment	Fees and commissions	Other	Total
Operating income from external customers	¥37,878	¥19,830	¥14,404	¥17,620	¥89,733
	Thousands of U.S. dollars				
	2019				
	Lending services	Securities investment	Fees and commissions	Other	Total
Operating income from external customers	\$344,841	\$257,870	\$134,759	\$150,500	\$887,989

(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, 2019 and 2018; 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, 2019 and 2018; 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, 2019 and 2018; therefore, major customer information is not presented.

37. Related party transactions

Transactions of the Bank with related parties for the year ended March 31, 2019, were as follows:

Related party	Category	Description of transactions	Transaction amount		Accounts name	Year-end balance	
			Millions of yen	Thousands of U.S. dollars		Millions of yen	Thousands of U.S. dollars
Misao Daido	Director or relative	Lending operation loan, net of collection	¥ (2)	\$ (18)	Loans	¥ 36	\$ 324
		Interest receipts	0	0	Other assets	0	0
		Commission receipts, etc.	0	0			
Taiyo & Co.	Company in which director or relative has the majority of the voting rights	Lending operation loan, net of collection	(4)	(36)	Loans	20	180
		Interest receipts	0	0	Other liabilities	0	0
		Commission receipts, etc.	0	0			
KUSANEN CO., LTD.	Company in which director or relative has the majority of the voting rights	Lending operation loan, net of collection	(38)	(342)	Loans	66	594
		Guarantee of payment	(36)	(324)	Other assets	9	81
		Lease income	3	27	Customers' liabilities for acceptances and guarantees	46	414
		Interest receipts	1	9	Acceptances and guarantees	46	414
		Guarantee commission 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, 2018, were as follows:

Related party	Category	Description of transactions	Transaction amount		Accounts name	Year-end balance Millions of yen
			Millions of yen	Thousands of U.S. dollars		
Misao Daido	Director or relative	Lending operation loan, net of collection	¥ 39		Loans	¥ 39
		Interest receipts	0		Other assets	0
Taiyo & Co.	Company in which director or relative has the majority of the voting rights	Lending operation loan, net of collection	(3)		Loans	24
		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	(36)		Loans	104
		Guarantee of payment	(66)		Other assets	11
		Lease income	3		Customers' liabilities for acceptances and guarantees	82
		Interest receipts	1		Acceptances and guarantees	82
		Guarantee commission receipts	0		Other liabilities	0
		Commission receipts, etc.	1			

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Shiga Bank, Ltd.:

We have audited the accompanying consolidated balance sheet of The Shiga Bank, Ltd. and its consolidated subsidiaries as of March 31, 2019, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Shiga Bank, Ltd. and its consolidated subsidiaries as of March 31, 2019, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 6, 2019

Composition of Capital Disclosure (Capital ratio of the fiscal year ended March 31, 2019, 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, 2019	Year ended March 31, 2018	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	260,205	250,167	
1a	of which: capital and capital surplus	57,613	57,613	(6)+(7)
2	of which: retained earnings	209,664	197,201	(8)
1c	of which: treasury stock (-)	5,921	3,476	(9)
26	of which: national specific regulatory adjustments (earnings to be distributed) (-)	1,150	1,171	
	of which: other than above	—	—	
1b	Subscription rights to common shares	129	125	(14)
3	Accumulated other comprehensive income and other disclosed reserves	140,741	156,440	(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)	401,077	406,733	
Common Equity Tier 1 capital: regulatory adjustments				
8+9	Total intangible fixed assets (excluding those relating to mortgage servicing rights)	1,661	1,953	
8	of which: goodwill (including those equivalent)	—	—	
9	of which: other intangibles other than goodwill and mortgage servicing rights	1,661	1,953	(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	0	0	(11)
12	Shortfall of eligible provisions to expected losses	6,869	7,025	
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	—	—	(2)
16	Investments in own shares (excluding those reported in the Net assets section)	0	2	
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)	8,531	8,982	
Common Equity Tier 1 capital (CET1)				
29	Common Equity Tier 1 capital (CET1) ((A)-(B)) (C)	392,545	397,750	
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, 2019	Year ended March 31, 2018	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)	392,545	397,750	
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	5,467	9,478	(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	18,000	20,000	
47	of which: instruments issued by bank and its special purpose vehicles	18,000	20,000	(4)
49	of which: instruments issued by subsidiaries	—	—	
50	Total of general allowance for credit losses and eligible provisions included in Tier 2	150	136	
50a	of which: provision for general allowance for credit losses	150	136	
50b	of which: eligible provisions	—	—	
51	Tier 2 capital: instruments and provisions (H)	23,618	29,614	
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)	23,618	29,614	
Total capital (TC = T1 + T2)				
59	Total capital (TC = T1 + T2) ((G)+(J)) (K)	416,163	427,365	
Risk weighted assets				
60	Risk weighted assets (L)	2,652,748	2,516,280	
Capital ratio (consolidated)				
61	Common Equity Tier 1 capital ratio (consolidated) ((C)/(L))	14.79	15.80	
62	Tier 1 capital ratio (consolidated) ((G)/(L))	14.79	15.80	
63	Total capital ratio (consolidated) ((K)/(L))	15.68	16.98	
64	CET1 specific buffer requirement	2.50	1.87	
65	of which: capital conservation buffer requirement	2.50	1.87	
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	7.68	8.98	
Regulatory adjustments				
72	Non-significant investments in the capital of other financials that are below the thresholds for deduction (before risk weighting)	23,712	26,019	
73	Significant investments in the common stock of other financials that are below the thresholds for deduction (before risk weighting)	868	768	
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)	150	136	
77	Cap on inclusion of provisions (general allowance for credit losses)	511	488	
78	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")	—	—	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	13,685	13,533	
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	Current cap on T2 instruments subject to transitional arrangements	18,000	24,000	(4)
	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) (if the amount is negative, report as "nil")	2,000	—	

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	FY2018	FY2017
On-balance sheet exposures				
1		On-balance sheet exposures before deducting adjustment items	6,081,796	5,842,738
1a	1	Total assets reported in the consolidated balance sheet	6,115,271	5,875,040
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 (-)	33,475	32,301
2	7	Amount of adjustment items pertaining to Tier 1 capital (-)	8,531	8,982
3		Total on-balance sheet exposures (A)	6,073,264	5,833,755
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.	2,871	4,745
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.	7,019	5,389
		Amount of receivables arising from providing cash margin in relation to derivative transactions, etc.	4,829	2,520
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)	14,720	12,654
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.	3,054	477
15		Amount of agent transaction exposures	—	—
16	5	Total exposures related to repo transactions, etc. (C)	3,054	477
Other off-balance sheet exposures				
17		Notional amount of off-balance sheet transactions	962,540	905,671
18		Amount of adjustments for conversation to in relation to off-balance sheet transactions	820,927	774,676
19	6	Total exposures related to off-balance sheet transactions (D)	141,612	130,995
Consolidated leverage ratio				
20		The amount of capital (Tier 1 capital) (E)	392,545	397,750
21	8	Total exposures ((A) + (B) + (C) + (D)) (F)	6,232,652	5,977,883
22		Consolidated leverage ratio ((E) / (F))	6.29%	6.65%

Corresponding Line # on International Template, Table 1 refers to that in Table 1 and Table 2 in the rule text of "Basel III leverage ratio framework and disclosure requirements" published by the Basel Committee on Banking Supervision on January 12, 2014.

2. Reasons for any significant disparities in consolidated leverage ratio compared to the previous fiscal year (if any)

Not applicable.

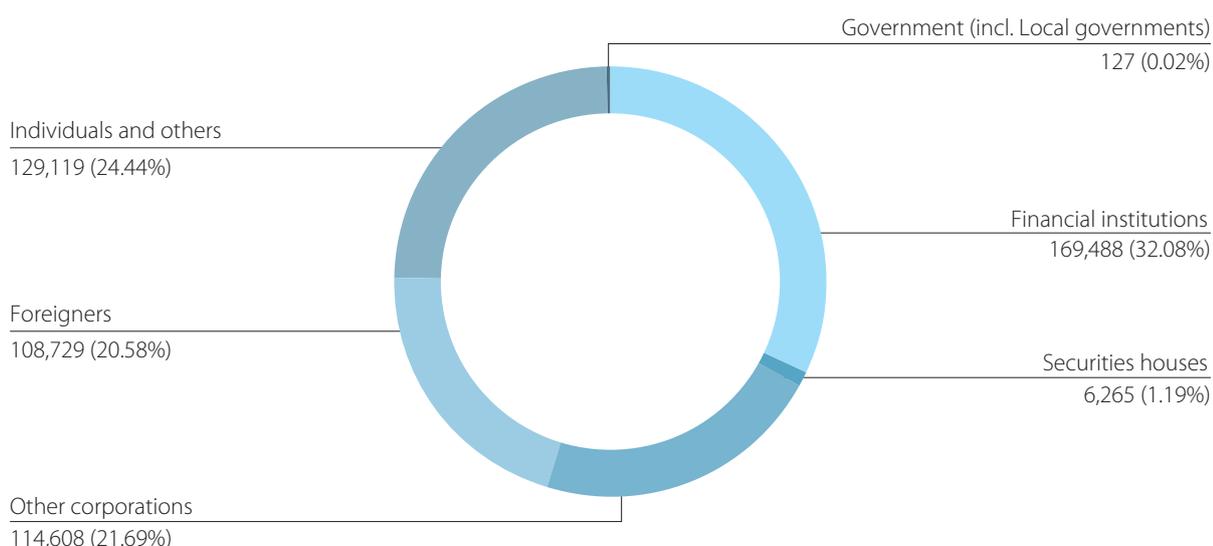
Stock Information

As of March 31, 2019

Major shareholders

	Number of shares held (Thousand shares)	As a percentage of total number of issued shares (excluding treasury stock) (%)
Japan Trustee Services Bank, Ltd. (Trust account)	2,167	4.23
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST (Managing agent, The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	2,127	4.16
Nippon Life Insurance Company	1,610	3.15
Meiji Yasuda Life Insurance Company	1,599	3.12
The Master Trust Bank of Japan, Ltd. (Trust account)	1,502	2.93
Employee Stock Ownership of Shiga Bank	1,214	2.37
Sompo Japan Nipponkoa Insurance Inc.	1,180	2.30
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS (Managing agent, The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	1,169	2.28
Japan Trustee Services Bank, Ltd. (Trust account 9)	1,149	2.24
JP MORGAN CHASE BANK 385151 (Managing agent, Settlement & Clearing Services Department of Mizuho Bank, Ltd.)	815	1.59
Total	14,539	28.43

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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