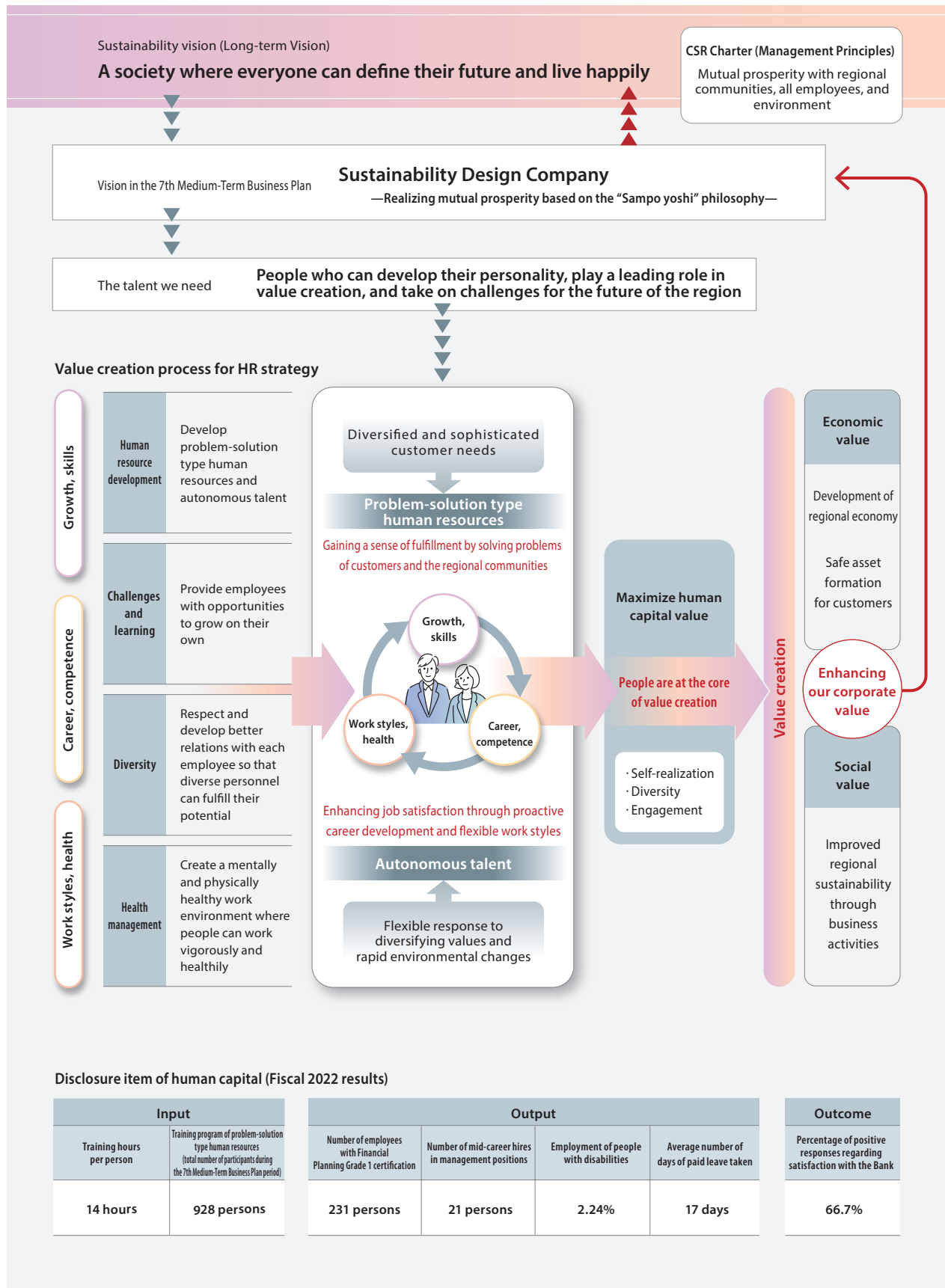


POWERS SUPPORTING VALUE CREATION

Initiatives for Human Capital



Basic policies for HR strategy

In the 7th Medium-Term Business Plan, the Bank has declared that it aims to become a Sustainability Design Company that designs sustainable growth for customers and regional communities beyond the concept of a bank and to become a company that is indispensable to the community. To realize this management strategy, we define the talent we need as “people who can develop their personality, play a leading role in value creation, and take on challenges for the future of the region.” Under the human resources development policy and policies for improving the internal environment, we are working to develop problem-solution type human resources and autonomous talent.

Human resources development policy

“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

Policies for improving the internal environment

Our Sustainability Policy aims to develop human resources who can think and act independently and improve the workplace environment. We strive to create a work environment for respecting diverse personalities and work styles, enhancing work-life balance, and having each employee fully demonstrate their abilities.

Facilitating human resource development

To meet the increasingly sophisticated and diverse customer needs, we focus on developing employees with specialized skills and flexible ideas through various consulting training sessions, head office traineeships for branch employees, and support for obtaining Financial Planning Grade 1 certification.

In addition, in order to develop autonomous talent who can develop new careers on their own in the era of drastic change, we provide tools (career paths, etc.) within the Bank to support the career development of each employee. We have also enhanced the internal recruitment system, self-development support tools, and incentives for the acquisition of qualifications to develop human resources who are self-motivated, self-improving, and flexible enough to respond to changes in the environment.

Enhancing the career support system

To ensure every employee feels their job is fulfilling and meaningful, it is important for them to have a mindset to develop their careers on their own. We have enhanced the “Discussion Program,” a program to help employees grow and boost their motivation through means such as One-on-One Meetings. We offer various training courses and seminars and present career paths, as well as work on improving and sophisticating management capabilities to provide personal and attentive career development support to every employee.

POWERS SUPPORTING VALUE CREATION

Side job program (sole proprietor type)

Respecting the diverse needs and values in regard to work styles, we have implemented a side job program (sole proprietor type) to help employees find fulfillment and satisfaction in their work. One employee used the system to start a blueberry growing business with locals, and is working to revitalize the community by making it a tourist farm that people can enjoy with children. The number of applications for the program is on the rise and the system is gradually being utilized for a wider range of purposes.

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



Blueberry farm operated by our employees

Providing a variety of career opportunities

Providing opportunities to take on challenges

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

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



Providing opportunities to learn

We provide various learning opportunities, including seminars for branch and section managers and “pressure-free plan seminars” which employees can participate in on their days off, and online seminars called “e-JINZAI for Finance.” In addition, we have encouraged our employees to participate in training programs of external educational institutions, such as SME Support Japan, the Graduate School of Shiga University, and the Graduate School of Management of GLOBIS University. This gives them opportunities to gain experience that cannot be acquired in the Bank’s operation and acquire knowledge and skills.

Ensuring diversity

Diversity

We established the Diversity Promotion Committee to create a work environment where diverse individuality is respected and each individual can feel a sense of fulfillment in life and work by demonstrating his or her potential. And to incorporate diverse opinions into the activities of the Committee, we established the Diversity Promotion Team consisting of members recruited from sales branches. Currently, the Diversity Promotion Team is actively engaged in discussions with a focus on the utilization of diverse human resources and work style reform.

To support women’s career design and networking within the Bank, we hold the Life & Career Design Seminars for sub-assistant general managers, providing an opportunity for female employees to reflect on their own careers.



Scene at a Diversity Promotion Team meeting

Work-life balance

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

We have adopted a business casual dress code since April 2021. We aim to reject stereotypes by creating an environment that allows employees to choose what to wear depending on time, place, and occasion, fostering a flat organizational culture and promoting diversity.

Our "Select-time system," which allows employees to select their working hours, enables flexible work styles and aims to improve the health of employees and their work-life balance. We also engage in efforts to enable work styles not restricted to the workplace, such as working from home with tablets, and are working to build a flexible work system tailored to each employee's lifestyles and life stage needs such as childcare and nursing care.

Practicing health management

We see health as the foundation for employees to fulfill their potential and are actively engaged in health management. Through establishing a work environment where all employees can work healthily and with vigor, and fully demonstrate their abilities, we promote their mental and physical health and help them find job satisfaction, thereby improving employee engagement.

Mental healthcare

We hold regular training courses on mental health and help create a better work environment for all employees. In order to prevent mental health problems, we implemented a counseling program that enables employees to talk to external specialists without worry and free of charge.

Physical healthcare

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

Respecting human rights

We established the Committee on Elimination of Discrimination against People from Dowa Districts (currently renamed Human Rights Education Committee) in August 1976 to promote human rights awareness and training with a view to realizing a bright society free of discrimination, both within and outside the Bank. We offer interactive training sessions, including opportunities for small group discussions. Although participation is voluntary, more than 90% of employees attend the training sessions each year. In addition, we have established dedicated hotlines and systems (see Page 74) to prevent sexual, power, and other forms of harassment, and provide appropriate training in a timely manner.

Corporate Governance

Basic views on corporate governance

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

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

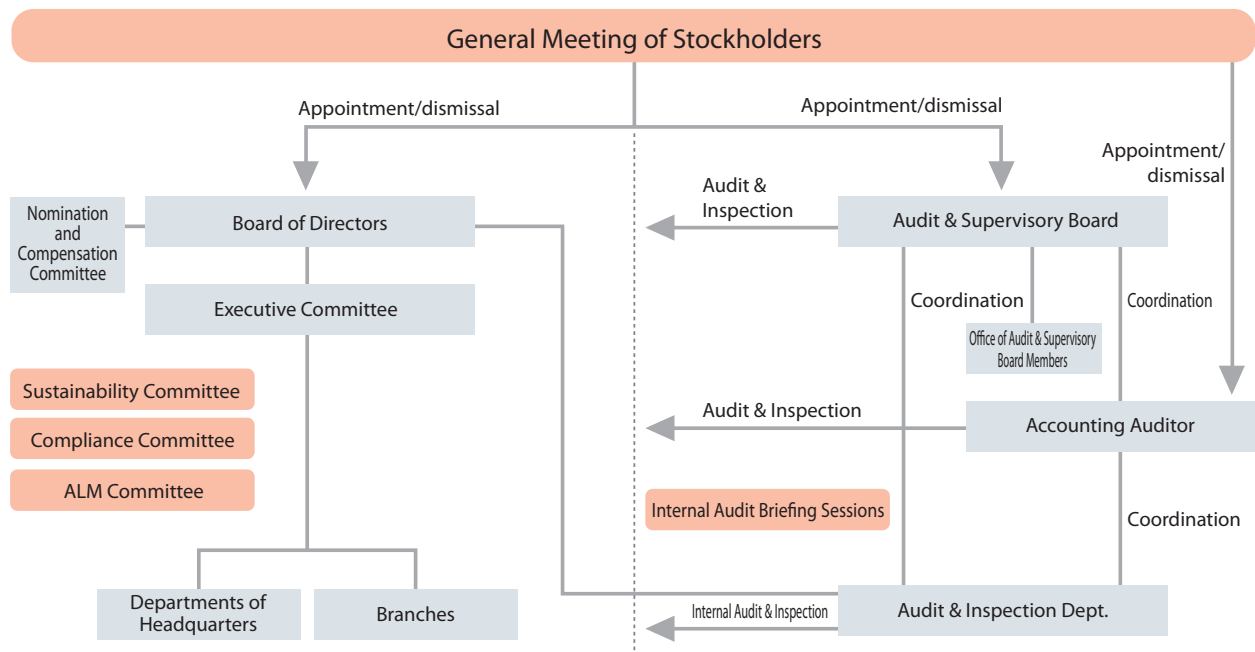
Overview of corporate governance system

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

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

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

Shiga Bank’s corporate governance system (as of June 30, 2023) is shown in the chart below.



1. Board of Directors

The Board of Directors, with nine members, including three from outside the Bank, meets once a month in principle. At the meetings, decisions are made on important business matters to conduct business. Audit & Supervisory Board Members attend all such meetings to monitor the performance of Directors. New matters of discussion were raised in December 2022, and since then essential and constructive ideas have been exchanged on important subjects such as management strategies and management issues.

Date of meeting	Main issues on the agenda	Attendance at meetings
April 22, 2022		Full attendance
May 13	(Regular agenda items)	(Same as above)
June 24	Matters concerning corporate accounting such as closing accounts	(Same as above)
July 28	Matters concerning important personnel affairs	(Same as above)
August 26	Matters concerning salaries and bonuses for employees	(Same as above)
September 21 (extraordinary)	Matters concerning management policy, business plan, and shares	(Same as above)
September 28	(Agenda items of special note in the fiscal year)	(Same as above)
September 28	Matters concerning dividend policy	(Same as above)
October 21	Matters concerning introduction of a restricted stock-based compensation system	(Same as above)
November 11	Matters concerning the 7th Medium-Term Business Plan	(Same as above)
December 16	Matters concerning the Flexsus Project	(Same as above)
January 27, 2023	Matters concerning prevention of misconduct recurrence	(Same as above)
February 22	(Matters of discussion)	(Same as above)
March 24	8th Medium-Term Business Plan	(Same as above)
	Human capital	(Same as above)

2. Audit & Supervisory Board

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

Date of meeting	Main issues on the agenda	Attendance at meetings
April 22, 2022		Full attendance
May 12	(Regular agenda items)	(Same as above)
June 24	Matters concerning the development of audit plans by Audit & Supervisory Board Members	(Same as above)
July 28	Key contents of at meetings such as the Executive Committee and Internal Audit Briefing Sessions	(Same as above)
August 26	Status of execution of Accounting Auditor's duties (including Key Audit Matters)	(Same as above)
September 28	Matters concerning appointment or dismissal of Accounting Auditor	(Same as above)
October 21	Matters concerning audit reports prepared by Audit & Supervisory Board Members	(Same as above)
October 21 (extraordinary)	Matters concerning reports and recommendations provided by Audit & Supervisory Board Members to the President	(Same as above)
November 11	(Agenda items of special note in the fiscal year)	(Same as above)
November 11	Consent to a proposal for the election of an Audit & Supervisory Board Member	(Same as above)
December 16	Status of the discussion held to prevent recurrence of misconduct	(Same as above)
January 27, 2023	Matters concerning the Flexsus Project	(Same as above)
February 22	Status of credit risk (credit costs) management	(Same as above)
March 24	Status of management of the risk associated with diverse investment styles	(Same as above)
	Matters concerning response to the revisions made to the IESBA Code of Ethics	(Same as above)

3. Nomination and Compensation Committee

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

Date of meeting	Main issues on the agenda	Attendance at meetings
April 21, 2022		Full attendance
May 12	(Matters concerning nomination)	(Same as above)
June 23	Deliberation on candidates for Directors, Directors with specific titles, and Representative Director	(Same as above)
July 27	Deliberation on candidates for Audit & Supervisory Board Members and Substitute Audit & Supervisory Board Member	(Same as above)
September 27	Deliberation on positions at other companies concurrently held by Outside Directors	(Same as above)
October 20	Deliberation on requirements for successors and an information sheet of skills of Directors	(Same as above)
November 10	Deliberation on a way to complement skills	(Same as above)
December 15	Deliberation on a plan for successors (management personnel)	(Same as above)
January 26, 2023	(Matters concerning compensation)	(Same as above)
February 21	Deliberation on compensation for Directors	(Same as above)
March 23	Deliberation on introduction of a restricted stock compensation system	(Same as above)

POWERS SUPPORTING VALUE CREATION

4. Executive Committee

The Executive Committee consists of the Chairman, President, Deputy President (currently vacant), Senior Managing Directors, and Managing Directors. It meets as necessary to make swift decisions about overall operations, including investment plans, new product development, business structural changes, and monitoring the risk environment, with Audit & Supervisory Board Members being in attendance. Important items related to the execution of business are submitted to the Board of Directors.

5. Internal Audit System

Seeking to conduct its business in a sound and appropriate manner, the Bank established the Audit & Inspection Department to undertake internal audits. The Department performs audits of the Bank's branches to ensure that their internal control systems are functioning properly, in accordance with annual internal audit plans approved each year by the Board of Directors. The internal Audit briefings are held as a rule once a month with the attendance of the management team including the President of the Bank, and hold discussions on reported audit findings and on the status, problem points and issues of departments and branches subject to auditing. This ensures that risk is minimized, administrative duties are carried out reliably and business management is appropriate.

Information is exchanged and coordination is ensured among three types of auditing (Audit & Supervisory Board Members, the Accounting Auditor, and the Audit & Inspection Department). Coordination with Outside Directors and Outside Audit & Supervisory Board Members is also provided to share perception of risks.

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

6. Sustainability Committee

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

7. Compliance Committee

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

8. ALM Committee

The ALM Committee chaired by the President is aimed at responding to comprehensive asset liability management (ALM) and contributing to an increase in stable earnings through the improvement of risk management. Through the "risk appetite framework" introduced by the Bank, the Committee determines a risk-taking policy based on risk profiling and discusses business strategy integrated with risk management.

9. Accounting Auditor

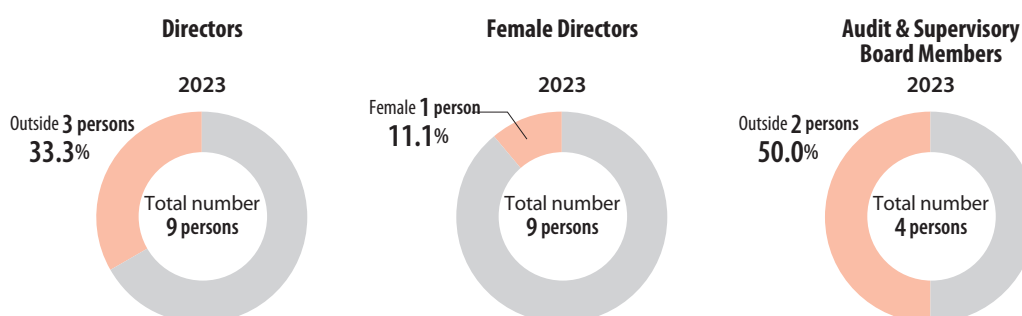
Deloitte Touche Tohmatsu LLC, with which the Bank concluded an audit agreement conducts audit as an accounting auditor.

Composition and skill matrix of the Board of Directors

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

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

Number of Officers and Ratio of Outside Officers



Independent Outside Officers

Name	Position	Reason for appointment	The rate of attendance at meetings of Board of Directors in fiscal 2022
Minako Takeuchi	Outside Director	She has a wealth of experience and a wide range of insight into overall management as a company manager. The Bank expects that she will utilize her experience and insight to supervise the management of the Bank from the independent viewpoint, while contributing to the sustainable growth of the Bank and higher corporate value.	13 out of 13 regular meetings of the Board of Directors (attendance ratio: 100%)
Rikiya Hattori	Outside Director	He has a wealth of experience and a wide range of insight into finance and corporate management as a Deputy President and a Deputy Chairman at Sumitomo Mitsui Trust Bank, Limited. The Bank expects that he will utilize his experience and insight to supervise the management of the Bank from the independent viewpoint, while contributing to the sustainable growth of the Bank and higher corporate value.	13 out of 13 regular meetings of the Board of Directors (attendance ratio: 100%)
Sawaichiro Kamata	Outside Director	He has a wealth of experience and a wide range of insight into finance accumulated at the Bank of Japan and the Japan Securities Dealers Association. The Bank expects that he will utilize his experience and insight to supervise the management of the Bank from the independent viewpoint, while contributing to the sustainable growth of the Bank and higher corporate value.	13 out of 13 regular meetings of the Board of Directors (attendance ratio: 100%)
Yasuhito Matsui	Outside Audit & Supervisory Board Member	The Bank expects that he will reflect in auditing the Bank his professional expertise and a wealth of experience as a lawyer involved in corporate legal affairs.	13 out of 13 regular meetings of the Board of Directors (attendance ratio: 100%)
Kazukiyo Onishi	Outside Audit & Supervisory Board Member	The Bank expects that he will reflect in auditing the Bank his high insight gained through experience as an auditor and other roles at private enterprises as well as involvement especially in public finance and tax administration at the Ministry of Finance.	13 out of 13 regular meetings of the Board of Directors (attendance ratio: 100%)

Evaluation of Effectiveness of the Bank’s Board of Directors

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

Criteria for Evaluation of the Board of Directors

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

A survey on the overall effectiveness of the Board of Directors for fiscal 2022 was conducted through a questionnaire distributed to all the Directors and Audit & Supervisory Board Members. The questionnaire survey was conducted using a third-party external organization to ensure objectivity and transparency, and the Board of Directors conducted an evaluation as described below based on results of the survey.

From the results of the survey, the way of management of the Board of Directors and discussions that were held to improve sustainability were on the whole positively evaluated. For constructive discussion about important subjects such as management strategies and management issues, the Bank made efforts, including allowing a new period of time for discussion and exchanging ideas at the Board of Directors, to improve the effectiveness of the Board of Directors.

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

- Through the use of the new allowed period of discussion time and proper selection of agenda items, the Board of Directors will hold more constructive discussions in an effort to enhance corporate value for the Bank over the mid- to long-term.

Message from Outside Directors

Outside Director **Minako Takeuchi**

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

I think I have three major roles as an independent Outside Director. The first is to provide opinions and views that are difficult to express internally, governance-related critiques, experience from other industries, and so on. Opinions and views from a perspective based on a long-established corporate culture can at times be very homogeneous and down-to-earth, so I think they sometimes hinder the business growth and catch-up with needs in a diverse and greatly changing market.

The second is to promote lively discussions to improve corporate value while questioning the Bank's mid- to long-term vision. Internal views tend to be shortsighted, emphasizing short-term results and risks. Balance is important, but a key to improving the effectiveness of the Board of Directors is to routinely discuss mid- to long-term strategies and share the direction and issues. This enables you to share issues and information early on and refine measures to move in the direction you are aiming for.

The last is, speaking from my own area of expertise, to provide the Bank with some awareness by defining potential problems related to people, the organization, and organizational culture in agenda items and pointing out problems when necessary. Whether you are talking about carrying out mid- to long-term corporate strategies or reforming business models or business portfolios, it is people and organizations that support and embody it. Without that foundation, discussions remain inconclusive. I also think that being a company with a diverse group of people where each and every executive and regular employee works with dreams and a sense of fulfillment will be even more important also in terms of human resource strategies going forward. If you have the foundation to continue being company that values people, I believe you can continue to be company that earns the expectations and trust of local customers and stakeholders.

As an Outside Director, how are you involved in assessing our human capital initiatives, including recognition of issues?

I believe the Bank's human capital initiatives, in other words its human resource and organizational strategies, should be directly linked to its management strategy, of course. To put it another way, the key is to develop human resources that can realize the Bank's vision of becoming a Sustainability Design Company by the strengths of each and show the embodied vision in form of an organization to our customers. For a shift to that type of human resources, or problem-solution type human resources, we need to consider how to develop human resources with a more flexible way of thinking, the skills to discover problems faced by customers and society, and the ability to build solutions that meet customer needs while staying close to customers, and provide customers services that they accept and trust, and take concrete action.

Therefore, although the need to have a wide range of strength (or to learn and accumulate a large amount of knowledge and skills) remains unchanged, more important than that is how we build solutions by selecting and combining those knowledge and skills in line with changes in customers and society; in other words, we need to learn how to use our strength and refine our ability use it (i.e., player competency). And management needs to be trained on how to teach that, in other words to develop subordinates.

One thing we started last fiscal year to focus on this teaching skill, or management competency, and encourage the creation of an action learning program for managers to engage with and help subordinates grow and translate their development into organizational strength. This fiscal year we will accelerate this, so I hope that human resource development capabilities — a key human capital initiative — continue to improve. It should help us also improve employee engagement.

I believe that doing this will boost the capabilities of each employee, improve the quality of consulting, enable employees to experience and demonstrate self-growth (in the area of player competency), to contribute to the organization, community, and society, and enable visualization of true human capital initiatives in which each employee can feel a sense of fulfillment and accomplishment.



Outside Director **Rikiya Hattori**

What have you been doing as an Outside Director to improve the effectiveness of the Board of Directors?

Article 15 of the Bank's Corporate Governance Guidelines specifies the role of the Board of Directors, and I verify that each item is being carried out effectively in the annual evaluation of effectiveness of the Board of Directors. The main items to verify include: (1) size and composition of the Board of Directors, (2) operation of the Board of Directors, (3) relationship with shareholders and investors, and (4) discussions within the Board of Directors. In fiscal 2022, the Bank outsourced the evaluation to an external third party. According to the results, the method of operation of the Board of Directors and discussions on improving sustainability were evaluated positively. In regard to the enhanced discussion about important topics such as management strategies and management issues that was an issue previously, this fiscal year we engaged in further efforts to improve the effectiveness of the Board of Directors such as setting a new period of time for discussion to exchange ideas at the Board of Directors. Thanks to these efforts, the Board was evaluated to be operating properly overall.

An issue to tackle going forward is identifying more themes and conducting deep dives in regard to key issues. Possible themes include: (1) having to change the business model in response to the rapidly changing environment surrounding regional banks, (2) the difficulty of securing diverse and outstanding human resources due to increased job mobility, (3) the need to take bold risks and effectively use capital due to the advancement of risk management, (4) cultivating a corporate culture that can manage a wide range of compliance-related issues, and (5) the need to transform into a culture that enables free and frank exchange of opinions and discussion. I firmly believe that it is the role and duty of the Board of Directors to thoroughly discuss these themes from a variety of angles and ensure their implementation.

The Bank established the Nomination and Compensation Committee in December 2021, but what is your evaluation, including recognition of issues, of the Committee's efforts for the year?

The Bank's Nomination and Compensation Committee discussed how the officer portfolio should be built considering the environment surrounding the Bank. Next I think we need to discuss ideal human resources and the human resource portfolio, which includes both officers and employees, from the perspective of enhancing human capital in a broad sense. Specific topics for examination include: (1) qualification requirements for successors, (2) skill sheets, (3) officer's compensation system, and (4) current conditions and future challenges in human resources including employees.

First, in regard to (1) and (2), although we spent a considerable amount of time discussing skills and competencies to enable agile response in a rapidly changing environment, we intend to continue refining. The composition of officers often tend to be made up of the same type of people, but we are striving to build a human resource portfolio that is diverse and complementary as an organization. These skills and competencies apply not only to the top management and Directors, but also executive officers and those in positions under them, and I hope they can be also utilized for developing human resources needed to build the future human resource portfolio. I think (3) needs to be revised going forward. The key to do this is to quantitatively and qualitatively define the targets related to the roles and responsibilities of Directors, executive officers, and positions equal to or above General Manager, and evaluate the results. Although there are issues that first need to be resolved such as reexamining the organization and refining revenue management, I look forward to pushing ahead. Lastly, in regard to (4), the business model requires diverse human resources. It is important for us to use both general people with a wide range of skills and also experts who excel in specific areas in various situations, so I would also like to discuss the development of human resources and their organization.

As a company that is supported and recognized by customers, I want the Bank to develop human resources and build an organization where employees work with a sense of fulfillment.

Outside Director **Sawaichiro Kamata**

What have you been doing as an Outside Director to improve corporate value?

Although the banking industry is a regulated industry that must have a certain amount of equity capital, the need to efficiently use capital and increase market evaluation to help enhance corporate value is just the same as with any other industry. The best way to do this is by continuously increasing profit. From this perspective, I have been working to contribute to developing the right strategies and ensuring they are executed through the Board of Directors and other means.

The revenue environment of banks is becoming more challenging due to the decrease in the growth potential of the Japanese economy and decline in capital requirements of companies. In addition to the conventional business model of earning revenue with interest earned on loans, we also need to diversify sources of revenue such as operating a fee-based business. Business regulations have been relaxed recently, and our corporate value is likely to change significantly in the next 10 years depending on how well we can make use of it. To do this I believe we need to change the organizational culture of the Bank in the following two ways.

The first is to create a culture of taking on challenges. New business models are generated only by challenges. In the past, practicing sound management has been the Bank's foundation, but going forward we need the courage to leap forward into unprecedented territory. The Bank boasts high soundness indicators and its risk management capabilities have an established reputation. This suggests that there is more room to take risks.

The second is to create a culture of leveraging collective intelligence. Going forward it will be crucial to gather, compare, and examine the wisdom and innovative ideas of many instead of only having a small number of people at the headquarters formulate strategies. A culture of *waigaya* (open, frank discussion), where everyone, whether it be the headquarters or a branch, can make proposals and express opinions will be essential.

I share this with everyone in the Bank whenever I have the opportunity and strive to practice it myself.

What is your assessment, including issues, and thoughts about the future development of the Bank's role and efforts in the regional revitalization?

Growth of the regional community is essential for increasing the Bank's revenue. The Bank cannot increase profit on its own if the region does not grow. Regional revitalization goes beyond the category of regional contribution, and we should tackle it with the understanding that it is a pressing issue that has to do with our own survival.

This region has only a gradual population decline and boasts many manufacturing giants, so housing demand, employment, and consumption are steady. But it is important to actively work to maintain and develop this advantageous external environment for the future instead of just accepting it passively.

For example, we need to be involved in community development to ensure the influx of younger generations do not stop and it continues to be an easy place for the elderly to live. Another issue is boosting the capabilities of local companies to enhance connections with companies that have expanded into the region through parts supply and other businesses. Also important are fostering industry that has consolidated knowledge and high added value, stimulating the emergence of more national and listed companies from Shiga Prefecture, and utilizing IT to improve the efficiency of the entire region including SMEs. There is great potential in taking advantage of in-bound demand by allowing travelers to discover appealing regional resources like Lake Biwa.

The Bank has worked to create new businesses through means such as Saturday School for Entrepreneurship and the Shigagin Regional Revitalization SD Fund, and provided support to local companies with various types of consulting such as business succession, M&As, human resources placement, SDGs, and decarbonization. We also contribute to increasing the appeal of the regional community through regional contribution activities like environmental conservation efforts. We must maintain and develop such efforts, and further collaborations with local governments.

Regional revitalization is the field that requires the ability to design sustainability advocated by the Bank, and it is a real pleasure to work for a regional financial institution.

Directors and Executive Officers

(As of June 27, 2023)

Directors

Chairman **Shojiro Takahashi**

April 1979 Joined the Bank
 June 2006 General Manager of Business Promotion Dept.
 June 2008 Director and General Manager of Business Promotion Dept.
 June 2009 Director and General Manager of Kyoto Branch
 June 2011 Managing Director
 June 2014 Senior Managing Director
 June 2015 Deputy President
 April 2016 President
 June 2023 Chairman (current position)



President & CEO **Shinya Kubota**

April 1986 Joined the Bank
 June 2015 General Manager of General Planning Dept.
 June 2017 Director and General Manager of General Planning Dept.
 June 2018 Managing Director
 June 2020 Senior Managing Director
 June 2023 President (current position)



Senior Managing Director & CRO & CCO **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
 June 2023 Senior Managing Director (current position)



Managing Director & CFO **Katsuyoshi Horiuchi**

April 1987 Joined the Bank
 June 2014 General Manager of Risk Supervisory Dept.
 June 2017 Executive Officer and General Manager of Business Promotion Dept.
 June 2019 Director and General Manager of Kyoto Branch
 June 2021 Managing Director and General Manager of Financial Markets & International Dept.
 February 2022 Managing Director (current position)



Managing Director & CIO **Hidekazu Toda**

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



Managing Director **Yoshinori Endo**

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



Outside Director **Minako Takeuchi**

April 1983 Joined NEC Corporation
 December 2002 Retired from NEC Corporation
 January 2003 Joined Stanton Chase International
 June 2013 Retired from Stanton Chase International
 August 2013 Representative Director, TM Future Corporation (current position)
 June 2019 Outside Director, the Bank (current position)
 June 2020 Outside Director, Nihon M&A Center Inc. (currently Nihon M&A Center Holdings Inc.) (current position)
 June 2022 Outside Director, Mitsubishi Steel Mfg. Co., Ltd. (current position)



Outside Director **Rikiya Hattori**

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



Outside Director **Sawaichiro Kamata**

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



Audit & Supervisory Board Members

Full-time Audit & Supervisory Board Member Yasunaga Ono

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



Full-time Audit & Supervisory Board Member Hideki Sugie

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



Outside Audit & Supervisory Board Member Yasuhito Matsui

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



Outside Audit & Supervisory Board Member Kazukiyo Onishi

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



Executive Officers

Nobuyuki Tanaka

Managing Executive Officer and General Manager of Audit & Inspection Dept.



Hiroyoshi Inoue

Managing Executive Officer and General Manager of Credit Supervision Dept.



Kazuaki Kataoka

Managing Executive Officer and General Manager of Kyoto Branch



Isokazu Yamamoto

Managing Executive Officer and General Manager of Head Office Business Dept.



Yasuhiko Nakamura

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



Tomohito Takatsu

Executive Officer and General Manager of Computer System Dept.



Hidetoshi Oshima

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



Kengo Matsunaka

Executive Officer and General Manager of Risk Supervisory Dept.



Stakeholder engagement

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

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

Communication with customers

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



Services launched to reflect the voice of customers

- ATMs that support passbook renewals
- Alliances with other financial institutes (The Senshu Ikeda Bank, Kansai Mirai Bank, etc.) to make Shiga Bank's and its partners' ATMs available free of charge
- Communication assistance board, board communication by writing, etc.

Meanwhile, the deep dialogue through our consulting service helps to solve the customer's issues.

Communication channel

Via questionnaires, Customer Consultation Office, Ratings Communication Service, and ESG assessment system

Communication with communities

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

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

Communication channel

Kakehashi, a general information magazine for the region, Shigagin Welfare Fund, participation in various civil activities, local economic associations, culture business and sports promotion, and local gatherings



Communication with employees

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

With “full participation of every officer and employee” as one of themes, we plan to have a commemorative project in which everyone can participate in a responsible way in October 2023, which marks the 90th anniversary of the founding of the Bank.

The Bank is seeking to enlarge communication opportunities in the Group including the management team, especially by setting up a place for the management team and employees to communicate interactively, such as through plans in its in-house journals.

Communication channel

Discussion program; one-on-one meetings; Diversity Promotion Committee; human resources recruitment system; internal reporting system; proposal system; in-house journals; multi-degree feedback, etc.

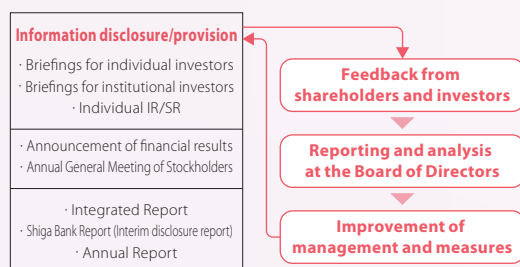


Communication with shareholders and investors

We work to conduct constructive dialogues with shareholders and investors and disclose corporation and management information transparently for sustainable growth and corporate value enhancement. We are seeking to enhance provided information. In fiscal 2023, we have arranged briefings for institutional investors and individual investors respectively, using online streaming at the briefings for institutional investors.

Communication channel

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



Communication with the global environment

We will strive to create a society where children who will lead the next generation can live with peace of mind by discussing how to cope with environmental issues such as climate change and crises to regional resources and ecosystems with external parties and conducting direct and indirect activities through volunteering and our main business. The Bank, which is headquartered next to Lake Biwa, conducts “Ikimonogatari” (Tales of Life) activities, environmental volunteering (see Page 28), to protect biodiversity in Lake Biwa and help its employees to improve their environmental literacy.

Communication channel

Environmental volunteering: “Ikimonogatari” (Tales of Life) activities, participation in and dialogue with various initiatives, lectures on SDGs and the environment, disclosure of environmental accounting, environmental management organizations, etc.

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

We realize high-quality solutions by linking new research ideas with local needs through our partnerships with administrative agencies and experts. We are enhancing cooperation with the Prefecture and municipalities through initiatives for decarbonization and digitalization in an effort to make the regional communities sustainable.

Communication channel

Relationship with regulatory authorities; joint projects and dialogues among industry, academia, government and finance

Risk Management

Basic views

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

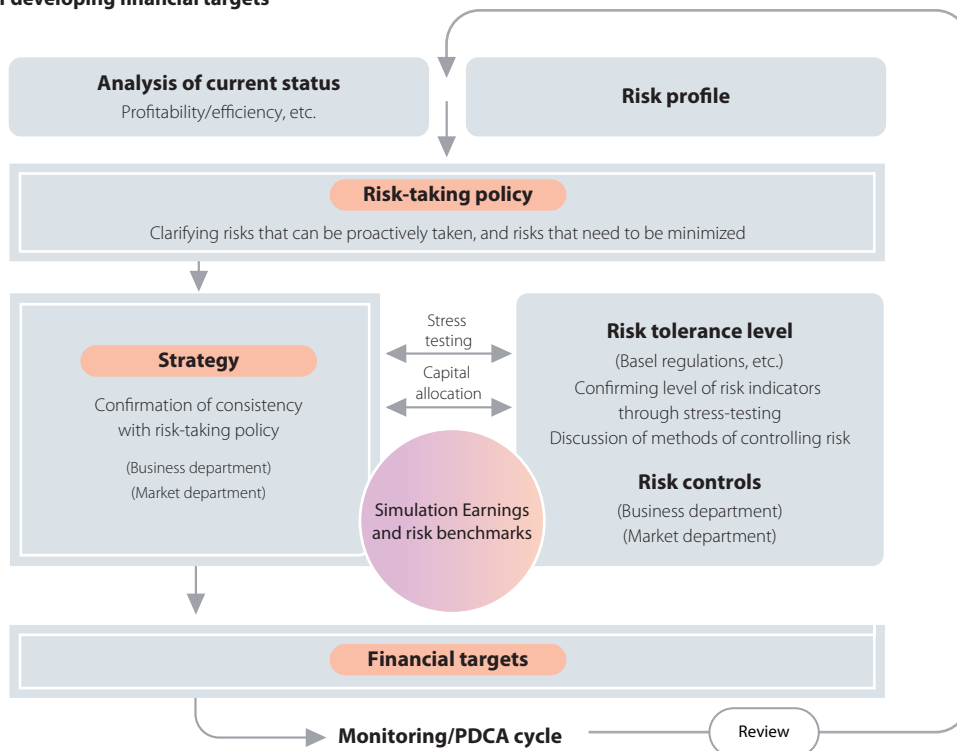
We are building Internal Rating System and Comprehensive Risk Management System in order to accurately assess and control risk using rational criteria without undue reliance on personal intuition or experience. We have also introduced a "Risk Appetite Framework" that will incorporate business strategy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

Risk Appetite Framework (RAF)

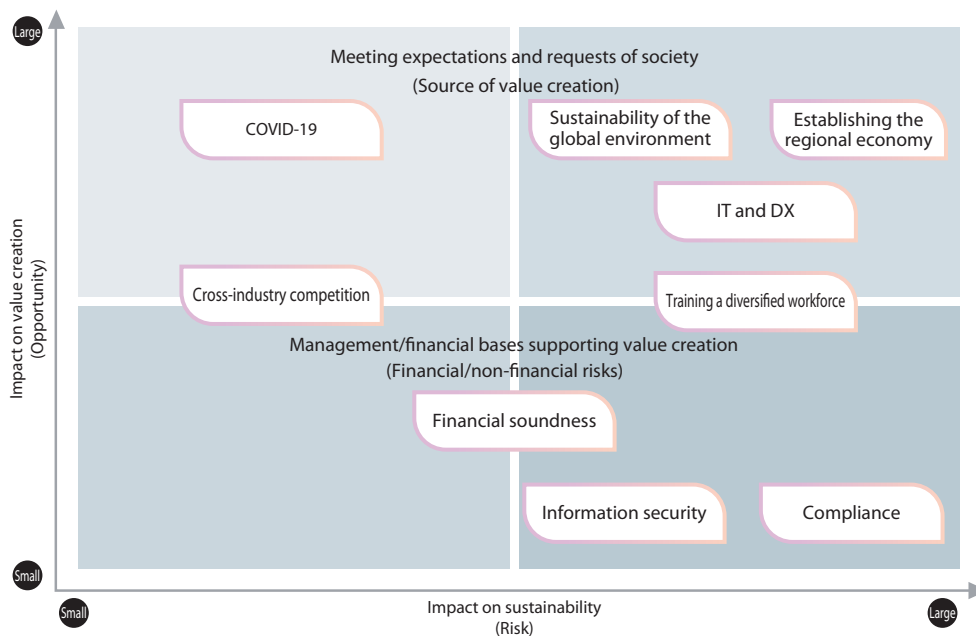
The "Risk Appetite Framework" refers to frameworks for business and risk management that enable clarification of risk by type and level that the Bank is prepared to take on, as well as sharing and monitoring of it for the purposes of accomplishing business strategy and financial targets.

Regarding the formulation of financial targets, the Bank identifies a risk-taking policy based on current-status analysis and risk profiling, and confirms the consistency of strategy in the sales and market departments. Then we carry out various simulations based on the strategy, and sets target earnings and risk benchmarks. In addition, we assume several highly probable scenarios from a forward-looking perspective and verify the effects of the scenarios on financial targets. After confirming through stress testing that the plan will remain reasonably sound under a certain amount of stress, we allocate capital accordingly and seek out the best balance among earnings, risk, and capital. 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



Also from a sustainability point of view, we consider events that may significantly affect corporate value over the medium to long term as “Risks and Opportunities.” We take necessary measures in advance to minimize risks through the “Risk Appetite Framework,” while the management team members discuss and share risks we should take on.



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.

VaR (Value at risk)

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

Outline of Risk Management System

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

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

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

Comprehensive Risk Management

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

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

Capital allocation system

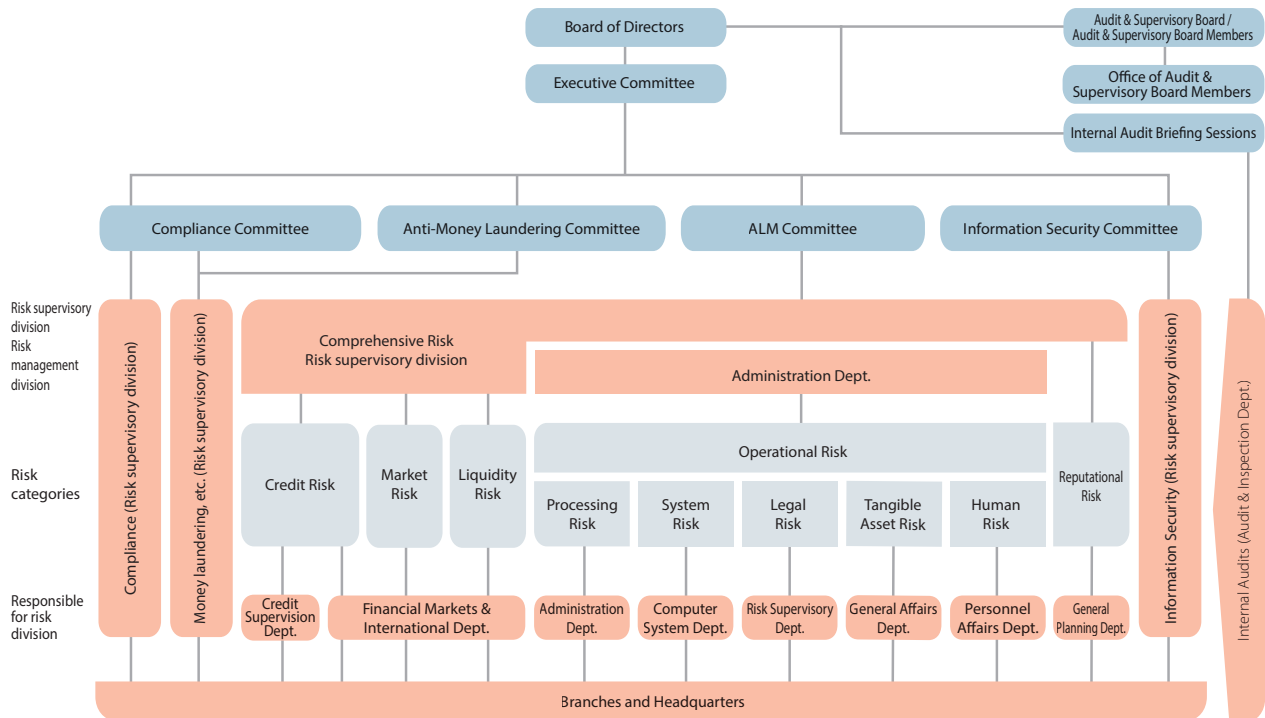
The Bank allocates its own capital to risk generated by holding financial products such as loans, securities and deposits (credit risk, market risk, etc.) and risk generated from operational execution (operational risk, etc.) by business division and risk category.

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

Internal capital adequacy assessment process (stress test)

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

Risk Management System



Credit Risk Management System

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

Recognizing credit risk as the most important risk to business management from the standpoint of its degree of impact, the Bank believes that establishing a management system for credit risk, which accounts for the majority of risk, and rationally controlling the risk are essential for “Co-existence and Co-prosperity”. Based on this view, the Bank introduced its own “Corporate Credit Ratings System” and has endeavored to improve its credit risk management.

Outline of the Corporate Credit Rating System

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

Outline of Credit Risk Management

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

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

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

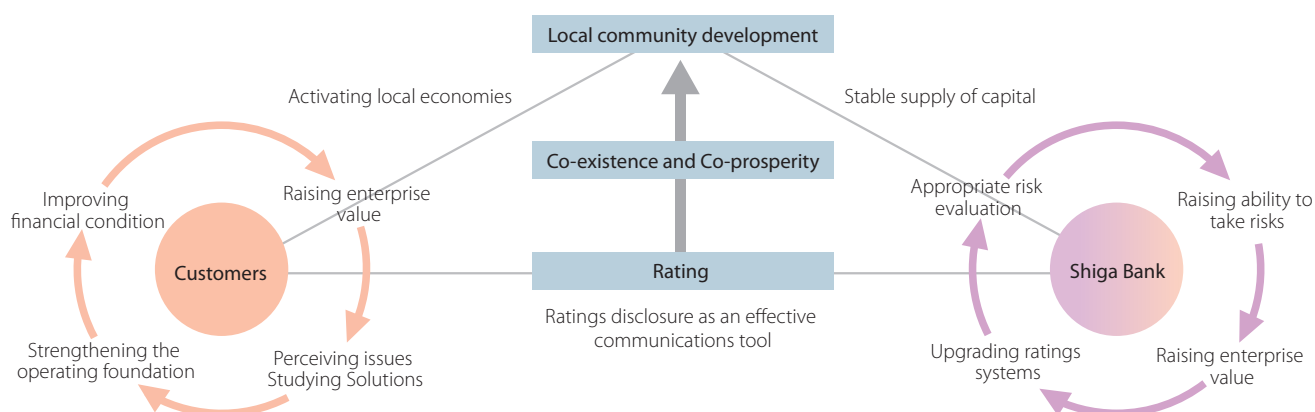
The Significance and Purpose of the Corporate Credit Rating System

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

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

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

POWERS SUPPORTING VALUE CREATION



Market Risk Management System

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

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

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

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

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

Liquidity Risk Management System

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

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

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

Operational Risk Management System

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

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

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

*CSIRT: Computer Security Incident Response Team

Management systems for system risk and cybersecurity

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

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

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

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

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

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

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

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

Reputational Risk Management System

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

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

Enhancing Legal Compliance

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

Legal compliance system

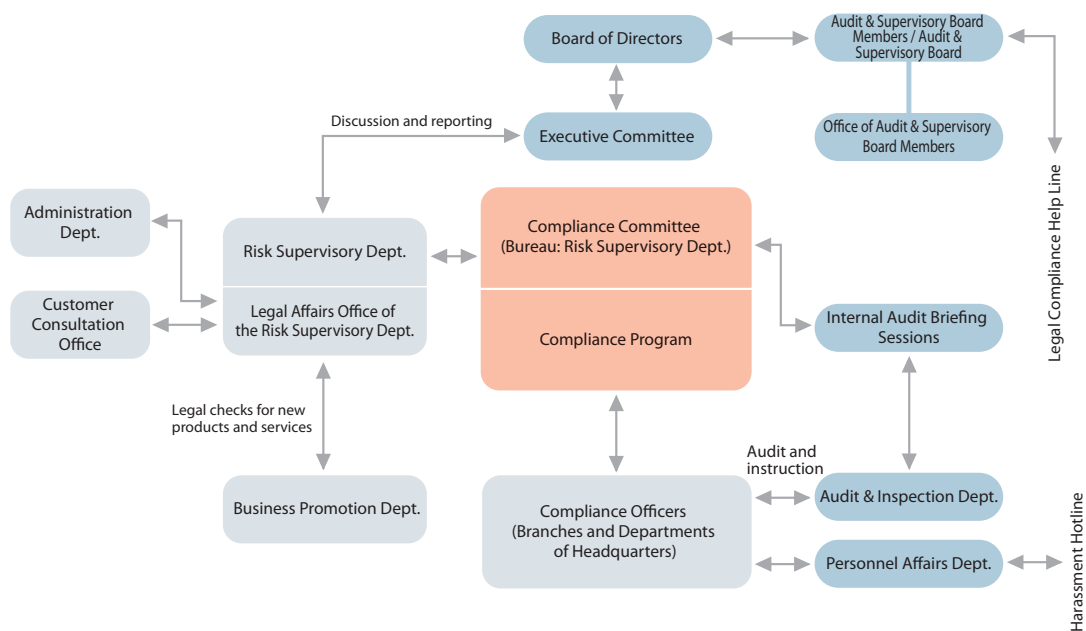
The Bank has stipulated the Code of Conduct based on the CSR Charter, our Management Principles. In order to comply with them and to thoroughly comply with laws and regulations, the Board of Directors formulates a Compliance Program every fiscal year, after deliberation by the Legal Compliance Committee.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

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

Whistle-blowing system established

In order to promote compliance management, we have established internal and external whistle-blowing hotlines (the Legal Compliance Help Line and the Harassment Hotline) for all officers and employees of the Group to contact when they have discovered a violation of laws, regulations, or rules in the workplace and cannot discuss their concerns with their superiors or colleagues. In addition, the Bank stipulates matters such as confidentiality of whistleblower information and prohibition of disadvantageous treatment of whistleblowers in its internal regulations, and thereby works to build and operate an effective whistle-blowing system.

Legal compliance system



Outline of misconduct and recurrence prevention measures

We deeply apologize for all the inconveniences and concern caused to our customers and parties involved by a case of fraud, announced by the Bank on September 22, 2022, where a former employee of the Bank embezzled money from his customers.

Since the detection of the case, the audit offices of the Bank has investigated all the branches and checked whether similar embezzlement or fraud is found in transactions that have been handled by customer relations personnel at the Bank for their customers, as well as by the former employee for his customers, and the Bank has taken measures to prevent recurrence.

Initiatives to prevent recurrence

We have developed recurrence prevention measures in terms of the fraud triangle “opportunity, incentive, and rationalization.”

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

	Cause/Problem points	Outline of key recurrence prevention measures
Opportunities	Customers relations personnel handing cash are insufficiently checked and monitored	<ul style="list-style-type: none"> Prohibiting, as a rule, personnel in charge of customers relations from delivering cash to customers A superior of a customers relations person alone visiting the person’s customer
Incentive	An employee who faces financial problems is insufficiently grasped and checked	Fostering a culture where each employee can discuss their personal troubles including financial worries ordinarily, with the aim of “detecting an employee in dire financial straits early and relieving the employee”
Rationalization	Awareness of compliance is insufficiently fostered	Redefining “Compliance = Doing right duly” and making it thoroughly known through means such as compliance training to foster each employee’s awareness of compliance and create an organizational culture that allows a proper checking function to be fulfilled

Measures to eliminate anti-social forces

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

Measures against money laundering

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

The Financial Services Agency announced the "Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism" that clarify basic approaches of effective measures against the money laundering 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.

The Bank's main efforts

- In July 2018, the "Project team for Anti-money Laundering and Financing of Terrorism" was launched to promote cross-organizational efforts.
- In January 2019, the "Anti-Money Laundering Office" was established and installed as a specialized supervisory organization to strengthen the anti-money laundering system in the Risk Supervisory Dept
- In April 2020, the Bank introduced the system to detect illegal transactions involving money laundering, etc.
- In October 2020, the system for evaluating and determining the degree of the risk of money laundering, etc. based on our bank's standards, and information that meets certain conditions were extracted. Our bank introduced the system to record transaction response and collected information.
- In January 2021, the Bank began regularly updating customer information with the "Customer Information Confirmation Letter."
- In March 2021, the Bank began running newspaper advertisements about the "Confirming Customer Information."
- In December 2021, "The Anti-Money Laundering, Terrorist Financing and Proliferation Financing Policy" was revised.
- In March 2022, we launched a banner advertisement displayed on our bank ATM screen asking customers for their cooperation in "Customer Information Confirmation."
- In February 2023, the Bank began training for all employees to retain knowledge about anti-money laundering operations and foster their awareness of such operations.
- In April 2023, the Bank established the "Anti-Money Laundering Committee" to make cross-organizational efforts undertaken for measures against money laundering permanent.

In addition to enhancing various training programs and encouraging officers and employees to acquire related qualifications, the Bank is proceeding with measures one by one to reduce its money laundering and other risks based on risk evaluation report.

Continuous customer management system

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

- Send the "Customer Information Confirmation Letter" by mail
- Update customer information at the Bank's branches, etc.

Special fraud prevention system

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

The Bank's main efforts

- In the Bank's branches and at ATM corners, employees call out to customers and pay attention to their facial expressions, behavior carefully.
- Posting of alerts on the Bank's website
- Adoption of the "Cashier's Check Plan"
- Restrictions on some ATM transfer functions
- Strengthening cooperation with police and related organizations (holding study sessions, distribution of fraud alert flyers, use of automated calls, etc.)
- Conducting internal training programs
- Conducting lectured at each branch

System for managing conflict of interest

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

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

Personal information protection and management

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

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

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