

Digital strategy

We position digital strategy as one of the core business strategies, and have established the following three basic principles for our digital strategy.

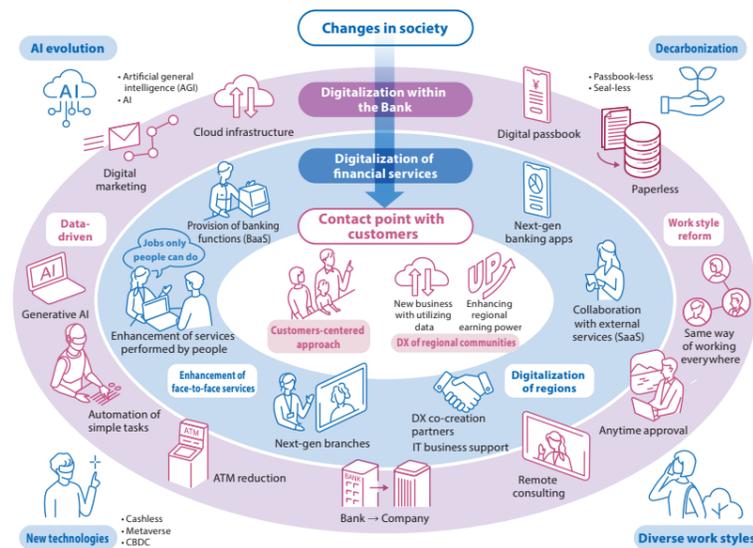
- Contributing to greater convenience and customer satisfaction through digitalization
- Improving the productivity of business operations
- Working to provide worry-free and secure digital services

In line with the basic policy of our digital strategy, we aim to "enhance financial services" that accurately meet customer needs, further "improve operational efficiency and control risks," and "create systems that can realize strategic management measures" that are flexible and scalable. We will actively advance efforts to utilize digital technology, strive to become more familiar with our customers and provide services with added value, and so on.

Digital Strategy Committee and digital strategy roadmap

The committee, chaired by the President, presents and discusses the digital strategy as a roadmap based on the current status of digitalization and the possibilities and constraints of digitalization in the medium- to long-term, and each department and office shares a common understanding of this roadmap to contribute to investment decisions for individual systemization projects and the realization of medium- to long-term digitalization strategies.

Digital strategy roadmap: Future image of the Bank (mid- to long-term)



IT business support

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

We will actively provide know-how, etc. gained through internal digitization of the Bank, centering on "IT business support" to solve management issues of regions and customers from the viewpoint of digitalization, and promote digital transformation (DX) of regional communities in collaboration with a variety of external companies.

Approach policy

The utilization of advanced digital technologies, including generative AI, has the potential to bring about significant changes in business processes and daily life. By integrating the utilization of such advanced digital technologies with data utilization (data-driven business operations), we aim to achieve a more effective and efficient digital strategy.

In addition, the know-how and expertise gained through the Bank's initiatives will be utilized to solve issues of regions and customers, thereby contributing to the improvement of productivity of the entire regional communities.

Data-driven

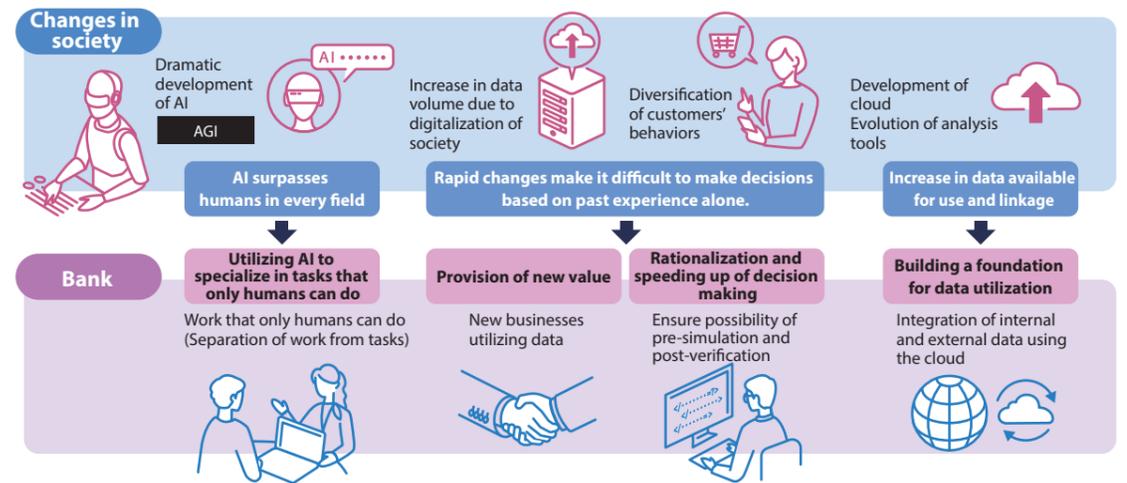
Transformation through data-driven

It is said that "artificial general intelligence," or "AGI," in which AI surpasses humans in every field, will be realized in a few years. In such a society, different services, business operations, and ways of working from the current ones will be required in every industry, not only in banking.

For example, in a bank, it is important to let the AI handle the parts that it can handle, such as paperwork and document preparation, while the staff specializes in areas that only people can handle, and to build a foundation to make good use of the AI.

These changes in the environment are not simply a risk, and if we can successfully respond to these changes, we can engage in new businesses and speed up decision-making using the data, which has been difficult in the past.

Overall image of data-driven



Data-driven business operations

In a society where change is accelerating, it is necessary to proactively utilize a variety of internal and external data and technologies such as generative AI in order to conduct prompt decision-making and strategic planning, etc. based on the results of data analysis, rather than relying solely on past experience and intuition.

Accelerating simulation and post-verification is essential to rationalize and speed up decision-making, and we will continue to develop the infrastructure to enable integrated analysis of various data by utilizing cloud computing and other digital technologies.

In addition to customers' financial data, the acquisition and utilization of non-financial data through IT business support will lead to differentiation from other banks and ensure competitiveness. We will contribute to the growth of the regional economy by further upgrading our digital promotion to customers.

Establishment of Data Driven Project Team

In April 2024, the "Data Driven Project Team" was established to promote and support data-driven business operations across the organization, as these business operations need to build a data utilization infrastructure, introduce analytical tools, and foster a culture of using data.

In an environment where change is rapid and the future is difficult to predict, it is important to consider the direction of the project and the expansion of resources while minimizing risks with limited resources. We will actively work on the trials (PoC <Proof of Concept>), and bring them to Bank-wide efforts.

Through the proactive use of AI technology, such as generative AI, we will improve operational efficiency and productivity, and provide new added value by reallocating the generated hours for the benefit of customers and regions.

Finance strategy

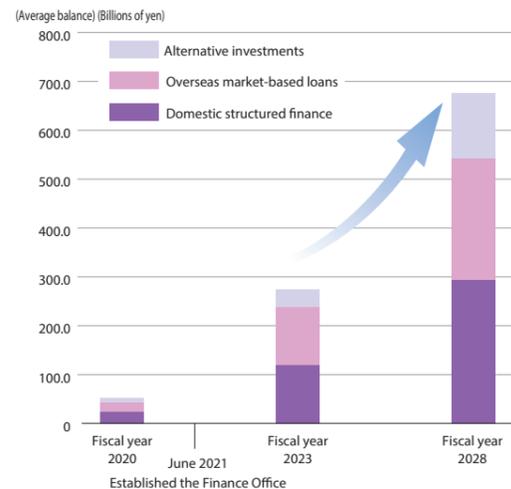
As a strategic department, the “Finance Office” has been established within the Financial Markets & International Dept. since June 2021.

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

Effective use of capital through proactive risk-taking

We will utilize our wealthy capital, which is one of the best in the regional banks, to enhance assets in a sound and efficient manner within the framework of the “Risk Appetite Framework.” In addition, we will improve the presence in the market by developing human resources with advanced financial knowledge.

Investment and financing through new financing methods to improve earning power



Development of human resources with advanced financial knowledge



Securing stable earnings through diversified investments

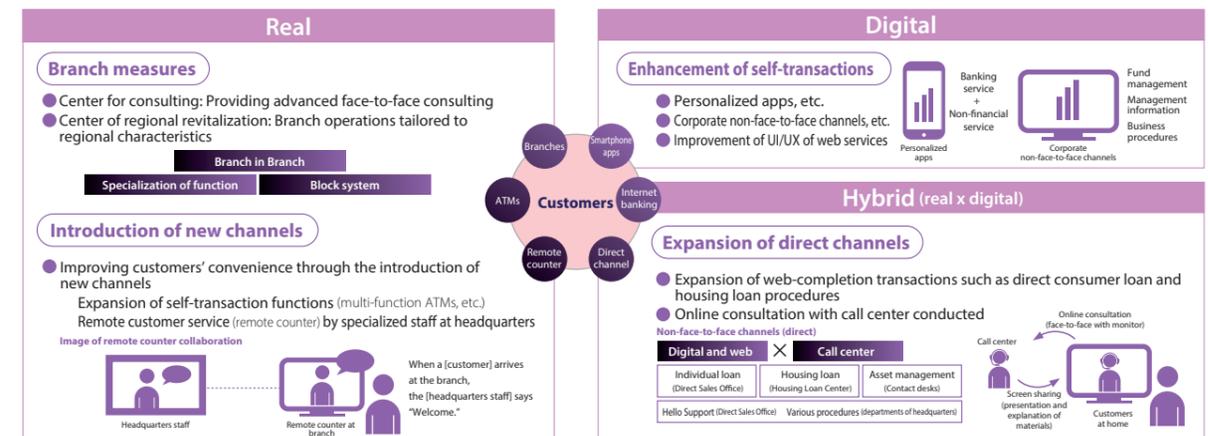
We aim to secure stable earnings through a risk diversification strategy based on “strategic diversification,” “regional diversification,” and “time diversification.”

(Balances as of March 31, 2024)

Alternative investments (Account balance as of March 31, 2024: 79.7 billion yen)	Overseas market-based loans (Average balance: 116.6 billion yen)	Domestic structured finance (Average balance: 125.3 billion yen)
<ul style="list-style-type: none"> Buyout fund Venture fund Infrastructure fund Real estate private placement fund Private REITs Private debt Mezzanine fund Ship fund 	<ul style="list-style-type: none"> Corporate Financial institutions Overseas project finance Ship and aircraft Overseas real estate non-recourse loan <p>[Regions] North America, Asia, Europe, Oceania, Middle East, etc.</p>	<ul style="list-style-type: none"> Renewable energy Real estate non-recourse loan LBO Ship Mezzanine PFI

Channel strategy —Aiming to be “always Shigagin” and “everywhere Shigagin”—

Recently the number of customers visiting branches have continued to decrease due to factors such as population decline, widespread use of cashless payment, and advancement of smartphone apps. The balance between needs for face-to-face channels focused on branches and non-face-to-face channels such as online banking and apps has changed significantly. With the aim of becoming “always Shigagin” and “everywhere Shigagin,” we will provide a variety of channels to meet the diversifying values and lifestyles of customers and enhance and expand contact points with customers.



Maximizing the value of customers’ experience through a hybrid of “real x digital”

Thanks to advances in digital technology, many financial transactions can be completed with a single smartphone. On the other hand, some customers may feel anxiety or require effort to operate it, which does not necessarily improve the value of customers’ experience.

Therefore, the Bank is striving to maximize the value of customers’ experience by enhancing self-transactions through personalized applications, etc., and by hybridizing “real x digital” through seamless response on the Internet and at the call center. In April 2023, in addition to consumer credit card loans and purpose-oriented loans, we introduced a completely non-face-to-face contract scheme and launched an online service also for housing loans. Besides enhancing convenience through a completely non-face-to-face approach, the call center, a real channel, provides detailed support to customers and has established a system that allows customers with limited experience in borrowing to proceed with ease.

In June 2024, the Bank launched the “remote consultation service for financial products” to provide customers with consultation on financial products and asset formation by the Bank’s specialized staff without visiting branches. Using a customer’s smartphone, computer, or other device, the staff provides consultation on how to check the management status of investment trusts and insurance policies held by the customer, and how to utilize NISA, iDeCo, etc. No advance preparation is required, such as installation of an application, and customers can consult with us in the comfort of their own homes, using smartphones or computers to share screens of documents while talking on the phone.



Started trial of new channel “remote counter”

In April 2024, we started trials for the introduction of a “remote counter” connecting branch counters and headquarters staff with specialized knowledge. It is a quasi-face-to-face counter. A dedicated terminal installed at the branch counter automatically detects the customer’s visit, and a remote staff waiting at the headquarters provides speedy and smooth customer service. Customers wear neck microphone speakers, which are designed to prevent voice leakage to the surrounding environment and to ensure sanitation, and talk with headquarters staff through a large monitor screen image. The trial has started with the acceptance of inheritance procedures, and will be further expanded to include “procedures and consultations requiring a high level of expertise” and “asset formation and housing loan consultations” in order to improve customers’ convenience and provide high value-added services.

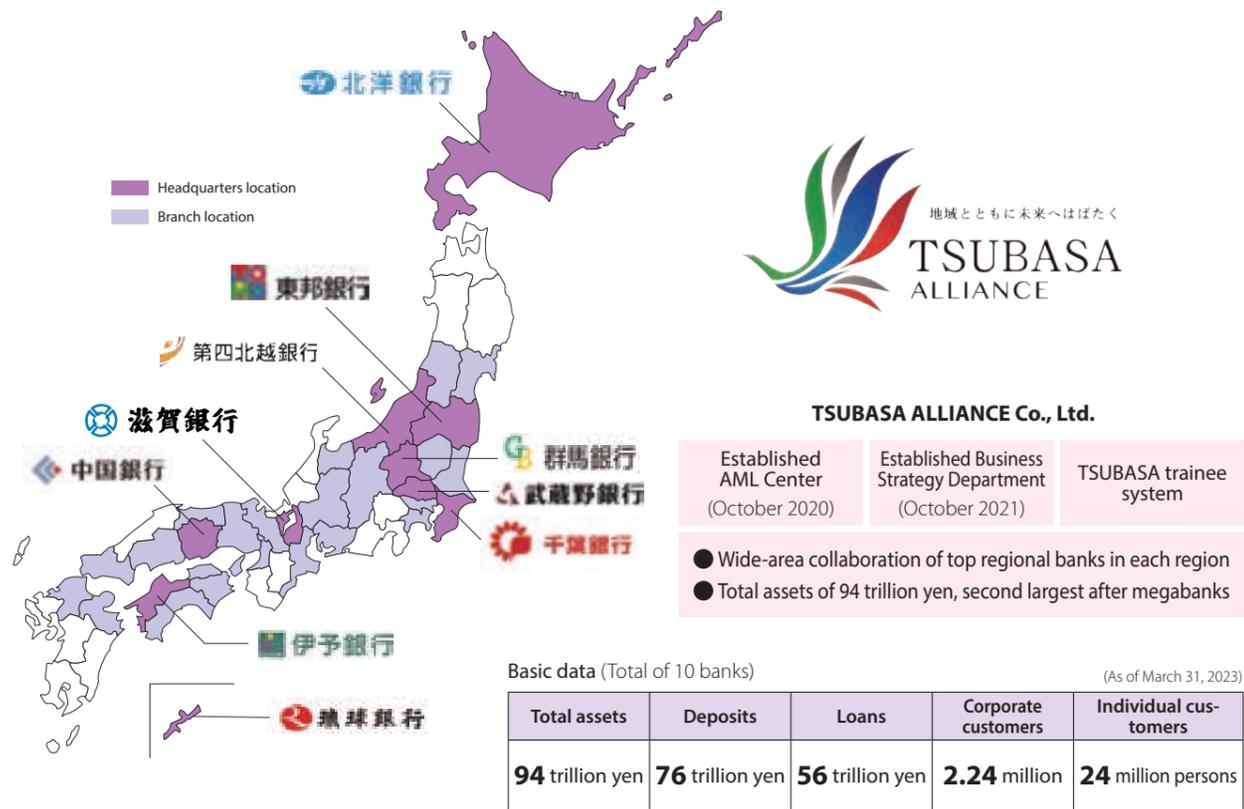


Wide-area collaboration of 10 top regional banks

The “TSUBASA Alliance” is Japan’s largest wide-area collaboration framework, involving 10 top banks in each region of Japan. While maintaining independence, the 10 participating banks combine their expertise and promote initiatives that contribute to top-line improvement and cost reduction by taking advantage of scale merits. The Bank participated in May 2019 for the purposes of sustainable growth in the region, upgrading the financial system, and increasing corporate value.

We are promoting collaboration not only in the systems area, but also in a wide range of other areas such as advanced risk management, human capital, sustainability initiatives, and sales promotion.

We will continue to strengthen the collaboration and share know-how and expertise to create new value that the Bank cannot achieve independently and contribute to the sustainable growth of the region.



Implemented the TSUBASA Cross-Mentoring Program

In April 2022, TSUBASA Alliance banks jointly formulated the TSUBASA Diversity & Inclusion Declaration and have implemented the cross-mentoring program as a specific initiative. This program is a cross-bank mentoring system that aims to build career and cultivate leadership of female bank employees, who are future candidates for executive positions. The TSUBASA Alliance will drive initiatives further to generate new value and ideas and contribute to resolving regional and societal issues by accepting each other’s diverse personalities and values, and closely coordinating and collaborating with each other.

TSUBASA Diversity & Inclusion Declaration

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

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

Collection and recycling of clear holders

In September 2023, we worked with participating banks to collect and recycle used clear holders. This project was implemented as a collaborative measure among participating banks in the TSUBASA Alliance, and through the unified efforts of the participating banks, approximately 147,000 used clear holders were collected from approximately 1,200 locations (headquarters, branches, related facilities, etc.). Collected clear holders are recycled into various products and raw materials through local recycling companies in the region where each bank is located. In the future, the Bank and the participating banks in the TSUBASA Alliance will continue to contribute to the realization of sustainable regional communities through initiatives that contribute to a circular economy.

Participated in a syndicated loan arranged by a bank participating in the TSUBASA Alliance

In October 2023, the Bank participated in a syndicated loan for development-type non-recourse financing for the “Four Seasons Resort and Private Residences Okinawa (tentative name),” a luxury hotel under development in Onna Village, Okinawa Prefecture, arranged by the Bank of The Ryukyus, Limited. This is a large-scale project involving a total of 22 financial institutions, including 10 TSUBASA Alliance banks.

We will continue to contribute to the sustainable development of each region by utilizing the framework of the TSUBASA Alliance, such as participating in syndicated loans for sustainable finance.

Donation to the people affected by the “2024 Noto Peninsula Earthquake”

In January 2024, the participating banks of the TSUBASA Alliance, with a common will, cooperated to provide a total of 43 million yen in support of the people affected by the “2024 Noto Peninsula Earthquake” and their recovery efforts.