



SHIGA BANK REPORT 2024

INTEGRATED REPORT

ANNUAL REPORT 2024 Year ended March 31, 2024

SHIGA BANK



Making the region happy with “Sampo yoshi” philosophy

We are deeply rooted in the spirit of “Sampo yoshi” philosophy which we carry on from the Omi Merchants.

As a company that walks together with the region, we have expressed in our Purpose (reason for existence) our desire to realize a society where everyone can live happily with “Sampo yoshi.”

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Shiga Bank's Disclosure Policy

1. Basic views

Based on our social responsibility and public mission as a regional financial institution, we aim to ensure highly transparent disclosure. We shall ensure timely, due, continuous, fair and accurate disclosure of information, to foster understanding and appropriate evaluation of Bank operations by all of our stakeholders, including our customers, shareholders, investors and regional communities.

2. Information to be disclosed

The Bank will disclose management information in accordance with laws and regulations such as the Banking Act and the Financial Instruments and Exchange Act, as well as the Rules on Timely Disclosure of Corporate Information by Issuers of Listed Securities established by the Tokyo Stock Exchange (hereinafter referred to as the "Timely Disclosure Rules"). In addition, we will disclose information that is deemed useful to our stakeholders in a fair and timely manner to the greatest extent possible, even if the information does not fall under the category of material facts specified by laws and regulations or the Timely Disclosure Rules.

3. Methods of information disclosure

Information required to be disclosed under laws and regulations as well as the Timely Disclosure Rules will be disclosed in a timely and appropriate manner in accordance with such rules and regulations, and will also be posted on the Bank's website.

For other voluntarily disclosed information, we will strive to disclose information that is fair and useful in an appropriate manner.

4. Information disclosure procedures and systems

The Bank has established the "Rules on Management-related Information Disclosure" and has designated the General Planning Department as the department responsible for disclosure of management-related information in order to develop and enhance procedures and systems for timely and appropriate information disclosure.

In addition, to maintain the appropriateness of the information, we consult with audit firms and other experts as necessary, and periodically verify the appropriateness and effectiveness of the information.

5. Forward-looking statements

The information on the Bank's website and in the Integrated Report contains statements regarding the financial position of and future forecasts concerning the Bank and other Group companies. These forward-looking statements do not guarantee that future performance will be achieved as stated. They are affected by certain risks and uncertainties and may not necessarily be consistent with actual results due to changes in the business environment in the future.

On the Publication of Integrated Report

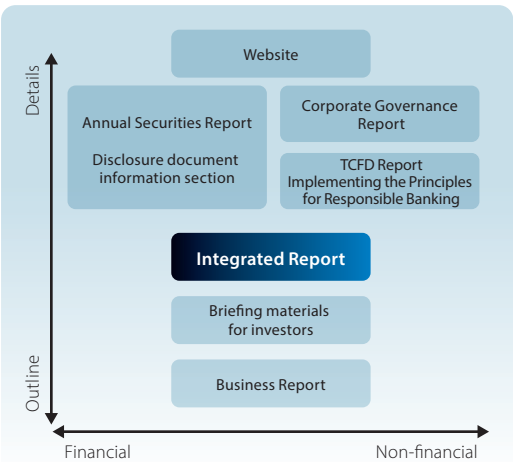
This report is based on the "International Integrated Reporting Framework" presented by the International Integrated Reporting Council (IIRC) and the "Value Creation Guidance" issued by the Ministry of Economy, Trade and Industry (METI), and is an integrated compilation of the Bank's and its community's sustainable value creation framework by linking financial information to management philosophy, strategy, ESG information (environment, society, governance), and other non-financial information. The report is an integrated compilation of the Bank's and the community's sustainable value creation framework. This publication also serves as disclosure material (documents explaining the status of operations and assets) in accordance with Article 21 of the Banking Act. When using this document as a disclosure document, please refer to this document, the information section (available on the Bank's website at <https://www-w.shigagin.com/>), and the "SHIGA BANK REPORT 2024 Financial Data and Basel III Pillar 3 Disclosure" (available on the same website). Management and others have confirmed that appropriate disclosures have been made in accordance with the Bank's Disclosure Policy.



Cautionary Statement with Respect to Forward-Looking Statements

This material contains statements regarding future earnings forecasts and targets, etc. relating to the Bank. These statements are based on information available at the time of compilation of these materials and forecasts or certain conditions (assumptions) that could affect business performance. They are not guarantees of future performance of the Bank, and involve various risks and uncertainties.

Main disclosure media



Philosophy

Principles

On the occasion of its 90th anniversary, the Shiga Bank Group established the Purpose (reason for existence), “Maiking the region happy with “Sampo yoshi” phiilosophy” on April 1, 2024, and orga-nized its principles, in order for all employees to continue moving forward as one toward the 100th anniversary and beyond.

Based on the Purpose, the “Sampo yoshi” traditional management philosophy, embraced by the Omi Merchants, was upheld through our motto of “Be tough on ourselves, kind to others and serve society.” The Bank has made this motto the starting point for our activities and strives to increase corporate value by making effort to realize “Co-existence and Co-prosperity” with the regional com-munities, all employees, and the environment as in the Bank’s Management Principles.



Top Message

The Shiga Bank Group has established the Purpose “Making the region happy with ‘Sampo yoshi’ philosophy” this spring. We will create value that is unique to “Shigagin,” which has its roots in the Omi Merchants, through the implementation of this Purpose by each and every member of the Group, which is the result of a thorough discussion of “What is the reason for the existence of the Shiga Bank Group?” and the condensation of our desire in this Purpose.

Shinya Kubota

Representative Director and President



Review of the 7th Medium-Term Business Plan

The 7th Medium-Term Business Plan, which we worked on for five years since April 2019, was formulated based on the concept of “change of perspective” from the traditional Bank’s point of view to the community’s and customer’s point of view, taking a backcasting approach from the vision of sustainable society that the Group should aim to materialize.

Our efforts to solve social issues and increase corporate value, centering on the five “Challenges to innovate the future,” have resulted in the strengthening of management foundations and profitability. As for earnings structure, as a “problem-solution type financial information services provider,” we expanded our solution menu including human resources placement, trust, and IT business support, and diversified revenue sources by strengthening non-face-to-face channels and establishing a Finance Office. Furthermore, efforts to optimize personnel allocation through branch consolidation and to improve productivity through operational reforms enabled us to achieve muscular management that can steadily secure earnings even in a low-interest-rate environment. As a result of these efforts, net fees and commissions increased to a level well above 10 billion yen, and in terms of volume, we could exceed the 5 trillion yen in deposits and 4 trillion yen in loans. In addition, “interest on yen-dominated loans and bills discounted,” which had been declining for a long time, has turned around, and we believe that we could establish the foundation for sustainable growth.

In responding to the spread of COVID-19 that began in 2020, we were also able to promote the establishment of foundations that lead to the present, including the development of infrastructure to enable working from home. And, as a result of our continued persistent efforts to maintain a medium- to long-term perspective in the face of adversity, we were able to achieve most of the benchmark challenges we initially set forth, shift to sustainable earnings structure, and strengthen ESG finance, which has become a part of the Bank’s brand, among other achievements.

In recent years, ESG finance has expanded significantly in Japan and deepened in details. In such circumstance, the Bank continues to be a leading regional bank, and has been awarded the “ESG Finance Awards Japan” by the Ministry of the Environment for five consecutive years. The Bank is also actively working to decarbonize the region, developing activities that go beyond the bank’s boundaries, such as the development of the CO₂ management tool “Mirai-Yoshi Support” and the establishment of an energy business company in April of this year.

In addition, we joined the TSUBASA Alliance, which consists of 10 regional banks, and proceeded with the renewal of core systems for the first time in about 30 years, taking steps to prepare for the leap forward to the 100th anniversary of our founding in 10 years.

Desire for the 8th Medium-Term Business Plan

The world continues to be more chaotic than ever before due to the intensification of natural disasters caused by climate change, loss of biodiversity, and the emergence of geopolitical risks. These events have also caused soaring energy and material prices, which in turn have affected the economy in Japan. In addition, the future of the local economy is not optimistic due to issues such as the declining birthrate and the concentration of the population in one area. We are required to urgently promote initiatives to make regional communities sustainable while solving social issues such as responding to aging population, efficient use of local resources, local production for local energy consumption, and resolving issues of disparities.

When I assumed the position of President in June of last year, I expressed my determination to make the “creating regional economy” my primary mission. We are proud of this as a regional financial institution that supports the regional economy, and I see this as the most important issue I must focus on as the manager of a company that can only exist on the basis of the prosperity of regional communities. Therefore, we need to evolve into a group that solves social issues through business, creates new jobs in the community, and creates regional communities where everyone can work and live with peace of mind. The 8th Medium-Term Business Plan (hereafter referred to as the “8th Mid-Term Plan”) incorporates these desires.

Points of the 8th Medium-Term Business Plan

The growth strategies of us, a regional financial institution, are nothing less than strategies for the growth and development of the region in which we serve as a market. The Shiga Bank Group's active investment and financing mainly in Shiga Prefecture, the mother market, and its contribution to the development of the region will directly lead to the growth of the Shiga Bank Group. Based on these ideas, the 8th Mid-Term Plan was formulated after discussions on what needs

In formulating the 8th Mid-Term Plan, we established a project team composed of members who belong to different departments and generations, in order to reflect diverse opinions in the plan. We took the frank opinions and suggestions of our members directly to heart, and held discussions for a year and a half while keeping in mind the fusion of bottom-up and top-down approaches. In addition, we have also created opportunities for outside officers to participate in project meetings and exchange opinions, and we believe that this plan was truly the result of the united efforts of all officers and employees.

In this context, I placed the greatest emphasis on identifying the essence of the company. In order to think about fundamental values such as purpose, it is most important to identify the essence of the company, without being confused by external phenomena. The participants in this project also wanted to develop human resources who could take on the management of the company in the future, and I asked them to think about what they wanted to do with the company from the perspective of a manager. I feel that this was a useful opportunity to develop human resources for the development and growth of the group based on diverse ideas by diverse human resources.

to be achieved now in order to realize the vision of the long-term strategy, “vision of the regional communities we want to realize <a society where everyone can define their future and live happily>.” The Value Creation Story (P.33) describes how this 8th Mid-Term Plan will be the engine to create a “virtuous cycle of happiness brought to the region.”

This Value Creation Story is also the very business model of a regional financial institution that grows through investment

in the region. We aim to maximize the value (impact) we provide to our stakeholders through investments that contribute to solving our customers' issues and to regional growth by utilizing a variety of capital inside and outside the Shiga Bank Group. As a result, economic activity will be revitalized and business opportunities will expand. In the process, we will improve the earning power of the Shiga Bank Group, which will lead to further investment in the region. This “virtuous cycle of happiness brought to the region” is the “key” and core concept of the 8th Mid-Term Plan.

<Three basic strategies>

In the 8th Mid-Term Plan, we have set forth three basic strategies to create a “virtuous cycle of happiness brought to the region” through aggressive and bold challenges. The first is “Impact Design” to promote sustainable growth for customers and the region. The second is “Base for Growth” to strengthen the management foundation. The third is “Human First” to maximize human capital.

■ Impact Design (P.39)

“Impact Design,” which aims to develop and revitalize regions through the resolution of social issues, provides high value-added financial transactions and consulting services to solve customers' issues. We will also implement initiatives aimed to create new value through new businesses. Underlying this is a further evolution of the sustainability management that the Bank has traditionally promoted. The Bank has a history in which it was one of the first companies to engage in environmental management and develop it into sustainability management, thus the concept of solving social issues through business is deeply rooted in the Bank. This is due to the existence of Lake Biwa, which has been entrusted to us by the future, the high environmental awareness of the people of Shiga Prefecture, who share the Lake Biwa, and above all, the “Sampo yoshi” DNA of the Omi Merchants, which is in line with the SDGs and is closely related to the historical and geographical position of Shiga Prefecture where we are located.

We also believe that the glocal initiatives are features of the Shiga Bank Group, which think on a global scale (global)

and conduct activities that are rooted in the region (local). It was also based on the idea of glocal that we, as a leading regional bank, have actively endorsed international initiatives, etc., and have endeavored to return advanced efforts to the region. We have no doubt that in these uncertain times, it is time for the Shiga Bank Group, who has a glocal perspective, to play a role in designing a sustainable future for the regional communities.

In new business, in April of this year, the Bank established the Shigagin energy Co., Ltd. (Page 43), the first regional bank in the Kinki region to conduct energy business. Through GX (Green Transformation) initiatives, the Bank will resolve regional issues from an energy perspective. In October of this year, the Bank plans to establish a specialized investment subsidiary, the Shigagin capital partners Co., Ltd. (Page 54). The Bank will start business with investments that contribute to solving business succession issues, which are expected to become more serious in the future, and will expand its investment domain to include venture cultivation, business revitalization, and regional revitalization. In April of this year, the Bank established the Future Design Group, which specializes in new business development. With the idea of designing the future of local communities, the Bank hopes to create new businesses that will help solve social issues and revitalize local communities.

■ Base for Growth (P.55)

In order to challenge new business by taking risks, it is a prerequisite that we have established a solid management foundation as a financial institution. In addition, stable earnings will be the source of revitalizing the regional economy, which will lead to a “virtuous cycle of happiness brought to the region.” Therefore, we will actively engage in risk-taking under a higher level of risk management, make effective use of capital, diversify risks from the viewpoint of industry, region, and time, and aim to secure stable earnings. We will further diversify earnings through venture investments and other investments in an active and well-balanced manner.

We will also strengthen our efforts in “data-driven management,” as it is said that in today's society, those who control data control business. We believe it is important to take the

steering of management, including the experienced knowledge accumulated from the past, by accurately capturing information that will serve as the basis for decisions from the vast amount of data accumulated by the bank. To achieve this, we established the “Data Driven Project Team” (P.58) at the same time as the start of the 8th Mid-Term Plan, and built a system to promote and support the establishment of a data utilization infrastructure and the introduction of analytical tools across the organization. Through the analysis of various types of data, we will link this to the improvement of the value of the customer experience, the enhancement of sales capabilities of employees, the improvement of operational efficiency, and so on.

In addition to this, we will proactively consider ways to utilize the latest technologies, such as AI, and combine them with channel optimization and other measures to strengthen management infrastructure, thereby enhancing the value-added productivity of the Shiga Bank Group.

■ Human First (P.63)

Persons are the drivers of value creation, and we believe it is more important than ever to launch measures that focus on “person” as the driving force for implementing Purpose. In the 8th Mid-Term Plan, we aim to maximize our human capital by developing “Design personnel” who can create issues for customers and regions, design solutions, and link them to the realization of those solutions.

As measures to achieve this, in order to broaden the knowledge and experience of employees, we will increase the number of external secondments to a cumulative total of about 100 over the five-year period of the Mid-Term Plan, and increase the investment per employee to about 300 thousand yen, about double the current investment per employee. In order to positively support those who raise their hands and take on challenges, we have reviewed the personnel evaluation system and set the achievement indicator of the Mid-Term Plan to have a total of more than 2,000 employees take on autonomous challenges to improve their skills and develop their careers over the five-year period. There is a famous saying that “the opposite of success is not failure, but not trying.” We will foster a corporate culture of “challenge” and “admiration”

in which each and every employee has the spirit to raise his or her hand and take on challenges, and even if they fail, they will use the failure for the next challenge, while also increasing employee engagement. We will awaken the potential of each individual and further activate our “human resources” to steadily implement the strategies of the 8th Mid-Term Plan, thereby enhancing the earning power of the Shiga Bank Group, leading to higher ROE (return on equity) and “corporate value.”

In May of this year, we launched the “Alumni Network” to create opportunities to communicate with those who have retired for personal reasons. We will increase the diversity of the organization by connecting with external human resources, including alumni (retirees).

<Achievement indicators of the 8th Mid-Term Plan>(P.37)

In the 8th Mid-Term Plan, based on the long-term strategy, we established “sustainability achievement indicators” to achieve social sustainability and corporate sustainability, and “financial indicators” to aim to improve ROE. We believe that aiming to achieve them will lead to the Shiga Bank Group’s vision “Sustainability Design Company” and will open the way to “vision of the regional communities we want to realize <a society where everyone can define their future and live happily>.”

The “sustainability achievement indicators” include several indicators corresponding to the three basic strategies, such as “the amount of investment and financing that support regional growth,” “the number of support for customers’ dreams and businesses,” and “the balance of investments and loans through new financing methods to improve earning power.”

In terms of “financial indicators,” we aim to achieve ROE (consolidated), which indicates profitability and efficiency relative to capital, of at least 5% in fiscal year 2028, the final year of the Mid-Term Plan, and of at least 8% over the medium to long term. We will promote initiatives for overall strategies and individual tactics and measures to achieve gross operating income of 80.0 billion yen and consolidated net income of 25.0 billion yen in fiscal year 2028.

In April of this year, we established the “Value Creation Project Team” to promote the tactics and measures of the 8th Mid-Term Plan and improve their effectiveness in order to achieve each indicator. Members called from each department of headquarters,

in coordination with aforementioned Future Design Group and Data Driven Project Team, have established a system to implement PDCA cycles for management strategies and departmental tactics, and to proactively respond to new management issues.

To a real voyage of discovery

In times of increasing uncertainty about the future, we must act with the proper balance between careful deliberation and prompt action. French novelist Marcel Proust said, “The real voyage of discovery consists not in seeking new landscapes, but in having new eyes.” In business activities as well, it is important not to blindly seek out undeveloped areas, but to change ideas by changing perspectives and viewpoints, and to develop focused businesses without missing the opportunity to do so.

In the banking industry, the Revision of the Banking Act in 2021 allows the establishment of business companies that contribute to regional development, etc., thereby enabling banks to take on the challenge of establishing regional revitalization companies and energy business companies, etc. It is expected that the banks will continue to develop projects that contribute to the region in a variety of fields with originality and ingenuity.

In addition, as the “world with interest rates” arrives, there is a need for a deeper exploration of what value is worth the interest rate. The test is whether both the financial institutions and the customers are satisfied and whether they can lead to new co-creation of value. The banking industry is now on a voyage of discovery in the sense that this value co-creation is what will stimulate the revitalization of society and the economy.

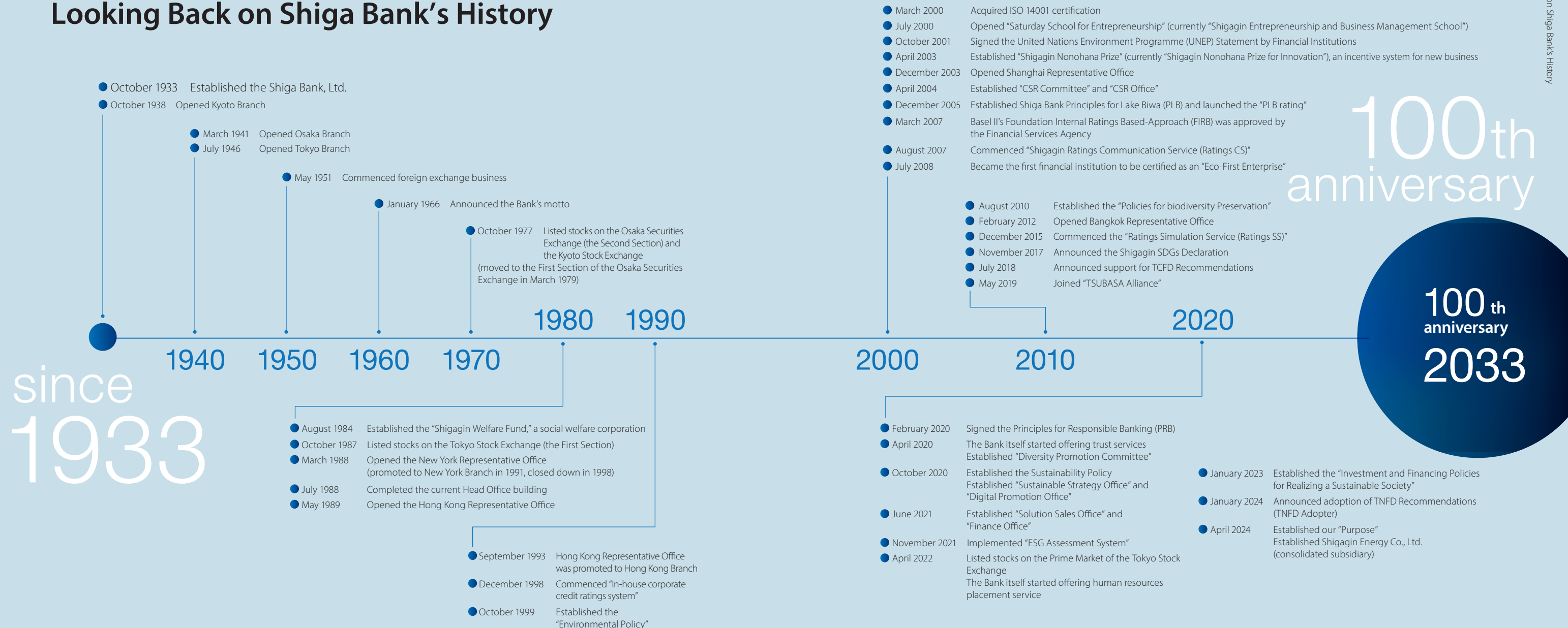
In this voyage of discovery, the 8th Mid-Term Plan is the compass that points the course of the Shiga Bank Group, and it is the Purpose “Making the region happy with ‘Sampo yoshi’ philosophy” that always guides us in the right direction so that we do not lose sight of the purpose of our voyage. The entire Shiga Bank Group will work together to mobilize the strengths of our diverse human resources to reach a society in which everyone can live happily. Thank you for your continued understanding and support. We hope to receive your continued patronage in the future.

Making the region happy
with “Sampo yoshi” philosophy

Sustainability Design Company

Shiga Bank History

Looking Back on Shiga Bank's History



Enterprising spirit passed down from the Omi Merchants

"Sampo yoshi," also known as a Japanese version of the SDGs, is a management philosophy embraced by merchants of the Omi region. We are very proud of our roots in the Omi Merchants and the philosophy is ingrained in our organizational culture.

The Omi Merchants, who expanded their business into all over Japan shouldering a trademark carrying pole, are considered one of Japan's three great merchants along with the Osaka Merchants and Ise Merchants, and founded many influential companies. They were enterprising and engaged in a variety of businesses.

The Omi Merchants left behind many sayings such as "save and strive (shimatsu shite kibarū)" and "hide your virtue and good deeds (intoku zenji)," which describe the attitudes merchants must value, and "Sampo yoshi" is said to be a simple expression of the Omi Merchants' management philosophy passed down to future generations.

With the frontier spirit of the Omi Merchants, the Bank opened the Kyoto Branch in 1938, five years after the Bank was established. Branches were then opened successively in Osaka and Tokyo, making us one of the first "wide-area regional banks." This, combined with the Bank's motto, which carries on the "Sampo yoshi" philosophy, and our commitment to advanced CSR management, has led to the first SDGs Declaration among regional banks and corporate management focusing on sustainability.

Environmental awareness fostered by Lake Biwa —from environmental finance to ESG finance

Lake Biwa, the largest lake in Japan, has been called "Mother Lake," "Cradle of Life," "Mirror of the Environment," and "an asset we hold in trust for the future," and is deeply connected to various aspects of the local nature and human activities.

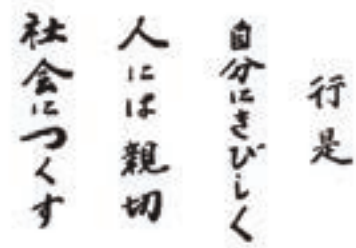
It is one of the world's oldest lakes with a history of more than four million years and is reported to be home to over 1,700 species of aquatic plants and animals, around 60 of which are unique to the lake. It is a treasure trove of biodiversity registered under the Ramsar Convention and invaluable to humankind.

Headquartered next to Lake Biwa, which accounts for one-sixth of the total area of Shiga Prefecture, Shiga Bank has always been aware of its existence and appreciates the beauty and importance of a lifestyle that coexists with the environment.

Against this backdrop, the Bank has developed environmental finance products and services since early on, and in the late 1990s, we began the "Environmental Management" to address environmental issues through our core business. Our unique environmental rating system and environmental financing initiatives at that time have evolved into the ESG Assessment System launched in 2021 and various other ESG finance products and services.

Spirit inherited from Omi Merchants

The Bank's motto of "Be tough on ourselves, kind to others and serve society" 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 can only grow if the community and customers grow. We make sure all employees recognize this and pursue problem-solving-oriented businesses that address and solve issues faced by the region and our customers.



Pioneering ESG regional financing

As part of our social responsibility as a company headquartered next to Lake Biwa, the Bank has been practicing environmental management, which incorporates environmental considerations into corporate management. We have worked to balance enhancing corporate value with preserving the environment by performing financial institution roles such as developing and offering environmentally friendly financial products and services. Following these steps, in 2017, the Bank became the first regional bank to make an SDGs Declaration, expressing our commitment to translating SDGs into corporate activities. Since then, the Bank has always been a leader in ESG regional financing; we became the first regional bank to introduce the Sustainability Linked Loan.

Broad network

As a member of the nationwide TSUBASA Alliance consisting of ten regional banks, we share information on the latest social and economic trends and regional issues, and work together across the Alliance to solve common issues. We strive to develop more sophisticated strategies by bringing together the insights from participating banks and expand services by leveraging economies of scale. Initiatives include workshops for ESG finance services, syndicated loan arrangements, the TSUBASA Cross-Mentoring Program, a cross-bank mentoring program designed to develop female executive candidates, and online seminars for customers.

Advanced risk management system

For the sake of sustainable development of the region and customers, we must demonstrate stable financial intermediary functions without being affected by the financial environment and economic trends. To accurately assess and control risk, the Bank has employed the Foundation Internal Ratings Based-Approach (FIRB) since 2007 and also practices advanced risk management through our Risk Appetite Framework.

Transparent engagement with customers

With the Ratings Communication Service, which shares financial issues by leveraging the credit ratings used in credit management, the ESG Assessment System, which conducts non-financial dialogue from an ESG perspective, and other measures, we are committed to increasing our customers' corporate value through transparent engagement (dialogue).

Shiga Bank Strong Point Strengths of Shiga Bank

Personnel with extensive financial knowledge

We have developed many employees who can help resolve the more sophisticated and diversified customers' issues. We also provide opportunities to learn and take on challenges so that they acquire a wide range of knowledge, not limited to financial knowledge.

Number of employees with Financial Planning Grade 1 certification

231 persons

Number of employees certified as Small and Medium Enterprise Management Consultant

40 persons

(As of March 31, 2024)

Dominant market share

As of March 31, 2024, the Bank's share of loans and deposits in Shiga Prefecture were as high as 48.83% and 47.51%, respectively. The Bank enjoys overwhelming support from regional communities.

Share of loans in Shiga Prefecture

48.83%

Share of deposits in Shiga Prefecture

47.51%

(As of March 31, 2024)

Potential of Shiga Prefecture

Shiga Prefecture is a key transportation hub located between the Kansai and Tokai regions, and has high potential for further prosperity due to its rich natural environment centering on Lake Biwa as well as its abundance of historical sites and cultural heritage. By utilizing these resources, we aim to develop and grow together with the region.

Moderate population decline

2020: **1.41** million persons ▶ 2050: **1.22** million persons

Ranked **8th** in Japan /47 prefectures

Source: "Regional Population Projections," the National Institute of Population and Social Security Research

SDGs advanced prefecture

The SDGs Declaration was implemented before other prefectures in Japan. In addition, established its own version of the MLGs* for Lake Biwa

*MLGs: Mother Lake Goals, the targets (goals) for a sustainable society in 2030 with "Lake Biwa" as the starting point.

Key transportation hub

Located between the Kansai and Tokai regions, with a well-developed transportation network of major roads, railroads, etc. including Meishin Expressway, Shin-Meishin Expressway, National Highway No.1, and Tokaido Shinkansen

One of the leading manufacturing prefectures in Japan

Numerous distribution centers, factories, R&D facilities, etc. of major companies are located.

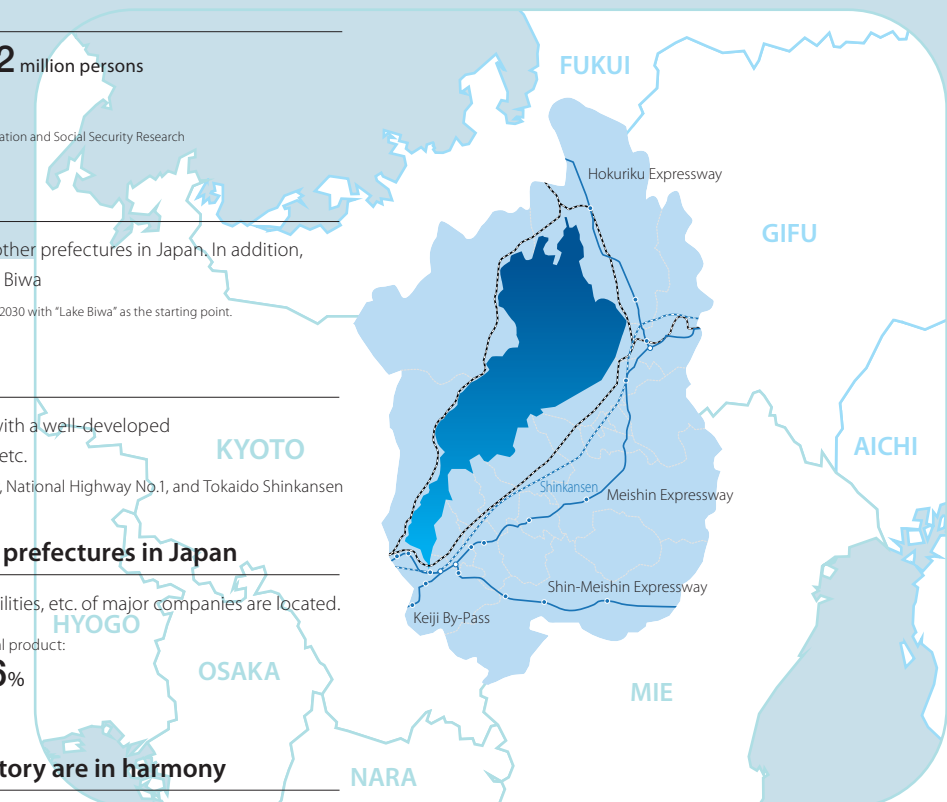
Ranked **1st** in ratio of secondary industry to gross prefectural product.

Shiga Prefecture **49.6%**, Nationwide **26.6%**

Source: "Prefectural Accounts for 2020" (Cabinet Office)

A prefecture where nature and history are in harmony

Rich in beautiful scenery, sightseeing spots, historical sites, and cultural heritage centering on Lake Biwa



Message from the Officer Responsible for Finance



The Shiga Bank Group's "Sampo yoshi" philosophy that forms the foundation of our motto and Purpose is also reflected in our capital policy.

Committed to the high level of governance and efficient management expected by the market as a company listed on the Prime Market, we strive to enhance corporate and shareholder value so that we continue to be chosen by regions, customers, and investors.

Yoshinori Endo, Managing Director

Promoting the "Sampo yoshi" capital policy and strategic RAF

—From risk-taking to risk-challenging—

I am pleased to report on the financial position and operating results for the fiscal year ended March 31, 2024, the final year of the 7th Medium-Term Business Plan ("7th Mid-Term Plan"), as well as our capital policy for the 8th Medium-Term Business Plan period (5 years: from April 2024 to March 2029, "8th Mid-Term Plan").

Results of the previous fiscal year (fiscal year ended March 31, 2024) (non-consolidated)

The points are the following four.

■ Interest on loans and discounts and interest and dividends on securities increased.

Net interest income increased 6.1 billion yen from the previous fiscal year due to an increase in loans and higher overseas

interest rates, and increases in interest on domestic and foreign bonds and dividends on shares.

■ Net fees and commissions increased, reaching a record high.

Net fees and commissions increased 1.5 billion yen from the previous fiscal year to 11.5 billion yen (a record high), mainly due to increases in corporate business-related fees and fees related to housing loans and other loans.

■ Expenses such as system-related costs increased.

Overall expenses increased 6.7 billion yen to 51.2 billion yen, mainly due to the recording of expenses for next-generation system-related assets.

■ Income from services for customers

Income from services for customers, the bank's core business income that we had been working to improve throughout the 7th Mid-Term Plan period, increased more than double from 2.08

billion yen in the fiscal year ended March 31, 2019 to 4.89 billion yen in the fiscal year ended March 31, 2024. I appreciate that this is the result of our efforts to deepen the Shiga Bank Group's solutions by earning the trust of our regional customers.

Forecast of results for the current fiscal year (fiscal year ending March 31, 2025) (consolidated)

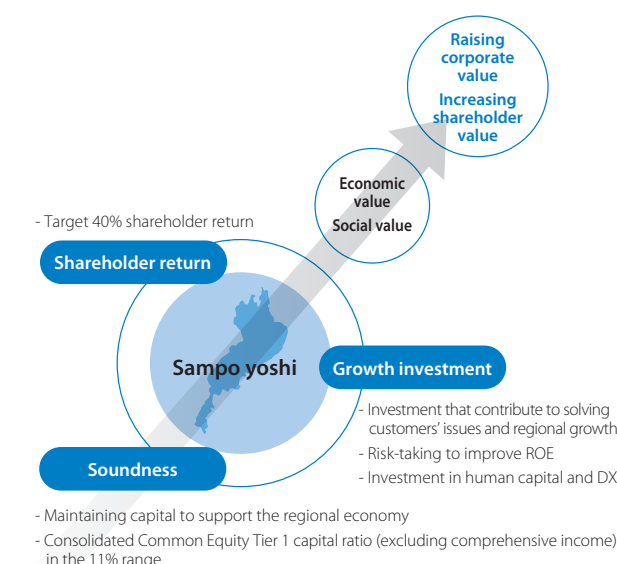
For the fiscal year ending March 31, 2025, the first year of the 8th Mid-Term Plan, we expect consolidated net income of 16.0 billion yen.

Gross operating income is expected to be approximately 65.0 billion yen, an increase of approximately 3.0 billion yen from the previous fiscal year, as both interest on loans and discounts and interest on deposits will increase with the arrival of the "world with interest rates."

Expenses are expected to increase due to investments in human capital (higher personnel expenses mainly due to wage increases) and growth investments in the utilization of cloud computing and other measures.

Credit costs are expected to remain flat. I believe it is necessary to determine how much impact we will experience as the repayment of the zero-zero loans becomes fully operational.

Capital policy



We strive to enhance corporate and shareholder value by practicing our capital policy of balancing soundness, shareholder return, and growth investment based on the Purpose "Making the region happy with 'Sampo yoshi' philosophy."

■ Soundness

Based on the idea of maintaining capital to support the regional economy, we will control the consolidated Common Equity Tier 1 capital ratio (excluding comprehensive income) in the 11% range.

■ Shareholder return

We will actively return profits to shareholders, aiming for a total shareholder return ratio of 40% for the total of dividends and share buybacks.

■ Growth investment

We will make investments that contribute to solving issues faced by our customers and regions, or that contribute to the growth of the Shiga Bank Group, such as investments in human capital and systems.

By managing these three in a balanced manner, we will achieve an increase in corporate value and shareholder value.

Cross-shareholdings

<Policy on reduction of cross-shareholdings>

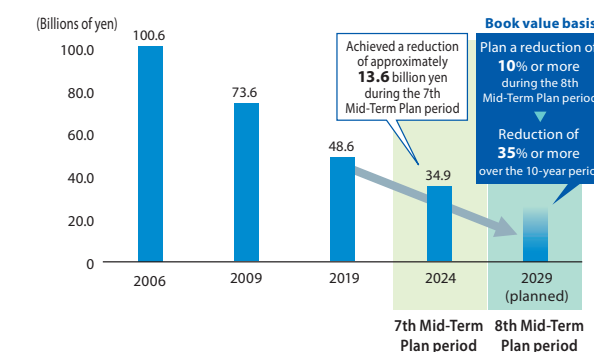
We will determine whether to continue any cross-shareholdings in comprehensive consideration of the economic rationality and the relevance of regional economy as well as the capital policy of the Bank, and strive to reduce cross-shareholdings.

We will proceed with selling any cross-held shares after thorough discussion with our customers.

In the 8th Mid-Term Plan, we plan to reduce approximately 35% or more on a book value basis over the 10-year period after March 31, 2019.

The purpose of cross-shareholdings is to gain profit through share fluctuations and share dividends. The main purposes of holding them include expanding overall transactions with the other company, and their associated companies and employees, and sustainably developing the regional economy.

The economic rationality is verified by calculating the risk based return of each business partner, based on the ROE target (5%) of the 8th Mid-Term Plan. This is then reported to the Board of Directors. If the shares do not meet the criteria, we strive to improve profitability, but consider selling if there are no signs of improvement.



Shareholder return policy

Our basic policy is to return profits to shareholders as much as possible, based on the “Sampo yoshi” capital policy that balances soundness, growth investment, and shareholder return.

Concerning shareholder returns during the 8th Mid-Term Plan period, we will strive to achieve a total shareholder return ratio of 40% for the total of dividends and share buyback.

In the fiscal year ended March 31, 2024, shareholder return ratio came to 39.2% thanks to paying dividends of 90 yen per share including a commemorative dividend of 10 yen per share for our 90th anniversary and share buyback of 1.99 billion yen. A shareholder special benefit plan commenced in fiscal year 2022 has also been well received.

We plan to make an annual dividend of 90 yen per share for the fiscal year ending March 31, 2025, an increase of 10 yen per share in the ordinary dividend. In addition, we are targeting for shareholder return ratio of 40% for share buyback as well.

Changes in consolidated net income and shareholder return

	2019	2020	2021	2022	2023	2024	2025 (forecast)
Consolidated net income (Billions of yen)	14.6	12.4	11.4	17.7	14.8	15.9	16.0
Total dividends paid (Billions of yen)	2.19	2.02	1.99	3.89	3.81	4.25	4.22
Annual dividend per share (Yen)	42.5	40	40	80	80	90	90
(Ordinary dividend)	35	35	35	35	80	80	90
(Special dividend)	5	5	5	45	—	—	—
(Commemorative dividend)	2.5	—	—	—	—	10	—
Consolidated payout ratio (%)	15.1	16.5	17.5	22.3	25.8	26.8	26.4
Share buyback (Billions of yen)	2.46	2.28	1.00	2.49	2.99	1.99	(Target)
Shareholder return ratio (%)	31.7	34.7	26.2	36.1	45.8	39.2	40.0

Capital management

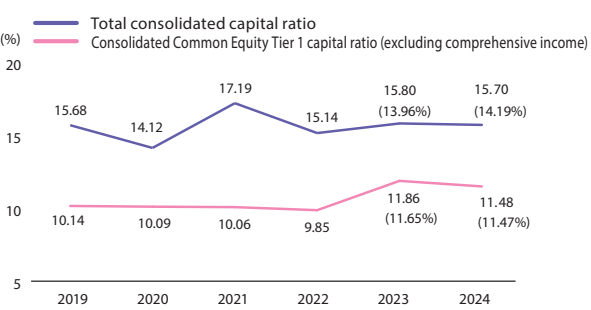
Total consolidated capital ratio for the fiscal year ended March 31, 2024 was 15.70%, and the consolidated Common Equity Tier 1 capital ratio (excluding comprehensive income) was 11.48% due to an increase in risk assets such as loans and bills discounted.

Based on complete implementation of Basel III, total consolidated capital ratio was 14.19% and the consolidated Common Equity Tier 1 capital ratio (excluding comprehensive income) was 11.47%.

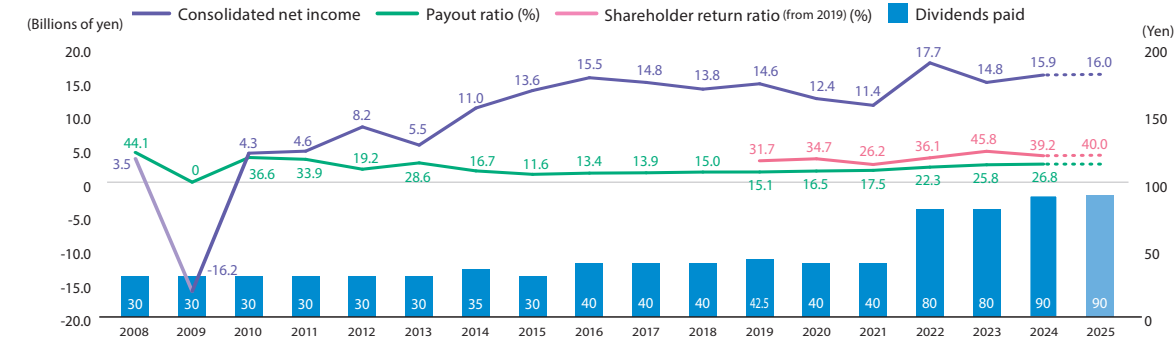
Capital needs to be enhanced for regional sustainability. Even if the market worsens and credit risks increase at the same time due to factors such as changes in the economic environment, we have a social responsibility to take on risks as a regional financial institution and support the regional economy. To prepare for this, we will control capital by aiming for the consolidated Common Equity Tier 1 capital ratio (excluding comprehensive income) in the 11% range.

A high capital adequacy ratio is also room for risk-taking. Allocating capital to risk-taking actions in the business and finance departments, and investments in IT systems, digital technology, and human capital will lead to enhancing corporate and shareholder value.

Changes in total consolidated capital ratio



In 2023 and 2024, Basel III finalization was applied early. Figures in parentheses are based on complete implementation.



Capital efficiency and strategic RAF

Although consolidated ROE (return on equity) for the fiscal year ended March 31, 2024 was 3.42%, up from the previous year, it is still below the cost of shareholders’ equity as estimated by CAPM* (around 5%) and the earnings yield (around 8-9%), which we recognize as one of our management issues. In the 8th Mid-Term Plan, which started from the current fiscal year, we have set consolidated ROE of 5% or more as a financial indicator and consolidated ROE of 8% or more as a long-term benchmark challenge, keeping the cost of shareholders’ equity in mind, which is the return expected from the market.

PBR (price book value ratio) is the multiplication of ROE and PER (price earnings ratio), and we are working to improve each of these ratios. For ROE, the key points are to improve RORA (return on risk-weighted assets) and control financial leverage (capital ratio). In each of the strategies in the 8th Mid-Term Plan, it is important to work on expanding high-RORA assets as well as non-interest income and group-wide business areas, while controlling the capital ratio to an appropriate level.

I believe that initiatives to improve PER, such as controlling earnings volatility, enhancing information disclosure, and increasing expected growth ratio, will reduce the risk premium on the Bank’s shares, and thus lower the cost of capital. It is important for us to achieve stable earnings growth and for investors to correctly understand the degree of achievement and certainty of our Medium-Term Business Plan. To this end, in addition to appropriate risk management (P.101), which is one of the Bank’s strengths, we will further enhance information disclosure. We will also further strengthen the Principles for Responsible Banking (P.79) and TCFD/TNFD initiatives (P.83). We believe that this integration of financial

and non-financial aspects including ESG will enhance our corporate value.

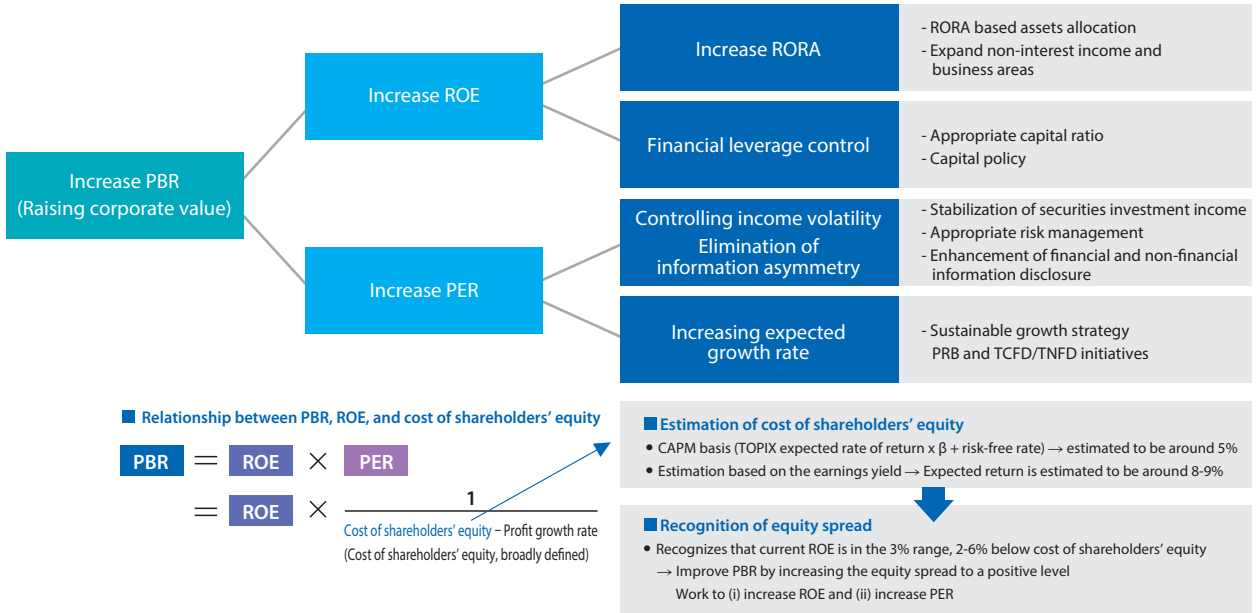
The Bank was one of the first regional financial institutions to adopt the concept of RAF (Risk Appetite Framework) (P.101) in 2016, and has been working to advance the risk management. In the 8th Mid-Term Plan, as a “strategic RAF,” we will expand risk-taking areas by backcasting from the targeted levels (ROE of 5% or more and the consolidated Common Equity Tier 1 capital ratio (excluding comprehensive income) in the 11% range) and maximize earnings while also managing credit risk and interest rate risk amount.

Specifically, we analyze indicators such as RORA, capital efficiency, and income per capita, and set the amount of risk required based on the targeted levels of ROE and capital ratio. This clarifies the type and level of risk appetite (risks that we are willing to accept), thereby we will develop the concept of RAF and improve its effectiveness. While focusing on areas to expand allocations and improve profitability, the ALM Committee (P.91) and other committees will periodically review risk management and financial targets, and operate with a PDCA cycle in mind.

We position the 8th Mid-Term Plan as a five-year period during which we will demonstrate the capital management and risk management, which we have strengthened, in each strategy and shift from “risk-taking” to “risk-challenging.”

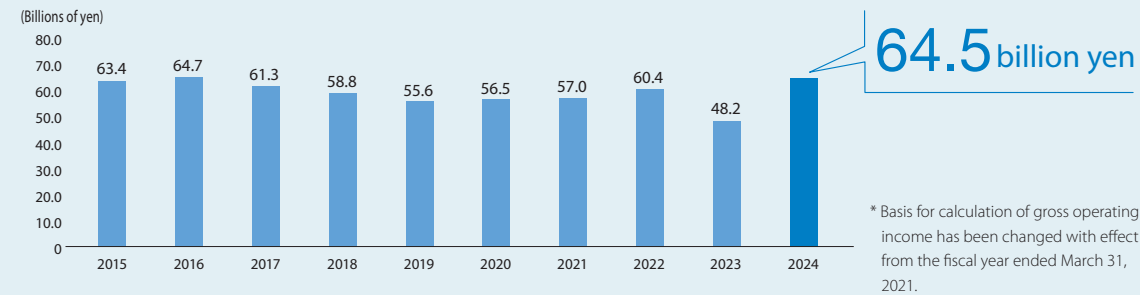
Through these efforts, we will create a “virtuous cycle of happiness brought to the region” and achieve co-existence and co-prosperity with our stakeholders.

*CAPM (Capital Asset Pricing Model)
Method for considering cost of shareholders’ equity based on market data such as risk-free rate and TOPIX expected return.

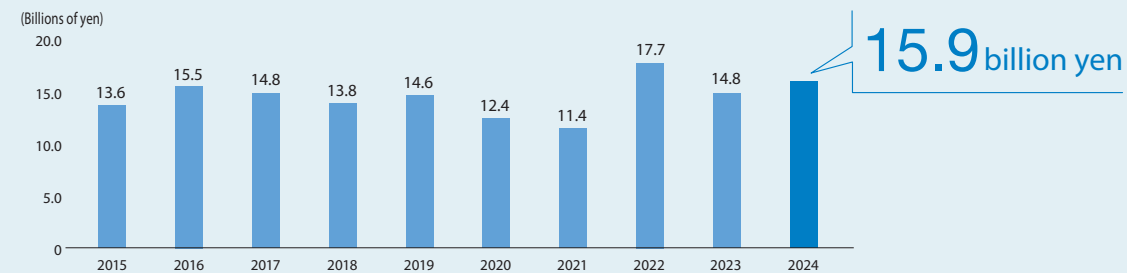


Financial Highlights

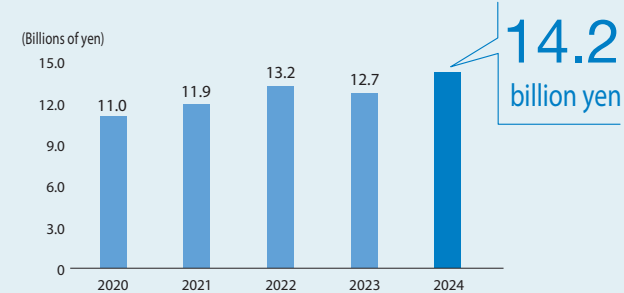
Gross operating income (consolidated)



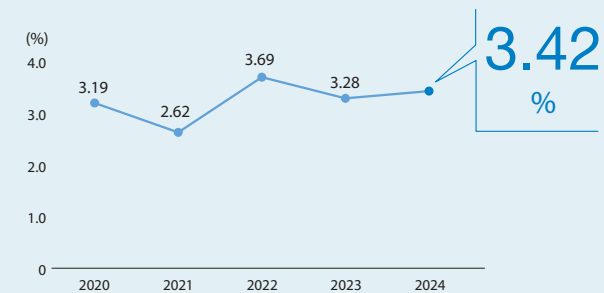
Net income attributable to owners of parent



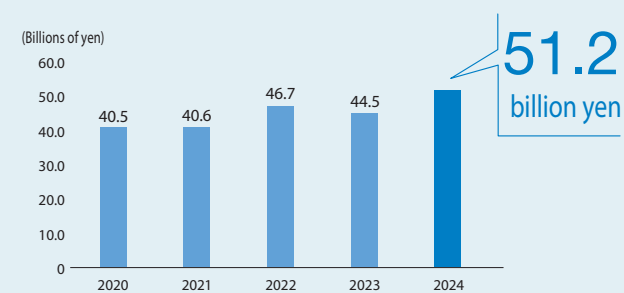
Net Fees and commissions (consolidated)



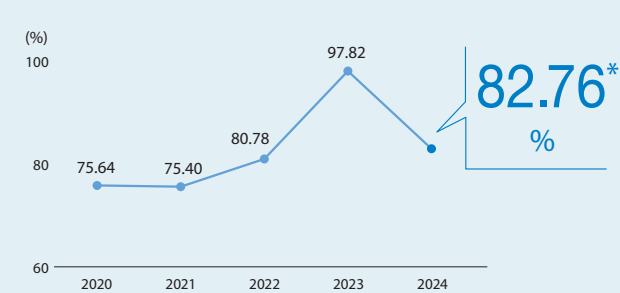
ROE (consolidated)



Expenses (non-consolidated)

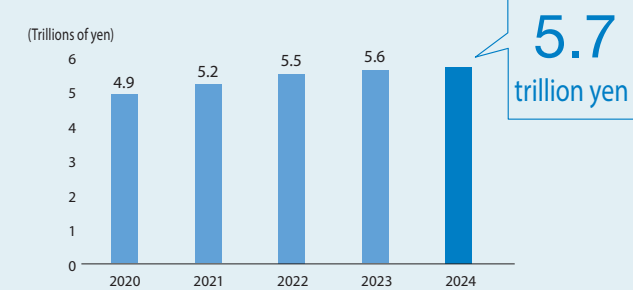


OHR (non-consolidated)

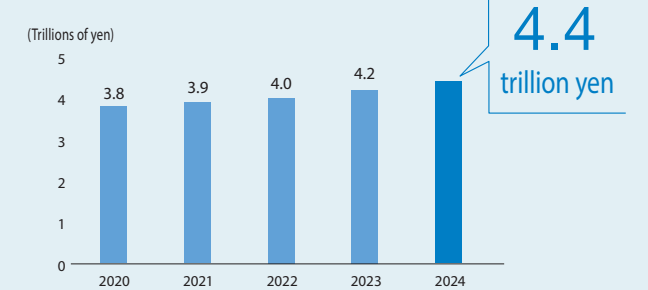


* Excluding expenses related to the next-generation core system, the ratio would be 64.19%.

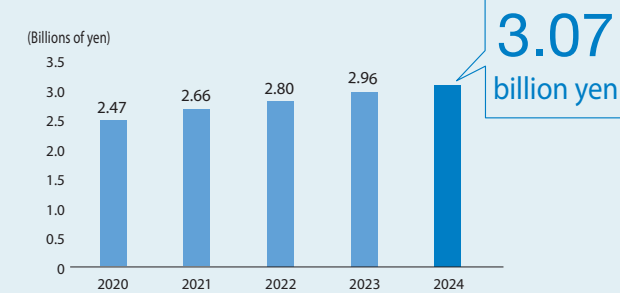
Average balance of deposits during the period (including negotiable certificates of deposits) (non-consolidated)



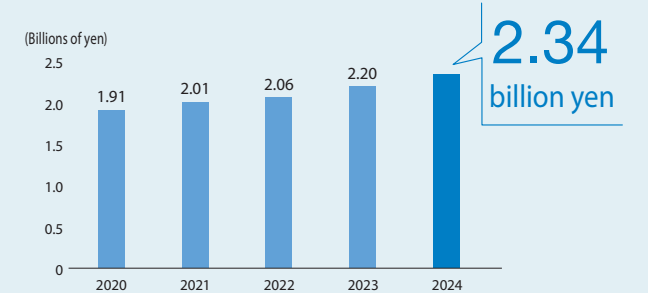
Average balance of loans and bills discounted during the period (non-consolidated)



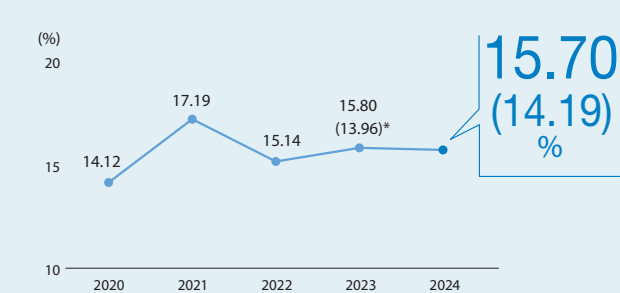
Deposits per employee (non-consolidated)



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

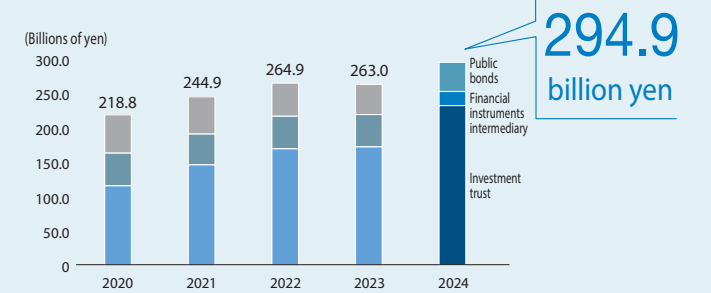


Total capital ratio (consolidated)

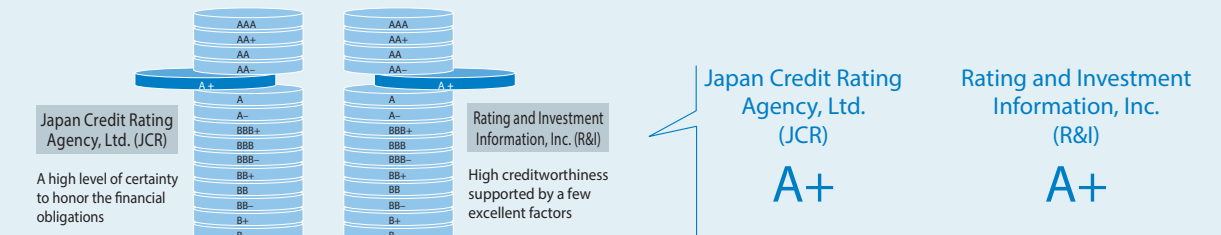


* Early application of Basel III finalization, and the figure in parentheses is based on complete implementation.

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



Rating



ESG Highlights (As of March 31, 2024)

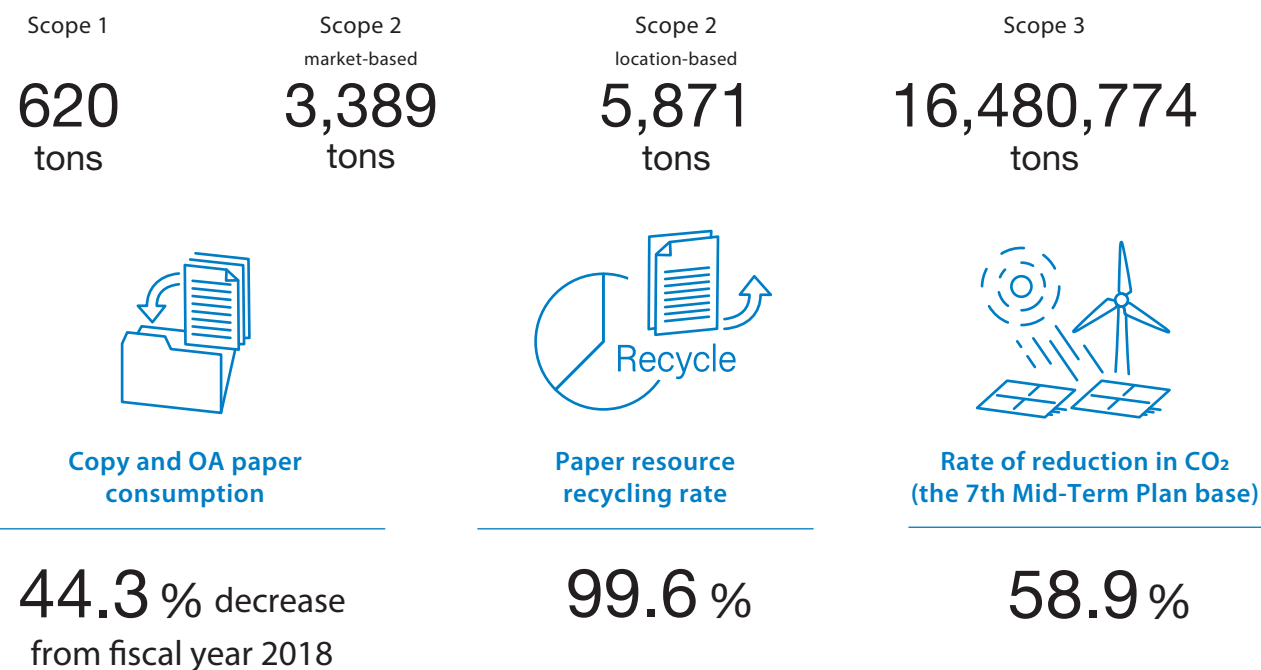
E (Environment) related items

E

nvironment



Greenhouse gas emissions (CO₂ conversion)*



Copy and OA paper consumption



Paper resource recycling rate



Rate of reduction in CO₂ (the 7th Mid-Term Plan base)



Number of environmental volunteer participants per year

912 persons

S (Social) related items

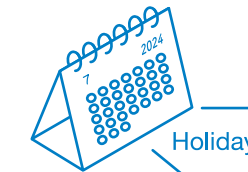
S

ocial



Percentage of female managers

17.6 %



Average number of days of paid leave taken

17 days



Percentage of male employees taking childcare leave

95.4 %



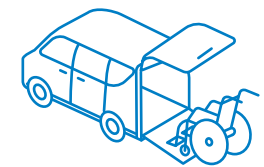
Employment of people with disabilities

2.348 %



Participation rate in human rights training

First half
92.4 %
Second half
92.6 %



Shigagin Welfare Fund Results of subsidies awarded

Cumulative total cases
536 cases
Total amount of subsidies awarded
413.01 million yen

G (Governance) related items

G

overnance



Attendance ratio at meetings of the Board of Directors (Outside Directors)

100.0 %



Percentage of female Directors

11.1 %



Comprehension of compliance training

First half
97.4 %
Second half
98.6 %

* Total of "Understood well" and "Understood" responses.

* To ensure reliability, accuracy, transparency, etc., guarantees from third-party assurance organizations have been obtained.

External Evaluation

The only regional bank to receive the award for five consecutive years!

Received Silver Prize (Minister of the Environment Award) at the 5th ESG Finance Awards Japan



The Bank received Silver Prize (Minister of the Environment Award) in the indirect finance category of the 5th ESG Finance Awards Japan by the Ministry of the Environment. This is the fifth consecutive year since the first award in 2020.

In the selection process, the Bank was evaluated for the contribution to the progress of decarbonization in the individuals sector in the region by creating a positive impact on regional construction companies through the sale of “Super Housing Loan, Mirai-Yoshi,” and for new initiatives, including the creation of a financial framework for small and medium-sized businesses and the development of a CO₂ emissions calculation and management service, while maintaining a high level of existing initiatives.



The Minister of the Environment, Mr. Ito (right), presented the award.

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

FTSE Blossom Japan Sector Relative Index component stock

CDP Climate Change Questionnaire Rank B

Obtained the “Platinum Kurumin Plus” certification by the Ministry of Health, Labour and Welfare

Obtained 2 stars for the “Eruboshi” certification by the Ministry of Health, Labour and Welfare

Acquired JQA-EMO777 ISO14001 certification

Endorsement and membership in initiatives, etc.

Signed the United Nations Environment Programme Finance Initiative (UNEP FI)

Signed the United Nations Principles for Responsible Banking (PRB)

Supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

Joined the Taskforce on Nature-related Financial Disclosures (TNFD) Forum

Participated in GX League

Signed the Principles for Financial Action for the 21st Century

Supports the Initiative based on the Declaration of Biodiversity by Keidanren

Joined the Japan Climate Initiative (JCI)

Supports the “Shiga CO₂ Net Zero” movement

History of “External Evaluation”

The Bank has been committed to the sustainable development of the region through “environmental finance,” which uses finance to solve environmental problems, and through the progressive approach to the SDGs. These efforts have been highly evaluated by various institutions and organizations, and we have received many awards.

2003

- Received the Environmental Administrative Award for Pearl at the “1st Japanese Environmental Administrative Awards”

2004

- Received the FUJISANKEI COMMUNICATIONS GROUP Prize at the “13th Grand Prize for the Global Environment Award”

2007

- Received the Minister of the Environment Award at the “9th Green Purchasing Award”

2008

- Received the Chairman of New Energy Foundation Prize at the “12th New Energy Award”
- Certified as an “Eco-First Enterprise” by the Ministry of the Environment

2014

- Received double awards at the “17th Environmental Communication Awards”
Environmental Reporting Division: Environmental Reporting Award (the Minister of the Environment Award)
TV Environmental Commercial Division: Excellence Award (President of the Global Environmental Forum Prize)

2015

- Received the Most Excellent Award at the “Excellent Enterprise Award for Environmental Human Resource Development 2014”

2018

- Received the Special Award (SDGs Partnership Award) at the “2nd Japan SDGs Award”

2019

- Received the “Judging Committee’s Special Excellence Award” in the Environmental Report Category of the “22nd Environmental Communication Award”

2020

- Received Silver Prize (Minister of the Environment Award) in the finance category of the 1st ESG Finance Awards Japan

2021

- Received the “Prize for Excellence” in the Environmental Report Category of the “24th Environmental Communication Award”
- Received Gold Prize (Minister of the Environment Award) in the indirect finance category (regional category) of the 2nd ESG Finance Awards Japan

2022

- Received Bronze Prize in the indirect finance category of the 3rd ESG Finance Awards Japan
- Selected as an examples of “Distinctive Efforts by Financial Institutions contributing to Regional Revitalization for Fiscal Year 2021” by Cabinet Office

2023

- Received Silver Prize (Minister of the Environment Award) in the indirect finance category of the 4th ESG Finance Awards Japan
- Selected as an examples of “Distinctive Efforts by Financial Institutions contributing to Regional Revitalization for Fiscal Year 2022” by Cabinet Office

2024

- Received Silver Prize (Minister of the Environment Award) in the indirect finance category of the 5th ESG Finance Awards Japan

Review of the 7th Medium-Term Business Plan

The vision of the 7th Medium-Term Business Plan (from April 2019 to March 2024) was “Sustainability Design Company” and, under the passionate desire to “plan and create sustainable development of the region and customers,” we have strived to solve social issues and increase corporate value by focusing on the five “Challenges to innovate the future.”Through each measure, we were able to strengthen our management foundation and profitability. We have not yet achieved ROE and OHR, our long-term benchmark challenges, and we believe that further changes and challenges are necessary to achieve sustainable growth and corporate value.

The progress in achieving Sustainable Development targets (“SD targets”), revenue targets, and long-term benchmark challenges of the 7th Medium-Term Business Plan is outlined below.

Vision	[Sustainability Design Company] —Realizing mutual prosperity based on the “Sampo yoshi” philosophy—	
Main theme	Define a future and realize a dream —For the future of customers, regional communities and all employees—	
Challenges to innovate the future		Main measures implemented during the Medium-Term Business Plan period
	Turning SDGs into business	- Established the “Sustainability Committee” and the “Sustainable Strategy Office” - Signed the “Principles for Responsible Banking” - Expanded SDGs consulting and ESG finance - Implemented “ESG Assessment System” - Established the “Sustainability Policy” and the “Investment and financing policies for realizing a sustainable society” - Developed “Mirai-Yoshi Support,” a CO₂ emissions calculation and management service - Launched the “Shigagin Super Housing Loan, Mirai-Yoshi”
	Increasing productivity of the regional communities	- Established the “Digital Strategy Group” and the “Digital Promotion Office” - Supporting customers’ DX through the “IT business support” - Coordination with the government, the Six Town DX Strategy Committee Advisor Agreement - Promoting various types of cashless services
	Evolving into a problem-solution type financial information services provider	- Established the “Solution Sales Office” - Enhanced consulting menu (decarbonization, human resources, trust business, etc.) - Provided financial literacy education - Developing “problem-solution type human resources”
	Shifting to sustainable earnings structure	- Established the “Finance Office” - Implementing operational reforms - Reallocated personnel through implementation of branch measures (consolidation of 25 locations) - Strengthening of non-face-to-face channels
	Mindset-Work reforms (mindset reform and work style reform)	- Deployed tablet terminals - Introduction of business casual wear - Introduction of working from home system - Introduction of side job program - Established “Diversity Committee” - Implemented the TSUBASA Diversity & Inclusion Declaration

Results of each benchmark challenge

		Targets and results	Explanation of results
SD targets	Investment and financing to promote Sustainable Development (new investment and financing)	Target Cumulative total of 700.0 billion yen Result Cumulative total of 898.9 billion yen	We successfully achieved the target by accumulating results through the sustainable finance and ESG new investment and financing initiatives, as well as through engaging in dialogue with customers through the Ratings Communication Service, ESG assessment system, etc.
	Support for value improvement of regional customers (number of requests for consultation per year)	Target 2024: 2,000 cases Result 2,070 cases	We achieved the target as a result of our efforts to practice the “goal-based support” based on a customer-oriented (= market-in) concept and aggressive proposals centering on a consulting menu that includes business succession and trust business.
	Support for asset formation of regional customers (balance of assets under custody)	Target 2024 300.0 billion yen Result 252.5 billion yen	Balance of assets under custody increased from the beginning of the 7th Medium-Term Business Plan as a result of proposing products in line with customers’ asset formation needs, such as the NISA, and striving to provide information that takes into account market trends. However, the target was not achieved.
	Reduction in greenhouse gas emissions (compared to levels in fiscal year 2013)	Target 50% reduction Result 58.90% reduction	We achieved the target as a result of steady efforts to reduce energy consumption through efficient business operations, switching to environmentally friendly vehicles, and consolidation of locations based on branch policies, as well as the introduction of electricity menus derived from renewable energy sources.
	Activities for promotion and improvement of SDGs and financial literacy; training of next-generation workforce (total number of participants for the past 5 years)	Target Total of 15,000 persons Result Total of 21,943 persons	In addition to an increase in the number of seminars and other opportunities utilizing online formats, the Bank’s 90th anniversary project to promote “SDGs and financial education” in each area led to an increase in the number of programs for the next generation, and the target was achieved.
Revenue targets	Net income attributable to owners of parent company (consolidated)	Target 10.0 billion yen or more Result 15.9 billion yen	Interest on loans and bills discounts and net fees and commissions increased as a result of proactive efforts to meet customers’ financing needs and solve their issues. As a result of our efforts to improve productivity amid a decrease in personnel, we achieved the target by securing a profit level that exceeded the target.
	Income from services for customers (non-consolidated)	Target 2024 3.0 billion yen Result 4.8 billion yen	Although there was an expenditure for expenses related to the next-generation core system, net interest income, including interest on loans and discounts and interest and dividends on securities, and net fees and commissions increased and secured a higher level than the target, and thus the target was achieved.
Long-term benchmark challenges	ROE (consolidated)	Target 5% or more Result 3.42%	The increase in net income improved from the level before the start of the 7th Medium-Term Business Plan, but did not achieve the target. By further improving profitability and capital efficiency, we aim to achieve this target in the 8th Medium-Term Business Plan.
	OHR (non-consolidated)	Target 65% or less Result 82.76% (Excluding costs related to the next-generation core system, the ratio would be 64.19%)	We did not achieve the target due to the high level of expenses resulting from the recording of expenses related to the next-generation core system. Excluding costs related to the next-generation core system, the ratio would be 64.19%.

The 8th Medium-Term Business Plan

Strategy

Long-term Strategy

The long-term strategy of the Bank which serves as a guidepost for its business plans is based on the “vision for regional communities.”

- As a community-based regional financial institution, we believe that our development is predicated on the sustainability and sound prosperity of the regional community in which we operate. By presenting a vision of the regional communities where the Bank’s Purpose “Making the region happy with ‘Sampo yoshi’ philosophy” is practiced, we will clarify the path toward the realization of the ideal and lead to concrete actions.
- Based on the vision of the regional communities and the image of what we should achieve, we identified issues through backcasting and formulated the 8th Medium-Term Business Plan.

Purpose (reason for existence)
**Making the region happy with
 “Sampo yoshi” philosophy**

**Achievement image of
 “Vision for regional communities”**

- Increases in real gross prefectural product and employment in Shiga Prefecture
- Control of population decline, increases in related population*1 and exchange population*2 in Shiga Prefecture
- Achieving a carbon neutral society by 2050
- Achieving diversity equity and inclusion

*1 People who are continuously involved in a specific region in a variety of ways (more than sightseeing, less than immigration).

*2 People who visit the region for commuting to work or school, sightseeing, leisure, shopping, sports, etc.

Backcasting
 (Identify issues that need to be done)

5 years

The 8th Medium-Term Business Plan

The 7th Medium-Term Business Plan

Vision for regional communities

**“A society where everyone
 can envision their own future
 and live happily”**

100th anniversary Fiscal year 2033

Fiscal year 2032

Fiscal year 2031

Fiscal year 2030

Fiscal year 2029

Fiscal year **2028** 95th anniversary

Fiscal year 2027

Fiscal year 2026

Fiscal year 2025

Fiscal year 2024

Fiscal year 2023

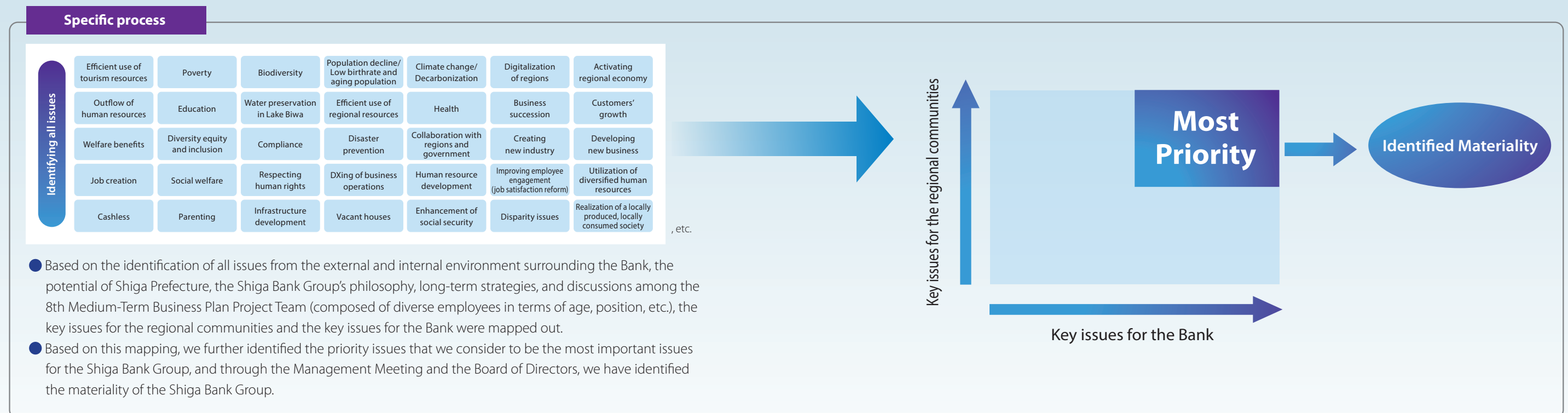
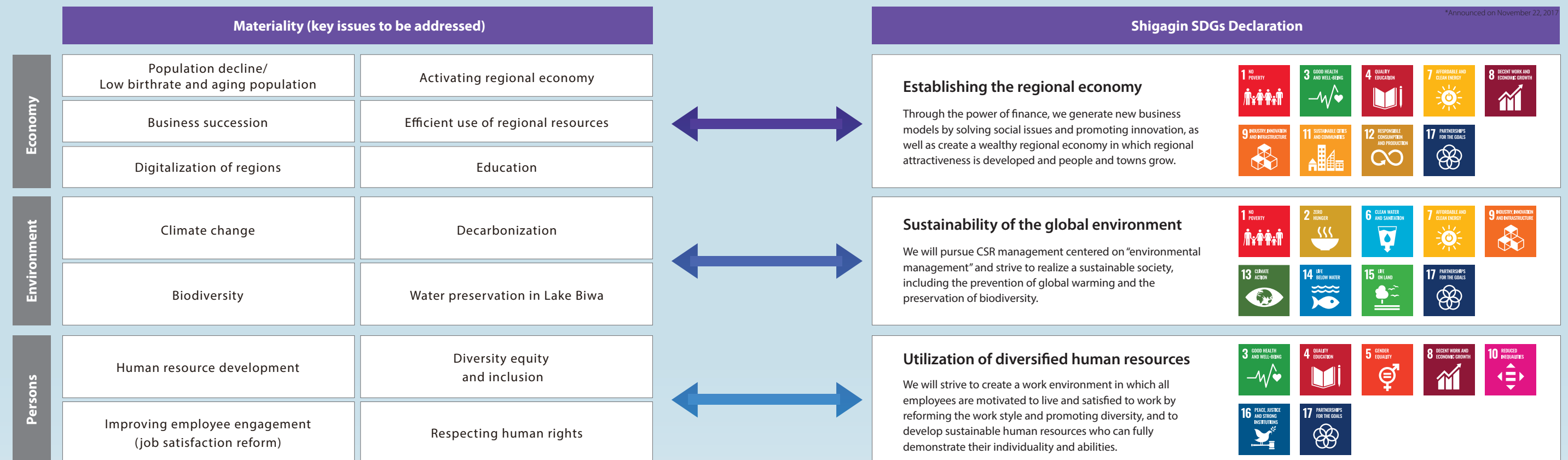
Medium-Term Business Plan

The 8th Medium-Term Business Plan

Materiality

Materiality (key issues to be addressed)

We will focus on fourteen issues of Materiality that are related to the three initiatives of the “Shigagin SDGs Declaration,” which are “Establishing the regional economy,” “Sustainability of the global environment,” and “Developing diverse human resources.”



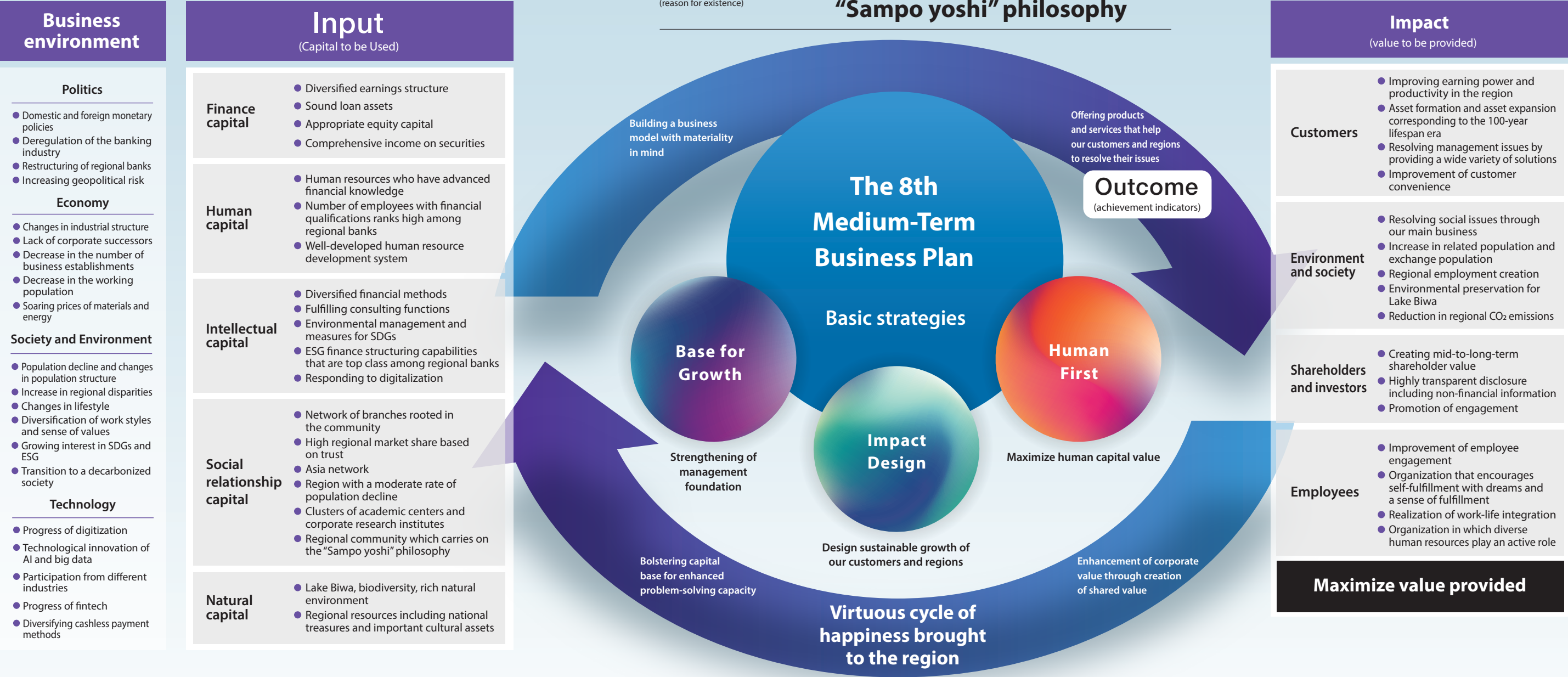
The 8th Medium-Term Business Plan

Value Creation Story

Value Creation Story

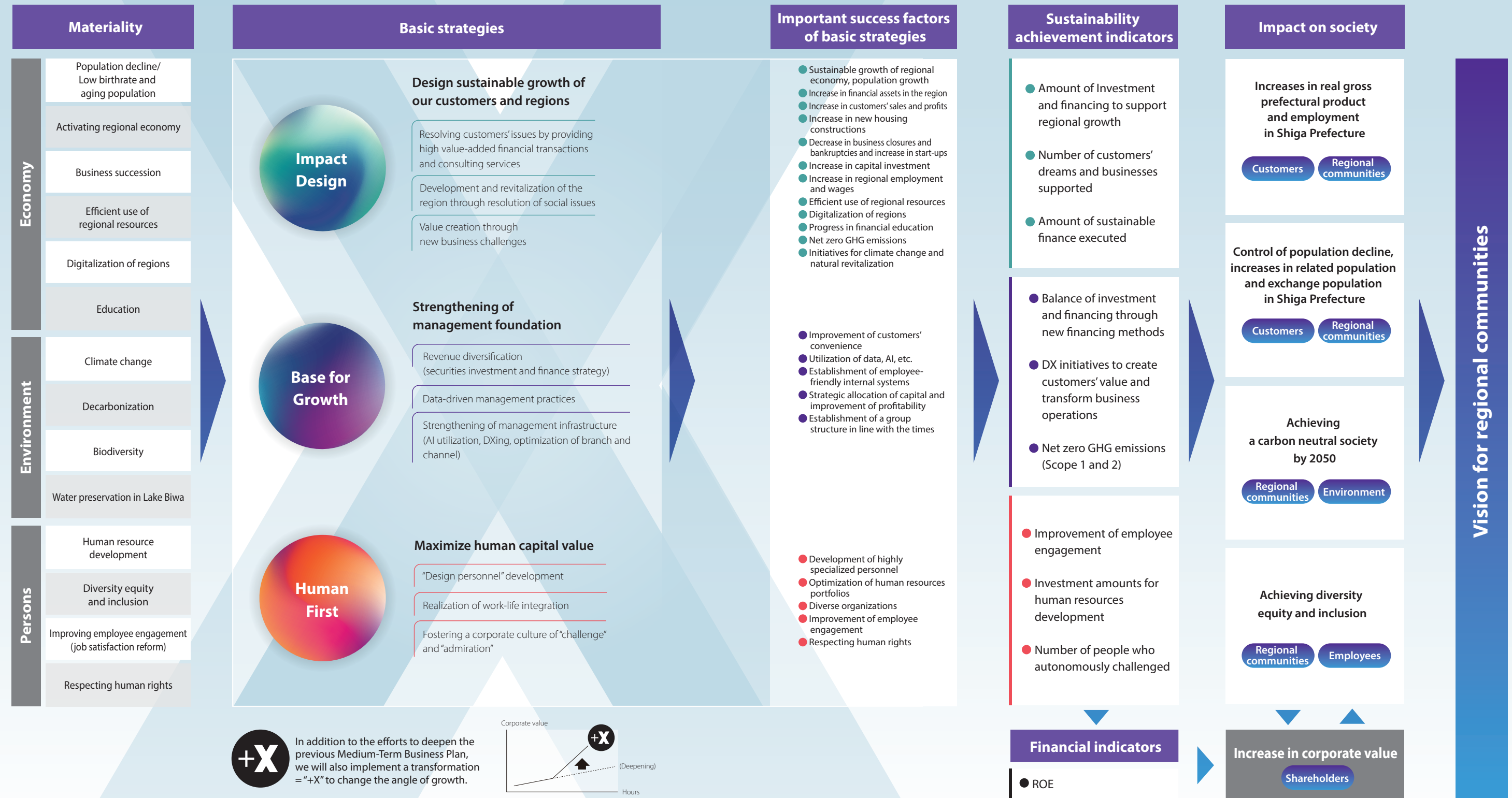
Utilizing a variety of capital inside and outside the Shiga Bank Group, we will make investments that contribute to solving customers’ issues and to regional growth, thereby stimulating economic activity and expanding business opportunities. In this process, we will improve the earning power of the region and the Shiga Bank Group, and create a “virtuous circle of happiness brought to the region” that will lead to solutions to the following issues and investments. We will work on the 8th Medium-Term Business Plan as the engine of this process.

Under the 8th Medium-Term Business Plan, we will resolve the issues faced by our customers, regions, and society by focusing on three basic strategies, “Impact Design” to design sustainable growth for our customers and regions, “Base for Growth” to strengthen the management foundation for growth, and “Human First” to promote maximization of human capital.



Concept of Achievement Indicators for the 8th Medium-Term Business Plan

- Aiming to create the kind of local community we want to realize, we have formulated three basic strategies based on our materiality (priority issues) and set important success factors for each. Taking into consideration the impact it will create on society, we have determined the indicators that the Shiga Bank Group should achieve.
- By striving to achieve indicators including ROE, which is a financial indicator, we will create an impact that will lead to the image of the local community we want to realize.



Achievement Indicators for the 8th Medium-Term Business Plan

We have defined the indicators set forth in the 8th Medium-Term Business Plan. We will work to achieve the following indicators.

Long-term Strategy

Vision for regional communities
“A society where everyone
can define their future and
live happily”

Achievement Image

- Increases in real gross prefectural product and employment in Shiga Prefecture
- Control of population decline, increase in related population and exchange population in Shiga Prefecture*
- Achieving a carbon neutral society by 2050
- Achieving diversity equity and inclusion

The 8th Medium-Term Business Plan						
Indicators			Definition of indicators	Achievement Indicators	Sustainability of society	Sustainability of the Bank
Sustainability achievement indicators		Amount of investment and financing to support regional growth	Amount of business capital investment funds, etc. executed Amount of housing loan executed Amount of investment in the region through funds, etc.	Cumulative total for the period 1,200.0 billion yen	Increase in GDP in the region Increase in employment Control of population decline Increases in related population and exchange population	Strengthening of the Bank's management foundation and revenue base in line with the growth of regional business partners
		Number of customers' dreams and businesses supported	Business succession consultation Inheritance consultation Risk management consultation Business support consultation Overseas solution consultation Ratings CS	Cumulative total of 30,000 cases for the period	Increase in GDP in the region Increase in employment Control of population decline Increases in related population and exchange population Reduction in GHG emissions	
		Amount of sustainable finance executed to increase the sustainability of region and society	SDGs private placement bond Sustainability Linked Loans Positive Impact Finance Green loans (bonds) Social loans Sustainable Assessment Loans Mirai-Yoshi series ESG-related new investments	Cumulative total of 700.0 billion yen for the period	Reduction of GHG emissions in the world, Japan, and the region	Strengthening of the Bank's management foundation and revenue base in line with the improvement of sustainability of regional business partners and regional communities Strengthening of ESG initiatives
		Balance of investment and financing through new financing methods to improve earning power	Balance of investment and financing of the Finance Office (domestic structured finance, overseas market-based loans, alternative investments)	750.0 billion yen as of March 2029	Resolution of social issues, including support for business startups GDP increase through active investment in the region	Improvement of profitability through effective use of capital Strengthening of our capacity for active investment in the region
		DX initiatives to create customers' value and transform business operations of the Shiga Bank Group	Initiatives by the Digital Strategy Group Initiatives in data-driven projects (AI and data utilization, remote counter, AI screening, etc.)	Qualitative evaluation	Improvement of convenience More livable regions Control of population decline Increases in related population and exchange population	Strengthening of the management foundation in line with the increase in value provided to customers Improvement of sustainability through increased productivity Strengthening of contacts with customers (creation of hours)
		Reduction of GHG emissions to achieve a carbon neutral society (Scope 1 and 2)	Shiga Bank Group's GHG emissions * GHG = greenhouse gas	Achievement of Net Zero	Reduction in GHG emissions	Reduction of the Shiga Bank Group's GHG emissions Strengthening of ESG initiatives
		Improvement of employee engagement to maximize human capital (Percentage of positive responses)	"Percentage of positive responses regarding satisfaction with the Bank" according to the engagement survey	Sustainable improvement	Growing of impact creation in the region	Improvement of the Bank's earning power Enhancement of organizational capabilities Development and strengthening of "Design personnel" Improvement of employee satisfaction
		Amount of investment to develop human resources who can take on the challenges for the future of the region as key players in value creation	Investment amounts for human resources development	Double compared to fiscal year 2023 (300 thousand yen per person/year)		
		Number of people who autonomously challenged to improve their skills and develop their careers	Number of students dispatched to the Institute for Small Business Management and Technology Number of applicants to the human resources recruitment system Number of students attending GLOBIS Management School Number of participants dispatched for trainings by Regional Banks Association of Japan Number of mentors and mentees Number of participants in female career training Number of applicants for udemy, business contests, etc.	Cumulative total for the period 2,000 persons		
Financial indicators		ROE	Consolidated ROE	5% or more as of March 2029	Increase in GDP in the region resulting from the Bank's active investment	Increase in corporate value Securing earnings that will lead to sustainable growth of the Bank Strengthening of our capacity for active investment in the region
Long-term benchmark challenges		ROE	Consolidated ROE	8% or more		

* Related population: People who are continuously involved in a specific region in a variety of ways (more than sightseeing, less than immigration).
Exchange population: People who visit the region for commuting to work or school, sightseeing, leisure, shopping, sports, etc.

The 8th Medium-Term Business Plan

Basic Strategy #1

Impact Design



Design sustainable growth of our customers and regions

Population decline, climate change, lack of successors, etc.

There are various issues surrounding our customers and regions.

We discover issues, plan solutions,

and link them to the achievement of the vision of

what we want the future to be.

That is how we design sustainable growth.

We will not be limited by the traditional framework of finance, but will work to create new value by solving customer problems by providing high-added-value financial transactions and consulting, developing and revitalizing local communities by solving social issues, and taking on new business challenges.

As a signatory bank of the Principles for Responsible Banking (P.79),

we will pursue our business activities in cooperation with our stakeholders

to reduce the negative impact of the environment on society and

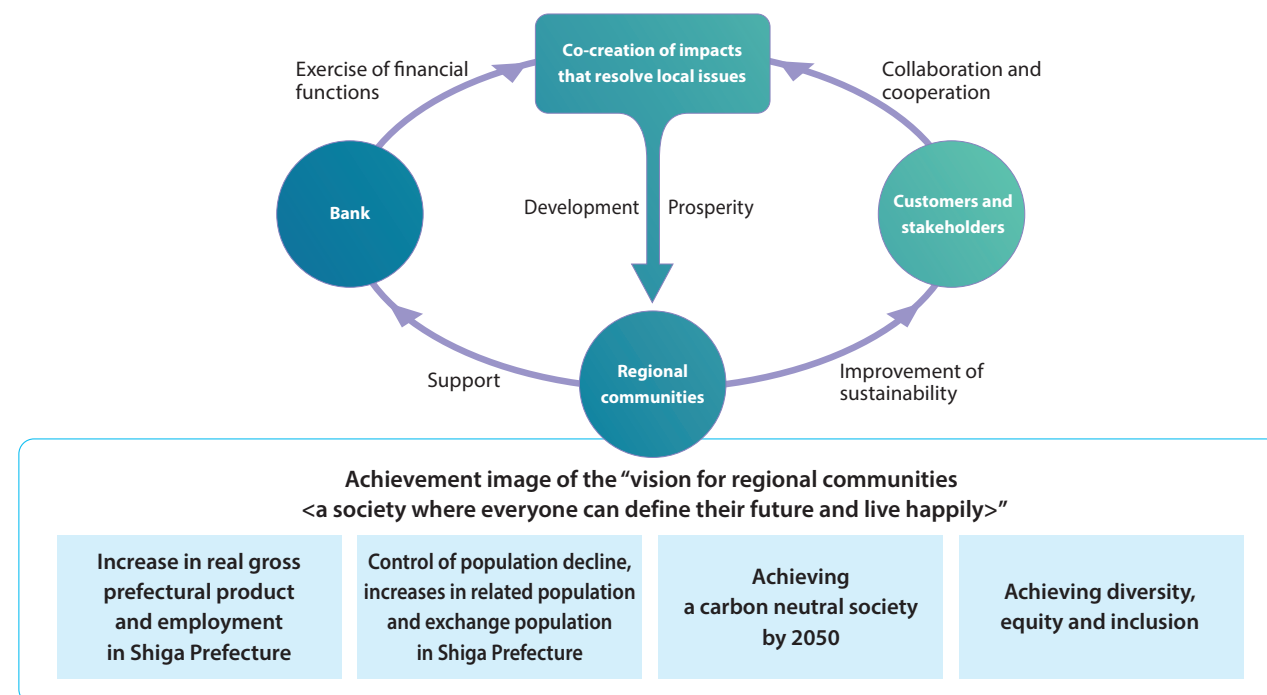
increase the positive impact of the environment on society.

Impact Design

Toward sustainable regional communities

Population decline and changes in the population structure in local regions are steadily progressing, and are beginning to have a serious impact on the regional economy such as companies suffering from a chronic shortage of labor. Regional revitalization initiatives to create a society in which people can live, work, and raise children with peace of mind on their land by enhancing the earning power of the region for the sustainable development of the region have become the most important theme for regional financial institutions.

The Bank will create an impact toward a sustainable regional communities as a company that designs the region by utilizing our various networks developed through our close connections to the region.



Designing regions for regional revitalization

—Mutual collaboration with industry, academia, and government for regional revitalization—

“What measures are needed to realize regional revitalization?” In order to answer this question, it is necessary to consider measures to create a future that is not an extension of the present, by imagining as concretely as possible a region in which regional revitalization has been realized. The Bank will strengthen its efforts to collaborate in regional revitalization based on the concept of “designing the region.”

Stimulation of business-to-business exchanges

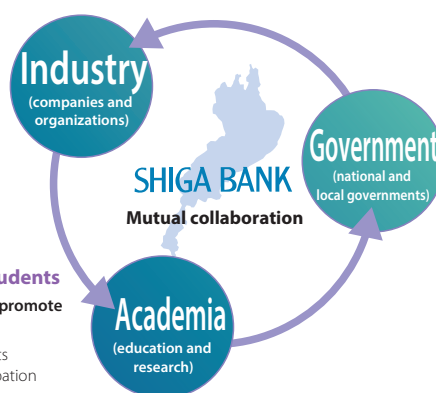
Utilize the Bank's wide-area network to achieve regional revitalization through cross-industry exchanges.

Strengthening of contact with students

Actively create contacts with students to promote entrepreneurship.

● Support for holding various student events

● Strengthening of collaboration with incubation facilities



Strengthening of local government collaboration

Consolidate and summarize regional issues and needs, and share information and collaborate with related parties. Gather information by visiting advanced cases in other prefectures to solve issues and provide know-how that will help to find solutions.

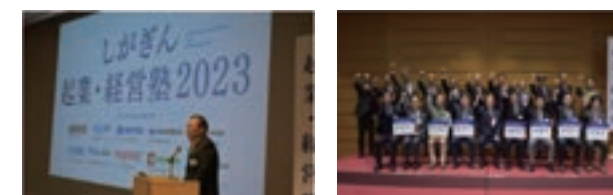
Initiatives to support new businesses that revitalize regions

Creating and growing new businesses in local regions will not only revitalize the regional economy, but also lead to preventing young people from leaving the region by creating attractive employment opportunities in the region, thereby maintaining and increasing the population of permanent residents. It is also expected to increase related population and exchange population. The Bank promotes various initiatives to support the growth of new businesses through mutual collaboration among industry, academia, and government, leading to the promotion of regional economies and the solution of social issues.

“Shigagin Entrepreneurship and Business Management School” and “Shigagin Nonohana Prize for Innovation”

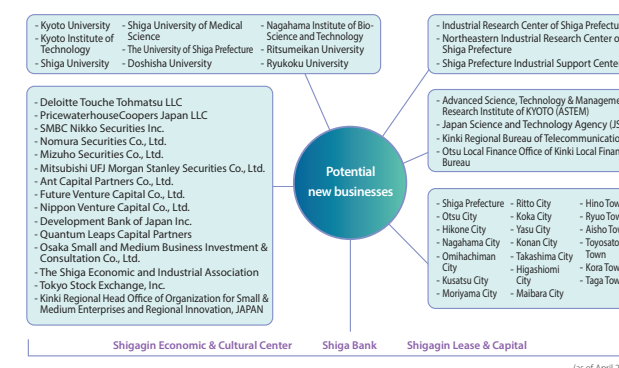
To further develop the efforts of “Saturday School for Entrepreneurship,” which has evolved over the past 20 years, “Shigagin Entrepreneurship and Business Management School” was launched in fiscal year 2023. We invite people who are pioneering and active in their times as lecturers to provide business tips for startups and relaunching businesses that lead to solutions to social issues.

In addition, with the support of 10 listed companies in Shiga Prefecture, “Shigagin Nonohana Prize for Innovation” that awards business ideas and new technologies that lead to solutions to social issues and innovation is implemented and supports the commercialization of such business ideas and technologies.



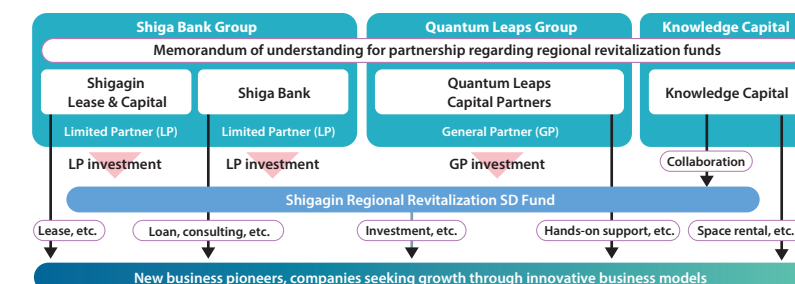
“Shigagin new business support network Nonohana Support Group”

It is an organization that supports new businesses through collaboration of industry, academia, government, and finance, and from fiscal year 2024, all cities and towns in the prefecture have been participating in this organization. We also focus on strengthening the bridge between industry and universities and creating business opportunities for industry-academia collaboration.



Shigagin Regional Revitalization SD Fund

The fund was established in fiscal year 2020 jointly with The Quantum Leaps Capital Partners and the Shigagin Lease & Capital Co., Ltd. to support new business pioneers (including venture companies) in growth fields and companies aiming to grow through innovative business models in existing fields.



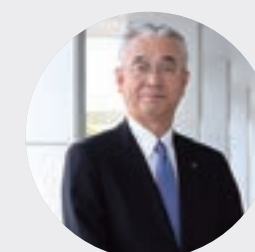
VOICE

Our company fully endorses the objectives such as supporting business start-ups, business enterprises who are engaged in new business development, and developing industries originating from the region, and has been co-sponsoring the “Shigagin Nonohana Prize for Innovation” since its inception.

I myself have served as a judge for the final selection every year, and while I was moved by the enthusiasm that overflowed from each finalist's presentation, I made comments from the standpoint of business plan judging, fair and just, and sometimes even dryly.

In presentations where time is limited, I have always said that, above all, I would like you to emphasize and explain more clearly the uniqueness of the technology, product/service to be commercialized and its superiority, such as the factors that differentiate it from its competitors.

Through this initiative, I expect that many successful cases that contribute to the realization of a sustainable society will be accumulated through the support of the Shiga Bank, which is actively expanding innovative services for the revitalization of the regional economy.



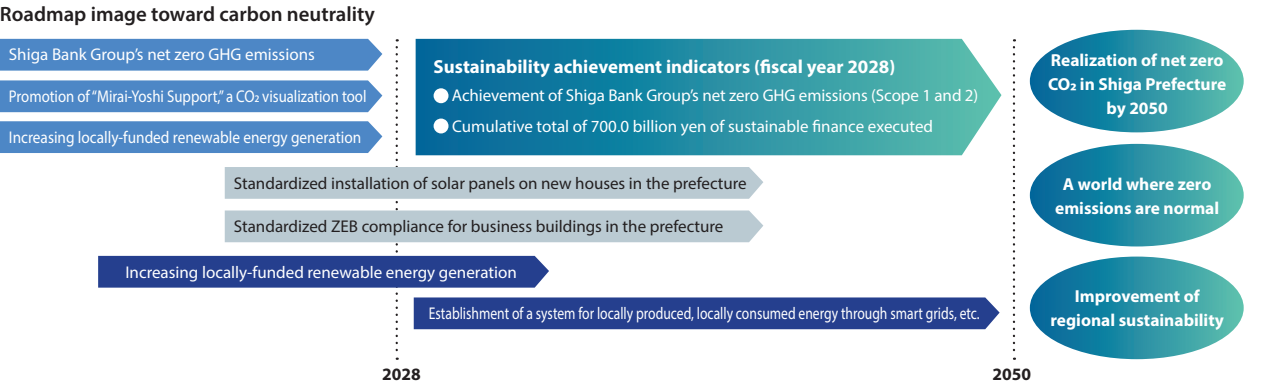
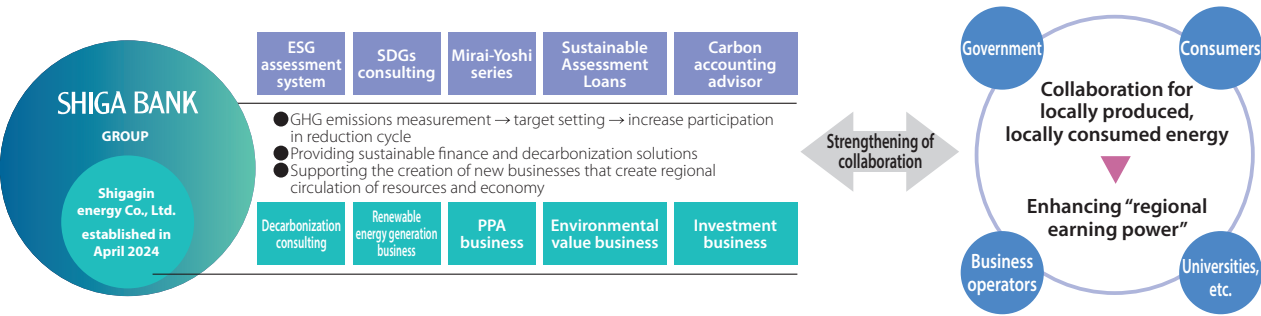
Takara Bio Inc.
President & CEO
Koichi Nakao

Creating business opportunities centered on decarbonization

The transition to a carbon neutral society by 2050 is a common challenge for all humankind, and initiatives to decarbonize are expanding into the entire supply chain, involving regional middle-ranking and small- and medium-sized enterprises as well. In addition, with the growing momentum toward finance-driven decarbonization in recent years, there is a growing social demand to focus on the influence of financial institutions, and regional financial institutions are beginning to recognize that contributing to regional decarbonization is one of the main objectives of their business activities.

Shiga Prefecture, where the Bank is headquartered, is one of the most dependent on secondary industries in Japan, and a delay in addressing decarbonization could lead to a decline in the regional economy. On the other hand, if we can drive decarbonization upfront and turn it into a strength, it can lead to further economic development. In addition, if energy costs, estimated at approximately 200 billion yen, can be prevented from flowing out of the prefecture and funds can be circulated in the region, a ripple effect can be expected that will enrich the entire region.

With this in mind, the Bank is developing a variety of businesses, by accelerating its decarbonization initiatives, to attract investment into the region, and to connect it to the regional earning power.



First energy business company established by a Kinki regional bank —Shigagin energy Co., Ltd.—

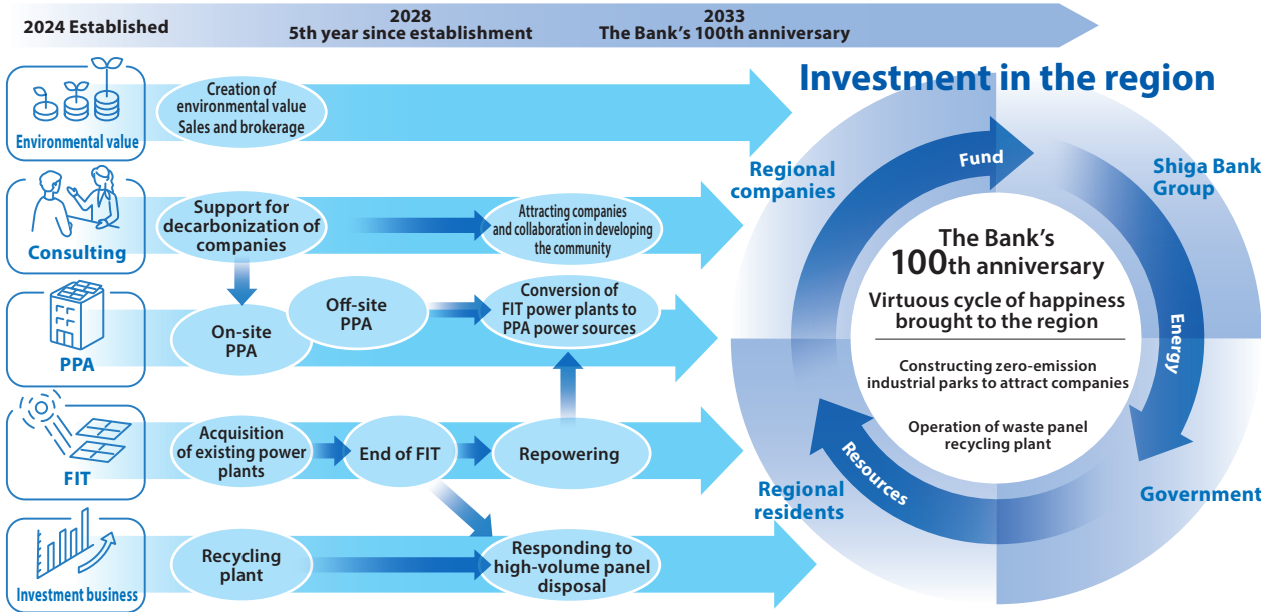
On April 1, 2024, the Bank established Shigagin energy Co., Ltd. ("hereinafter, Shigagin energy"), a wholly owned energy business company, as the first bank headquartered in the Kinki area.

Shigagin energy aims to solve regional issues from an energy perspective through GX (green transformation) initiatives and to create a virtuous cycle between the economy and the environment.

Specific activities will include decarbonization consulting for companies and the operation of solar power plants to expand the use of renewable energy and create systems for locally produced, locally consumed energy. In the future, we envision the creation of new regional industries that utilize renewable energy and the investment in new businesses that realize resource recycling.



Image of Shigagin energy's business development toward decarbonization



TOPICS

Acquired and launched operation of two existing FIT solar power plants

On April 25, 2024, Shigagin energy acquired and launched operation of two existing FIT solar power plants (total output: 3.05 MW) as its first project for the electricity sales business.

By quickly accumulating the know-how required to operate solar power plants and continuing stable power plant operations after the end of the FIT (Feed-in Tariff), we will contribute to building and maintaining the infrastructure necessary for a carbon neutral society.

The newly acquired power plants are expected to generate a total of approximately 4.20 million kWh per year, which is equivalent to the annual electricity consumption of approximately 1,000 ordinary households.

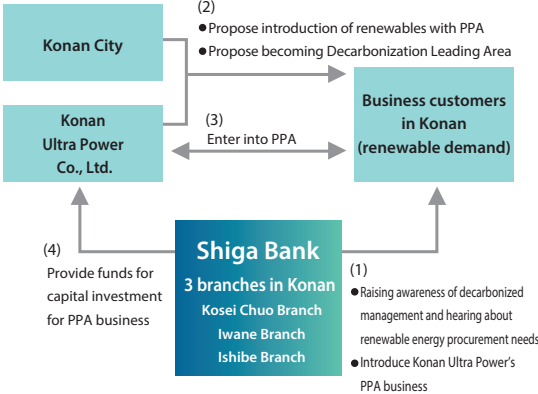
Name (Location)	Power generation output	Expected annual power generation
Shigagin energy Power Plant Konan, Koka City (Koka City, Shiga Prefecture)	1,350 kW	Approximately 4.20 million kWh (equivalent to 1,000 households) *Annual electricity consumption Calculated at 4,175 kWh/household (Ministry of the Environment, fiscal year 2021)
Shigagin energy Power Plant Oyabu, Tajimi City (Tajimi City, Gifu Prefecture)	1,700 kW	

Establishment of a business model that strengthens collaboration with regional stakeholders

In order to promote regional decarbonization, it is important to collaborate with a variety of stakeholders, including regional residents, companies, and local governments, and to expand decarbonization into a region-wide initiative. Therefore, the Bank is working to establish a business model that promotes decarbonization in cooperation with each stakeholder.

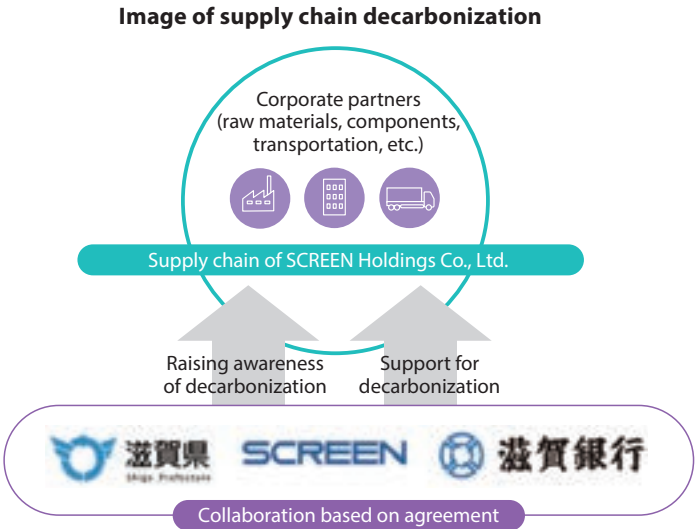
Collaboration with local governments for “Decarbonization Leading Area” initiatives

In November 2022, Konan City was selected as the Ministry of the Environment's "Second Decarbonization Pioneer Region," and we are working with Konan City, Shiga Prefecture, and Konan Ultra Power Co., Ltd. to implement the "All-Konan Decarbonization Project: Casual Mutual Support Town Development." In this project, we are utilizing our know-how to raise awareness of decarbonization management for businesses located in Konan City, support them in developing plans, and provide financial support.



Industry-government-banking collaboration to decarbonize supply chains

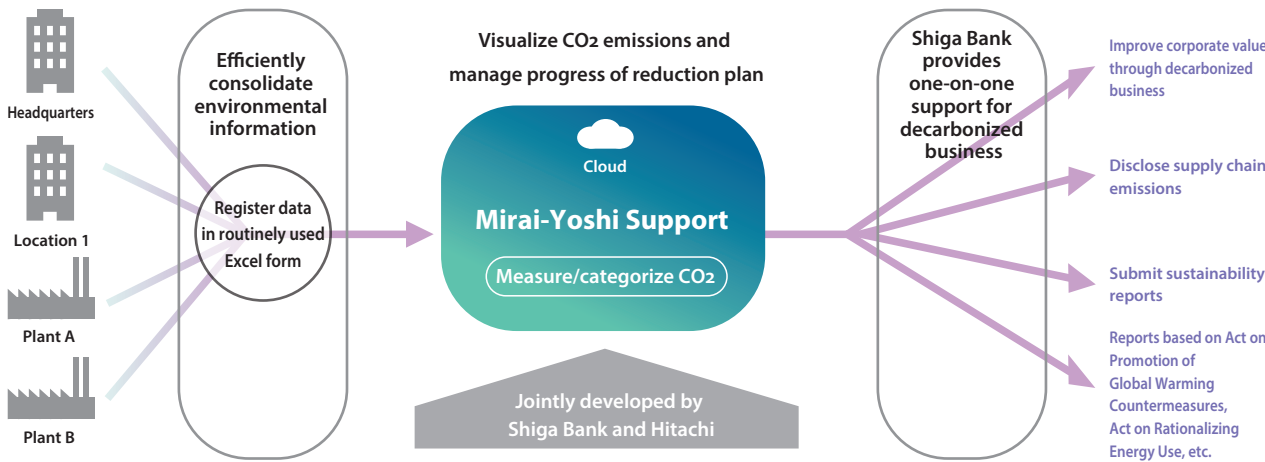
The Bank entered into the Agreement on Decarbonization to Contribute to the Improvement of Sustainability in June 2023 with SCREEN Holdings Co., Ltd. and Shiga Prefecture, and we are proceeding initiatives for decarbonization. Through the network of corporate partners in Shiga Prefecture owned by SCREEN Holdings Co., Ltd., we will promote decarbonization of the entire supply chain, leading to the realization of “Shiga CO₂ Net Zero” by 2050, set forth by Shiga Prefecture. The Bank supports decarbonization efforts integrated across the entire supply chain through means such as holding seminars for the corporate partners, supporting the use of subsidies for energy conservation diagnosis and equipment installation, and providing tools to calculate CO₂ emissions.



Support for decarbonization management with “Mirai-Yoshi Support,” a CO₂ emissions management tool

In local regions, many companies must prioritize addressing urgent issues such as labor shortages, so they do not have the time to prepare for the introduction of a carbon levy or to explore business opportunities through decarbonization. In order to encourage such companies to take the first step toward decarbonization management, the Bank has jointly developed “Mirai-Yoshi Support,” a simple and low-cost cloud service for visualizing CO₂ emissions, with Hitachi, Ltd., and the service has been provided since January 2023. It enables for the users to receive accompanying supports from the Bank from the point of “I don't know where to start,” and to establish reduction targets, implement the plan, and monitor them.

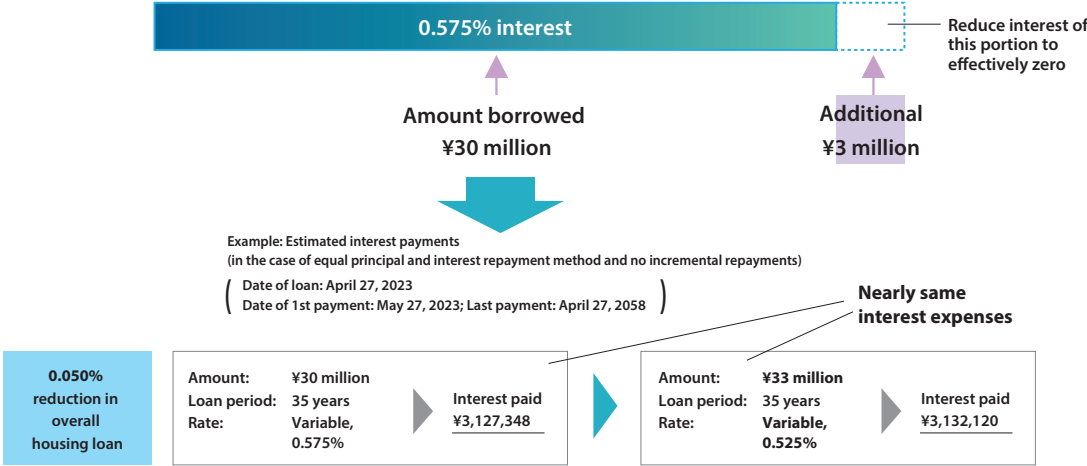
Outline of Mirai-Yoshi Support services



Collaboration with housing providers on region-wide decarbonization

Shigagin Super Housing Loan “Mirai-Yoshi,” a loan product planned and designed based on the concept of reducing loan interest rates to virtually zero for the installation of solar panels, storage batteries, and home fuel cells, has been offered since April 2023. We are working to decarbonize the region with corporation of local housing providers in order to expand the smart decarbonized lifestyle in the region, where people can enjoy the financial benefits of reducing their soaring utility expenses, while keeping their interest burden low.

Outline of design based on product concept



TOPICS

Support for acquisition of“SBT for SMEs”

Many companies are moving toward the common target of humankind to “make the world carbon neutral by 2050.” Under such circumstances, an increasing number of companies are using SBT (Science Based Targets) as proof that they are setting GHG reduction targets that are consistent with the global decarbonization trend. Major manufacturers and others are encouraging their own suppliers to acquire SBT to decarbonize their entire supply chain. In addition, the number of companies actively acquiring SBT with the aim of gaining business opportunities by acquiring SBT is increasing every year.

The Bank’s branches and headquarters work together to support customers in acquiring “SBT for SMEs (a certification that specifies requirements for SMEs, which is separate from SBT for large companies),” and the Bank supported Sakae Industry Co., Ltd. (headquartered in Moriyama City, Shiga Prefecture) as the first company to acquire the certification in January 2024.

Sakae Industry Co., Ltd. is a comprehensive processing company that mainly handles precision sheet metal, can manufacturing, and machining, and has expanded overseas with its leading equipment group and solid technical capabilities that enable consistent and comprehensive processing. The company has strategically decided to acquire “SBT for SMEs” in light of the growing trend toward decarbonization throughout the supply chain in the semiconductor industry and in the field of automotive batteries where further market expansion is anticipated.

In order to acquire “SBT for SMEs,” a company must set reduction targets for greenhouse gas emissions that exceeds a certain standard. The Bank supported the company such as calculating emissions in accordance with international emission calculation standards, setting reduction targets, and developing reduction plans. In March 2024, the company also contracted a Sustainability Linked Loan (SLL) using the reduction targets of “SBT for SMEs,” and is utilizing this loan to raise awareness, etc., toward achieving its targets. The Bank will periodically monitor and support future initiatives.



VOICE

The words “SDGs” and “decarbonization” are now being heard everywhere, and I felt their importance growing as these topics became more common in conversations with business partners and banks. I thought that it would be necessary to incorporate such ideas into our company’s management, and when Shiga Bank approached us, we decided to try to obtain the “SBT for SMEs”. It was a high hurdle for our company alone, but they accompanied us as if they were a member of our staff, from planning to handling English applications, which was a great help. By introducing “Mirai-yoshi Support” (→P.46) for managing emissions, we were able to establish a system for working on it within the company, so from now on, we would like to further increase our corporate value by clearing our goals in a logical manner.



Sakae Industry Co., Ltd.
Representative Director
and President
Shinichi Konoura

VOICE

Supporting Sakae Industry Co., Ltd. in acquiring “SBT for SMEs” was the first project the Bank was entrusted with, and was a good experience for me. In April of this year, I was transferred to the newly established Shigagin Energy Co., Ltd. (→ P.43), where I concentrate on supporting customers’ decarbonization management. We will support you with a variety of solutions, such as free “energy conservation diagnosis” provided by local governments as a support measure, and support for utilizing the carbon neutral taxation in cooperation with a certified public accountant in the Bank. If you are interested in starting something, please feel free to contact us through our branches.



Shigagin energy Co., Ltd.
Decarbonization Consulting
Naotaka Yamada

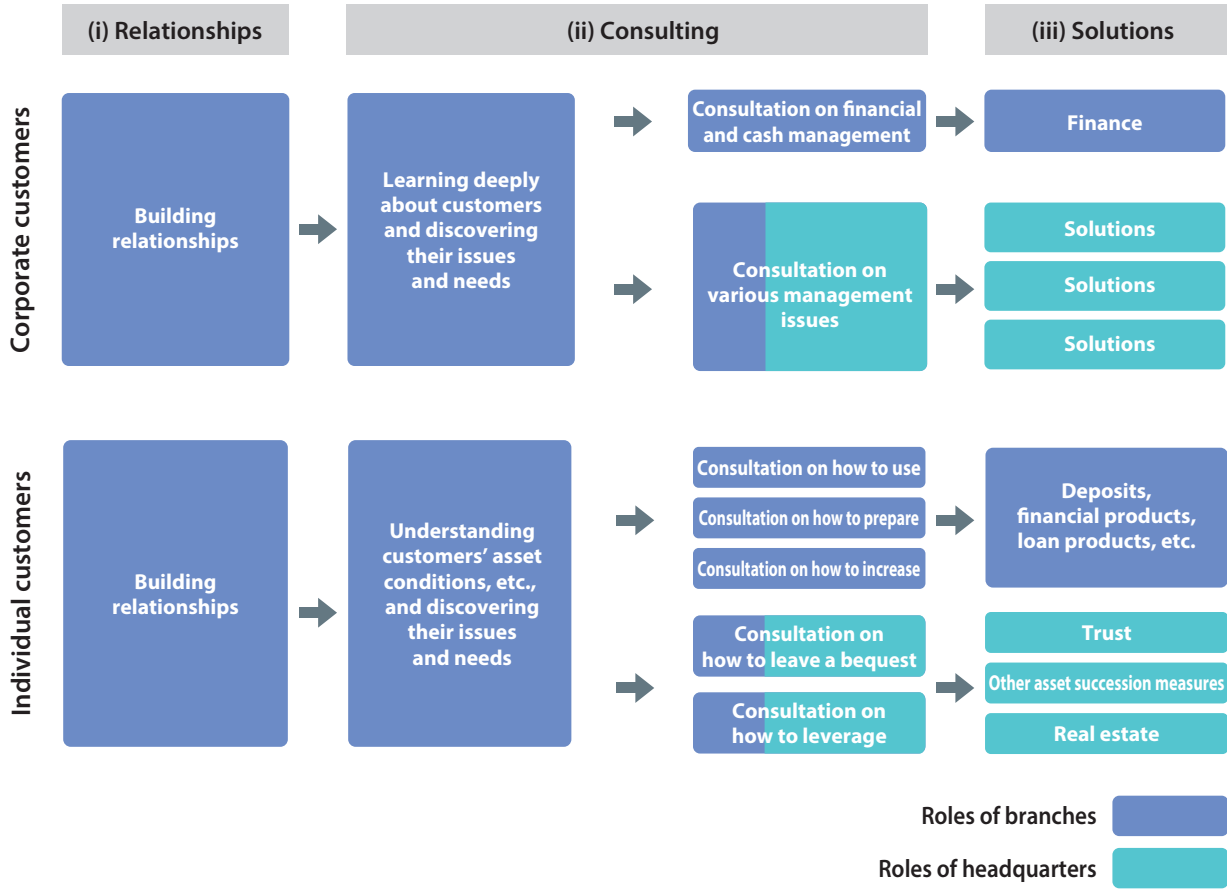
To support our customers’ dreams and businesses

We believe that the sustainability and growth of business operators and individuals are the most important factors for the sustainability and growth of the region. The Bank will work on one-on-one support of customers by providing a wide range of solution menus to solve issues to bridge the gap between the current situation and the future so that customers can realize their dreams and visions for the future.

“Strengthening relationships” with customers and practicing one-on-one support through “problem-solution type sales”

The Bank emphasizes three stages in realizing customers’ dreams and visions.

By strategically strengthening our approach to customers in accordance with the three stages of (i) relationships, (ii) consulting, and (iii) solutions, we aim to solve management issues and money-related problems, thereby increasing the corporate value and satisfaction of customers.



Initiatives for corporate customers and individual business customers

Strengthening the ability to delve deeper into management issues

Based on our belief that “solution proposals are only possible through relationships and consulting,” the Bank is working to strengthen relationships (relationship building), which form the foundation of transactions, and comprehensive consulting (consultation) skills.

In addition to systematization of know-how for relationship building in sales activities and development of a training system, we will focus on standardization of methods to discover a wide range of issues and needs of customers based on business feasibility assessments, support for branches by a specialized team within the Business Promotion Dept., increase in contact points with customers, and establishment of a system to provide continuous one-on-one support.

We will improve our skills to delve deep into business issues as reproducible skills, which will lead to providing financing and each solution to support customers’ dreams and businesses.

Strengthening finance to support growth of customers and regions

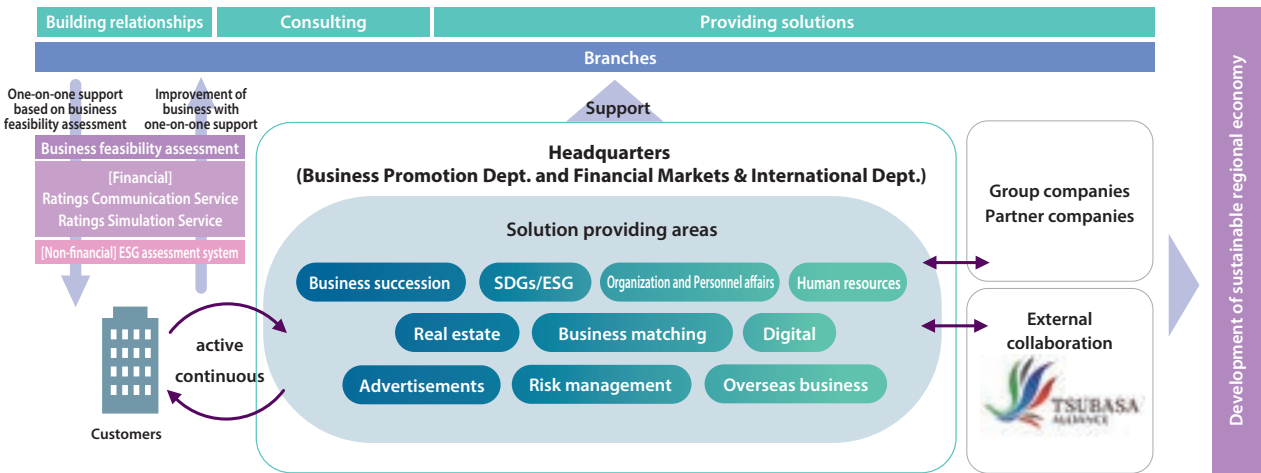
In our efforts to learn deeply about customers and respond to their issues and needs, finance plays an important role as one of the best solutions for customers. We will further strengthen high value-added financing based on business feasibility assessments, and practice timely responses through “problem-solution type sales,” which integrate solutions and financing, thereby supporting the growth of customers and regions.

Strengthening one-on-one type solutions

By leveraging group functions and deepening collaboration with partner companies, we will strengthen one-on-one type solutions to core management issues such as business succession. In addition, as management issues that require medium to long time to solve are increasing, we will work to strengthen active and continuous approaches to customers.

We will also strengthen problem solving capabilities by enhancing solutions functions to address core business issues such as customers’ sustainability strategies, personnel and human resource strategies, and DX strategies. In addition, the Bank will build a system to provide one-on-one support throughout the Bank by revitalizing communication between branches and headquarters, and by creating a framework to standardize the skills of solutions staff at headquarters.

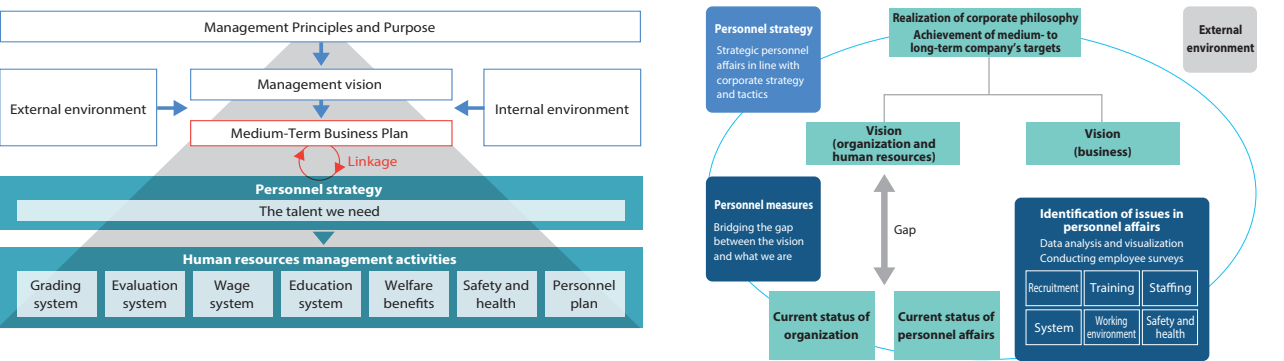
In order to broaden the range of measures to be developed in the future and increase their effectiveness, we will deepen external collaboration with the TSUBASA Alliance (P61) and other organizations more than ever.



Initiatives to address issues of “persons”

Many business operators have various issues related to “human resources.”

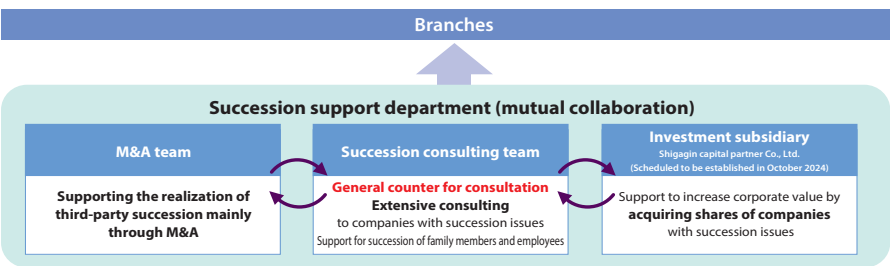
The shortage of human resources is becoming more serious due to the decrease in the working population and more strict regulations on overtime work. In addition to securing human resources, there has been an increase in consultations regarding the formulation of personnel strategies and revisions to personnel systems. In order for Shiga Bank Group to resolve customers’ management issues related to human resources, the Bank itself has obtained a license to operate in the fee-charging employment placement business, and provides a “human resources placement service” together with human resources recruitment companies, etc. In addition, because we live in an era in which it is difficult to foresee the future, it is necessary to draw the “desired future” that the company wants to realize, in line with Purpose and strengths. To this end, we are engaged in “personnel consulting,” in which we think together with customers about how their organizations and human resources should be, and propose plans suited to each company.



Initiatives to support business succession

As one of the social issues in the region, we focus on supporting business succession, which is one of the Bank’s materiality (P.31).

In April 2024, a specialized team for business succession consulting was established within the Business Promotion Dept. to maximize contact points with customers and engage in activities to encourage early action to resolve issues. In addition, with the establishment of a subsidiary specializing in investment scheduled in October 2024 (P.54), we will further improve expertise and strengthen functions in areas such as support for business successions.



Sustainable finance initiatives

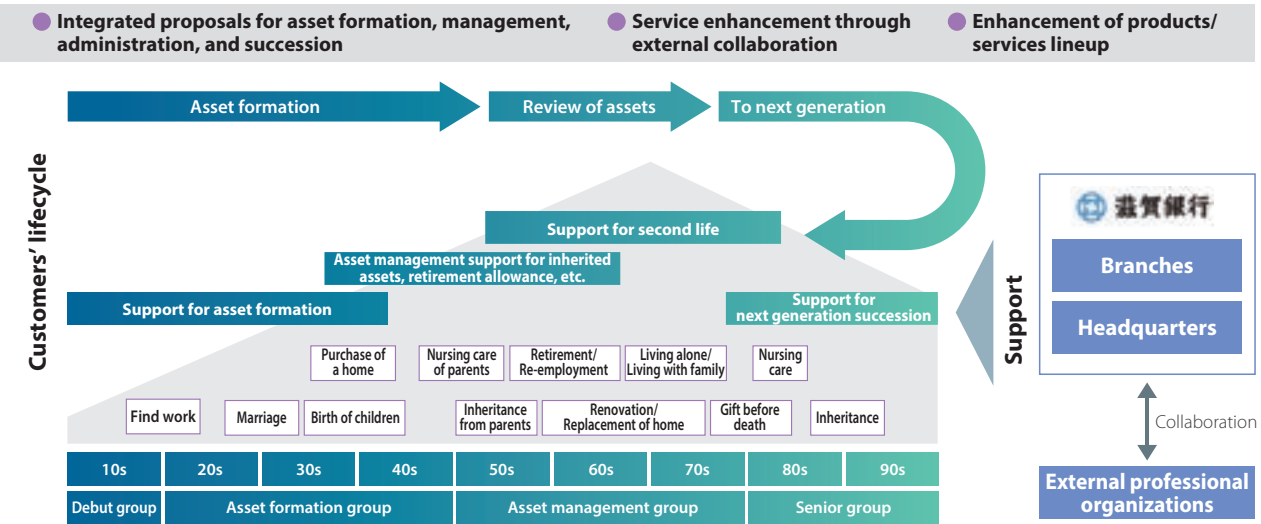
Branches raise awareness of sustainability management through “ESG assessment system” and “Support in drafting SDGs declaration,” and promote customers’ sustainability initiatives through “SDGs consulting” in collaboration with the specialized ESG finance team at headquarters.

In addition, we are expanding offerings of sustainable finance as it is utilized as a “tool for customers’ sustainability management.” In addition to Sustainability Linked Loans (SLL), which were the first commercialized by a regional bank in 2020, we offer customers optimal proposals from a variety of financing methods that comply with international principles and our own products, such as Positive Impact Finance (PIF) and green loans/bonds, in order to support the enhancement of corporate value.

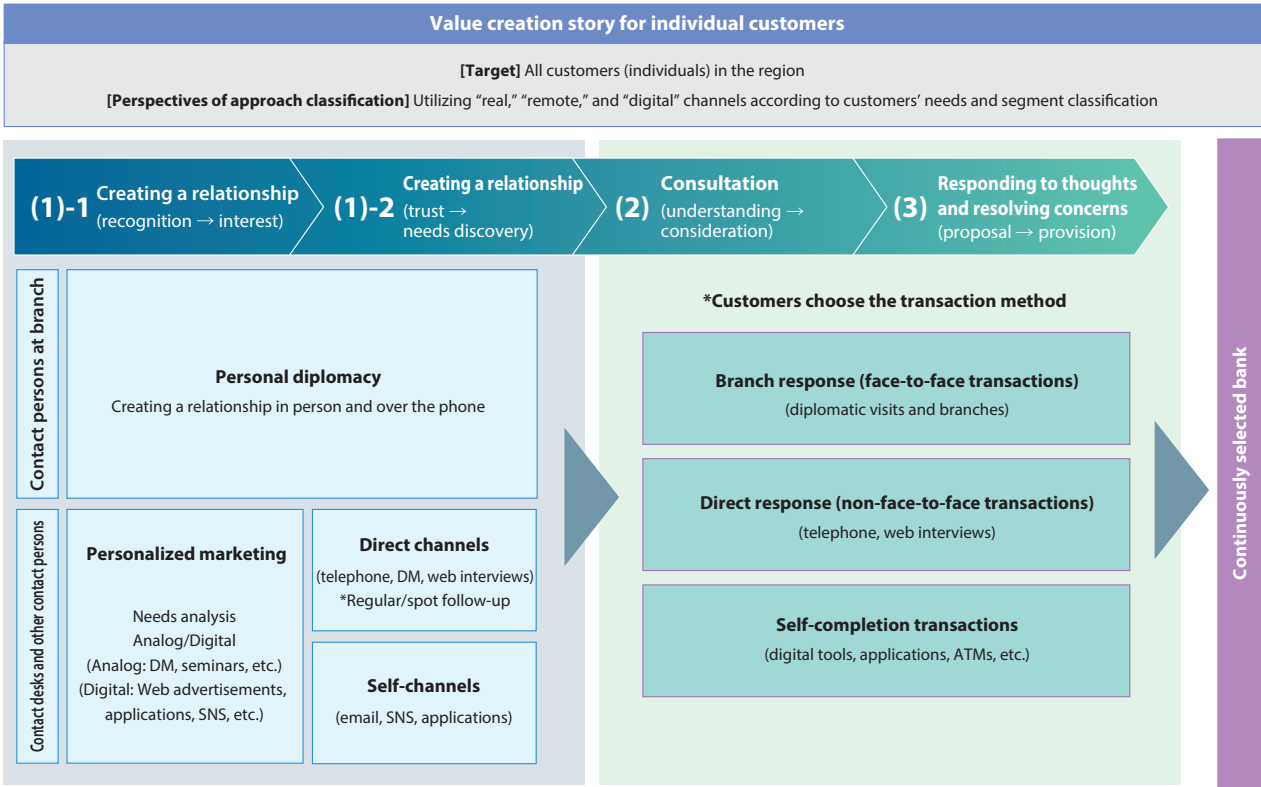
Initiatives for individual customers

We will achieve a high level of convenience that is tailored to the diversifying values and lifestyles of customers.
We practice goal-based support* to provide high added-value to all of customers.
*Share customers' dreams (goals) and support closely to realize them.

Goal-based support to realize customers' dreams



Enhancement of contact points with customers and CX (Customer Experience)



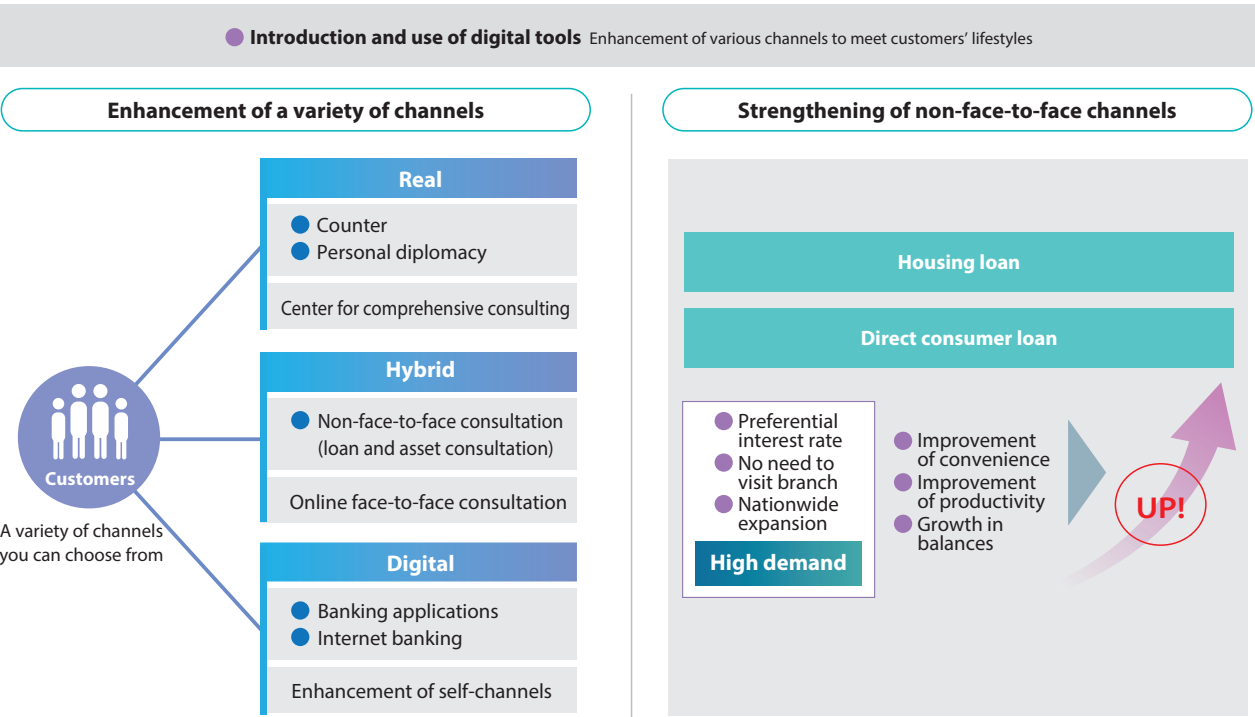
Valuable proposals that are tailored to customers' lifestyles

In addition to real consultations and proposals, digital tools and online interviews will provide a high level of convenience that is tailored to customers' lifestyles.
We provide comprehensive consulting services (asset management, asset succession, etc.) to wealthy individuals, corporate owners, etc. To cater to increasingly diversified and sophisticated customer needs, an SD Team, consisting of AFCs (area financial consultants), securities advisors, and insurance advisors, provides back-up support for the asset formation consulting services offered by branches.

Implementing data-driven personalized marketing

We use data to provide information and services suited to each individual customer and deliver product and service information tailored to each individual based on customer behavior information. (Combination of contact desk and digital tools)
We will also strive to strengthen contact points by using branches, direct channels, and self-channels.

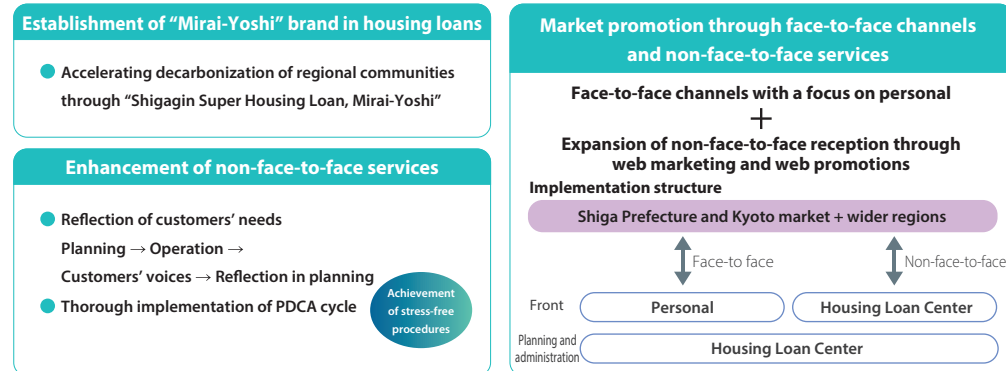
Expansion of banking services



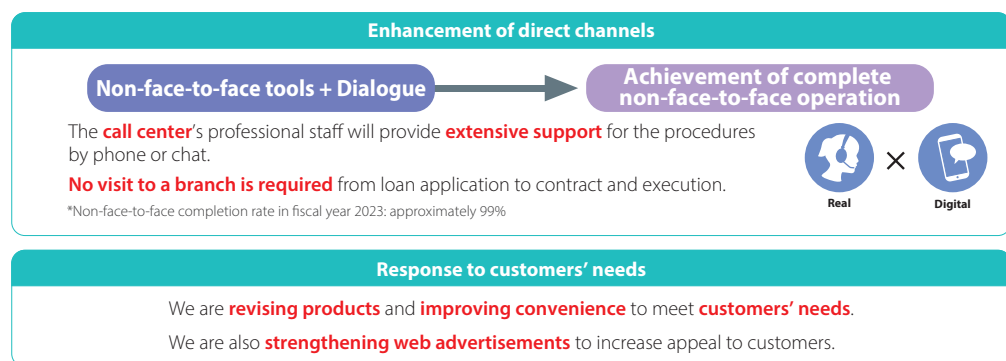
We will expand non-face-to-face channels and introduce face-to-face support tools to sophisticate contact points with customers and improve CX. We will then enhance various channels for convenience, allowing customers to choose and use functions according to their convenience.

Initiatives for individual loans

Housing loan



Direct consumer loan



The call center’s professional staff will provide extensive support for the procedures by phone or other means, which is complete non-face-to-face.

We are revising products, improving convenience, and enhancing appeal to meet customers’ needs.

TOPICS Bequest donations through testamentary trusts

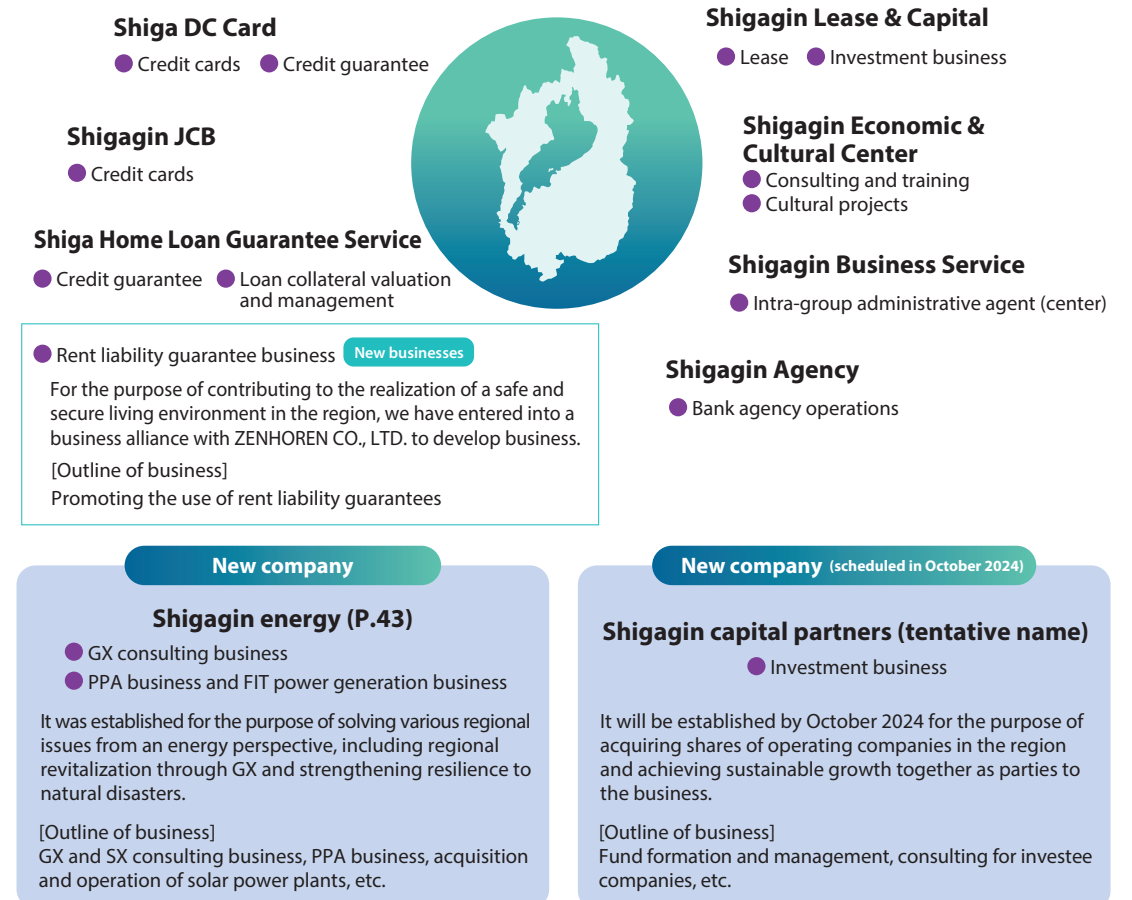
On March 21, 2024, the Bank concluded an “Agreement on Bequest Donations through Testamentary Trusts” with the Biwako Arts Foundation and on June 19, 2024, with Shiga Prefecture and eight cities and towns* in the prefecture.

Together with the Shiga Prefecture Chapter of the Japanese Red Cross Society, with which the said agreement was concluded last year, the regional network has been enhanced. The Bank supports customers who wish to use their inherited assets for the revitalization of the regional economy, the development of regional medical care, the promotion of arts and culture, and the enhancement of education and welfare, by acting as a bridge to help them realize their wishes smoothly and puts into practice our Purpose, “Making the region happy with ‘Sampo yoshi’ philosophy.”

*Eight cities and towns including Otsu City, Nagahama City, Moriama City, Ritto City, Konan City, Maibara City, Toyosato Town, and Kora Town.

Initiatives for group strategies and new businesses

We will contribute to the sustainable growth of customers and regional communities by creating new businesses that help to resolve regional and social issues, and by enhancing solution menu and providing optimal solutions through the collective efforts of the Shiga Bank Group.



TOPICS Newly established “Future Design Group”

The group was newly established in April 2024 to create new businesses that will help to resolve regional and social issues.

We will foster a corporate culture to encourage employees to take on challenges and develop “Design personnel” with the aim of realizing the “vision for regional communities.”

VOICE

In our trust services, such as testamentary trusts, testamentary substitute trusts, and inheritance management, we work closely with customers to help them realize their inheritance-related wishes.

In the process of testamentary trusts, we identify issues that need to be considered in advance based on customers’ assets, verify whether the contents of the will are feasible with a view to executing it, and advise customers on how to clearly write messages to their families and those to whom they would like to express their gratitude.

In May 2024, the Bank published its original ending note, “Shigagin’ Mirai-Yoshi Note.”

We hope that this note will be used to make customers’ and their families’ lives Mirai-Yoshi, and to pass on their wishes to their loved ones.



Solution Sales Office,
Business Promotion Dept.
Trust Team, Retail Promotion Group
Rina Minakuchi

The 8th Medium-Term Business Plan

Basic Strategy #2

Base for Growth



Work to strengthen our management foundation

In order for customers, regions, and us to continue sustainable growth, we need to work to strengthen a management foundation.

By establishing a solid management foundation, we can take on new business challenges.

And if the management foundation is strong, we will be able to have the flexibility and competitiveness to respond to changes in the external environment.

In addition, “stable earnings” must be secured to support the management foundation.

We will work to diversify earnings through effective use of capital and strengthen management infrastructure by practicing data-driven management, utilizing AI, DXing, optimizing branches and channels, and so on.

Base for Growth

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.

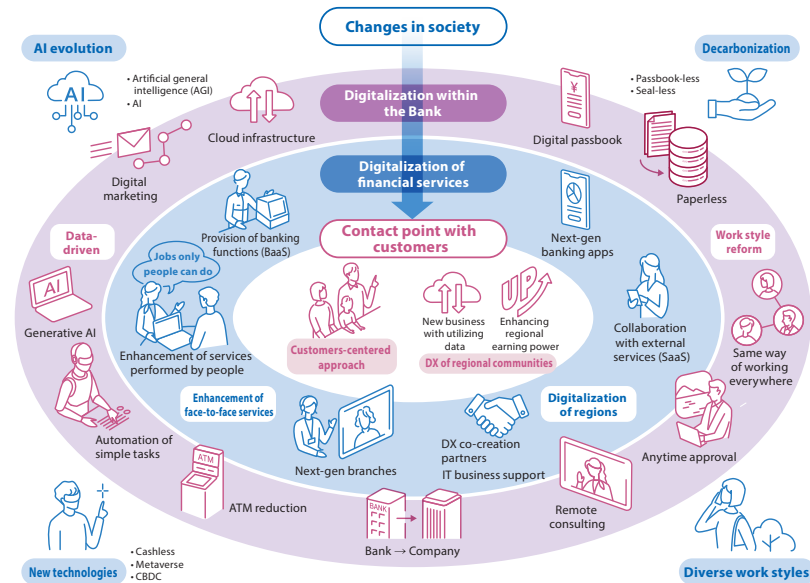
- Contributing to greater convenience and customer satisfaction through digitalization
- Improving the productivity of business operations
- Working to provide worry-free and secure digital services

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.

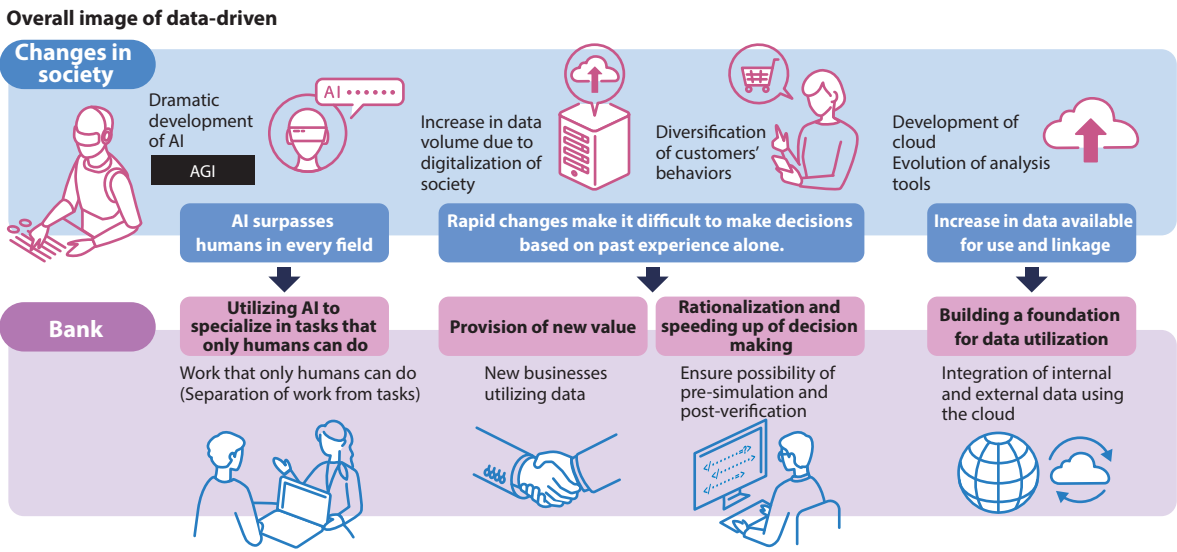
Data-driven

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.



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.

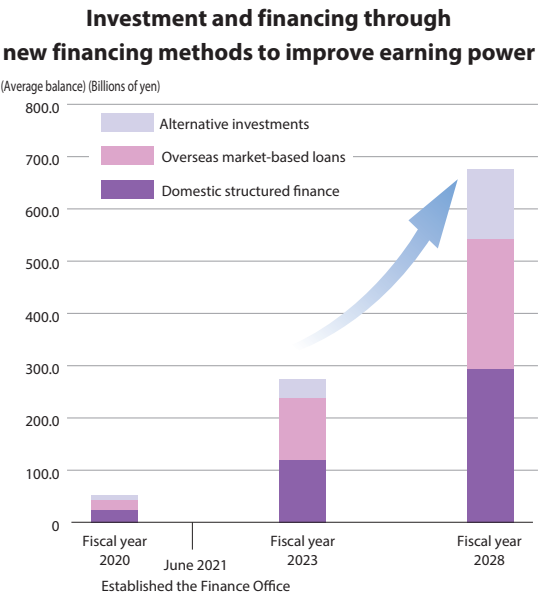
Finance strategy

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.



Securing stable earnings through diversified investments

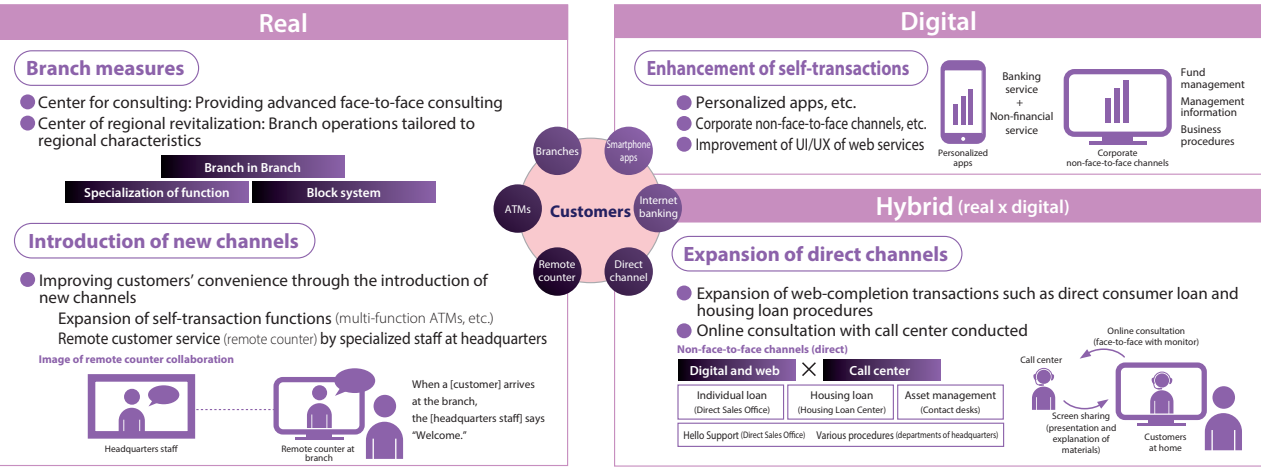
We aim to secure stable earnings through a risk diversification strategy based on “strategic diversification,” “regional diversification,” and “time diversification.”

(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)
- Buyout fund - Venture fund - Infrastructure fund - Real estate private placement fund - Private REITs - Private debt - Mezzanine fund - Ship fund	- Corporate - Financial institutions - Overseas project finance - Ship and aircraft - Overseas real estate non-recourse loan [Regions] North America, Asia, Europe, Oceania, Middle East, etc.	- 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, wide-spread 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.

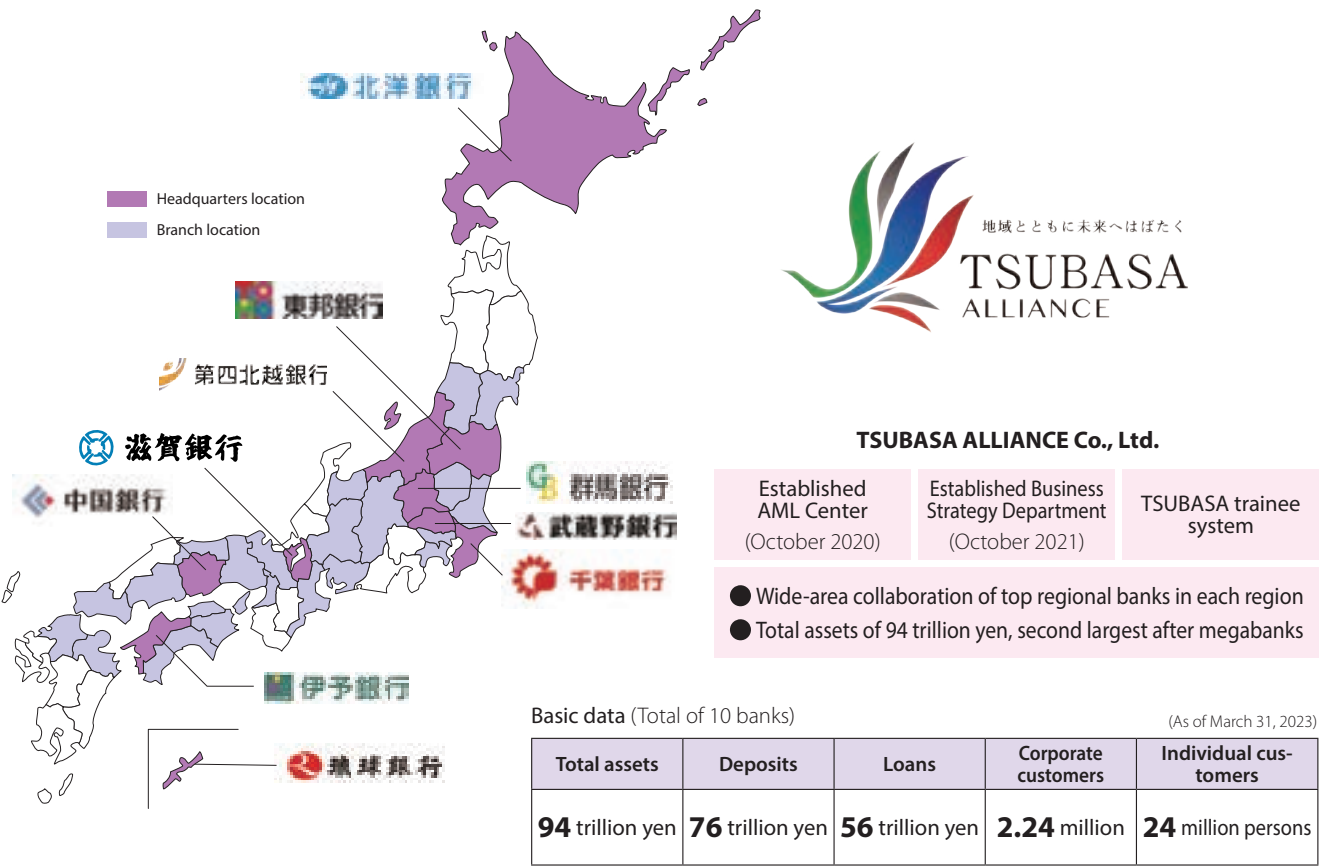


Wide-area collaboration of 10 top regional banks

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.

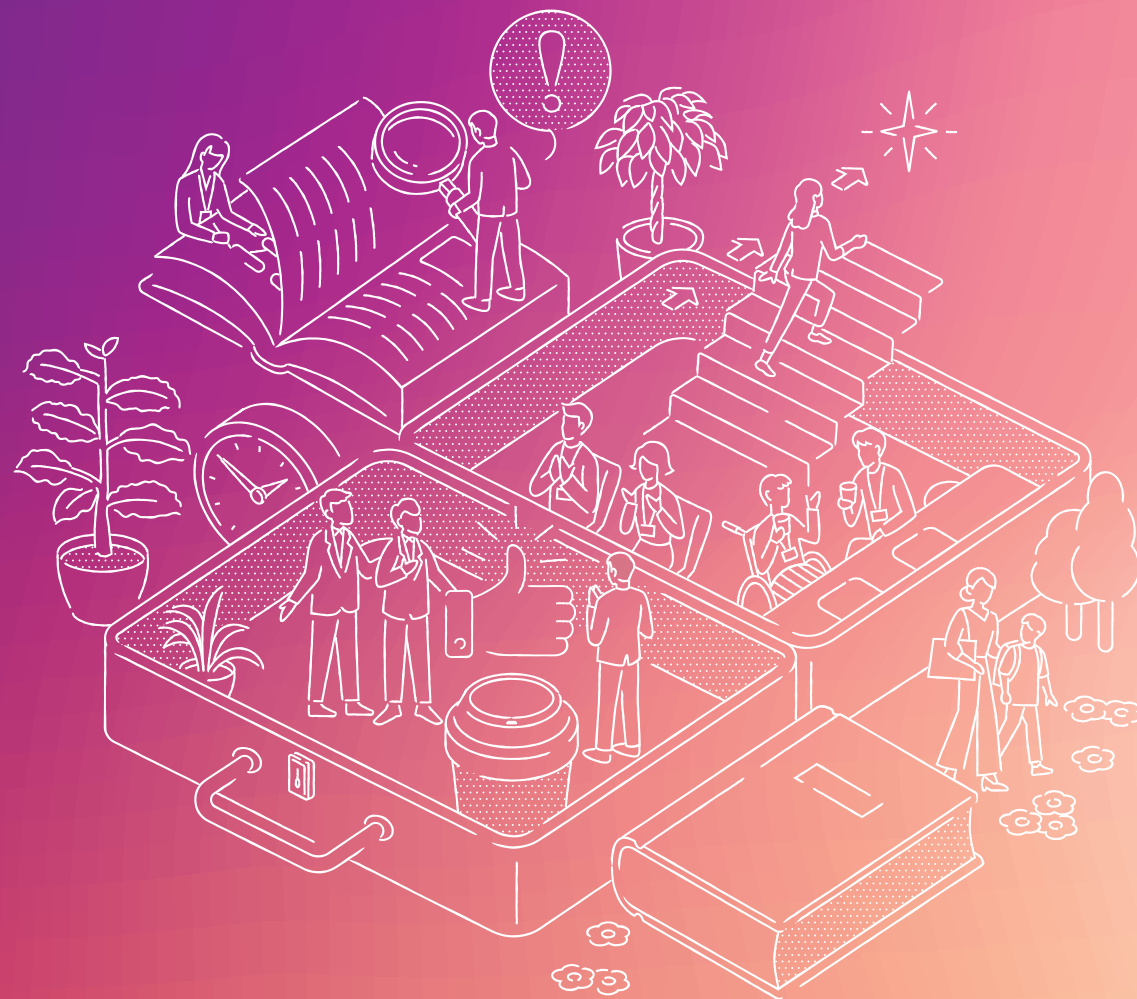
Donation to the people affected by the “2024 Noto Peninsula Earthquake”

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.

The 8th Medium-Term Business Plan

Basic Strategy #3

Human First



Human First

Maximizing human capital

"Persons" are the drivers of value creation, and it is necessary to cultivate many persons who can develop their personality, play a leading role in value creation, and take on challenges for the future of the region.

Under the Purpose (reason for existence), the Bank is committed to "human capital management" with a focus on "persons" more than ever.

Higher employee engagement will lead to a positive impact on customers and regions.

As a result, this will lead to an increase in corporate value.

To achieve this, we will work to develop human resources, support their growth, and foster a corporate culture of "challenge" and "admiration."

Message from the Officer Responsible for Personnel Affairs



**“Now, here, and me”
toward a future with a will
Envision the future, keeping in mind
the importance of the present moment
Each and every one shines and lights up
the surroundings**

We aim to create
a “virtuous cycle of happiness brought to the region”
by practicing “development of people”
who continue to seriously meet with
regional communities and customers.

Katsuyoshi Horiuchi,
Senior Managing Director

Steps toward human capital management

The Bank defined the motto as the starting point of CSR (Corporate Social Responsibility) and formulated the Management Principles which set forth “co-existence and co-prosperity” with “regional communities,” “all employees,” and the “environment” in 2007.

“Co-existence and co-prosperity with all employees” is a strong aspiration fostered from our belief that “persons” are one of the keys to existence of a company, and from our efforts to promote their growth. The “human resources recruitment system,” which allows employees to raise their hands and take on challenges, has been implemented every year since 2001. We encourage employees to take on challenges voluntarily and proactively, and provide them with opportunities to realize their visions for careers and develop a work environment that makes active use of diverse human resources. In addition, the personnel system launched in April 2002 introduced an evaluation sheet that encourages employees to act voluntarily to achieve their targets set by themselves and a “multi-degree feedback” in which subordinates evaluate their superiors, thereby increasing motivation by enhancing autonomy and a sense of satisfaction with their work. In addition, we are continuously focusing on support

for self-development and training outside the Bank. We are working to enhance “human resources” by reviewing personnel evaluation system, etc., as appropriate, in line with the circumstances of the times.

The perspective of diversity is also important for vitalizing the organization. In 2006, we established the “Committee for Advancing Women’s Success” and have been working to develop systems and environments that facilitate female’s activities. In 2016, we implemented the “Ikubosu Declaration” and in the same year became the first regional bank in the Kinki region to be certified as a “Platinum Kurumin” as an excellent childcare support company. The “Committee for Advancing Women’s Success” was reorganized to broaden its scope and activities, and the “Diversity Promotion Committee” was established in April 2020 to promote diversity-related measures, focusing on “hiring diverse human resources” and “employees’ awareness reforms.”

Although the Bank has a history of more than 90 years, the source of our corporate value has been and will continue to be “persons.” Our motto “Be tough on ourselves, kind to others and serve society” inherited from the spirit of the Omi Merchants, our thoughts and actions will lead to the development and happiness of the region. Aiming for “contribution” and “growth” through work, we continue to move toward a “future with a will.”

Principles/Value
(guidelines for action and value standards)

Taking the opportunity of the formulation of the 8th Medium-Term Business Plan, the Bank has organized its principles, and has defined the motto inherited from the spirit of “Sampo yoshi,” “Be tough on ourselves, kind to others and serve

society,” as the Value (guidelines for action and value standards). The following thoughts are included in this motto.

These are words that are also applicable to the vision of an individual and the concept of realizing both economic and social values that are required today, and this foresighted “motto” is the eternal and unchanging spirit of the Bank, which serves as the foundation for all of our activities.

Motto	Be tough on ourselves	Each and every employee should have a firm awareness that he or she is a member of society, always strive for self-improvement, and enhance his or her own reason for existence.
	Kind to others	We must discipline ourselves and work with a market-in stance, putting the customers first.
	Serve society	Think and work with a sense of gratitude to society and contribute to the development of regional communities through practices.

“Persons” are the drivers of value creation

Although the financial industry has long been known as an industry that deals with invisible “intangible products,” the Bank, as a regional financial institution, has been able to continue to grow as a company by providing a variety of value while constantly meeting with customers and regions, because we have positioned “persons” as the driving force. The speed of technological innovation and social change is increasing faster than ever before. In such an environment, more agile and flexible responses are required, and at the same time, the skills and roles required of “persons” are also changing. Because the financial industry in particular deals with invisible commercial products, we believe that “persons” are the most important management capital that can respond to such changes.

So far, the 7th Medium-Term Business Plan set forth the target of “developing problem-solution type human resources” and we have been working to develop employees who can solve various problems faced by customers. However, we feel that problem-solving skills alone are not enough to support the growth of customers and regions, and to continue to make them happy. In order for us to be chosen by customers

and regions, it is important for us to acquire the ability to create “what is necessary for customers and regions,” and to link this to the realization of those needs.

While technological innovations such as AI are advancing, the value of our, “persons,” existence is to learn the power of creation. And in order for us to remain the “needed ones,” each of us must proactively consider what skills we should acquire and what roles we should fulfill.

Toward organization in which diverse human resources play an active role

In the 8th Medium-Term Business Plan, started in 2024, the Bank has defined the vision as “Sustainability Design Company—Design the future of our customers and regions—” and set forth three basic strategies including “Impact Design” to design sustainable growth for customers and regions, “Base for Growth” to strengthen the management foundation for growth, and “Human First” to maximize human capital. Under these circumstances, we consider investment in human resources to be a priority in the management strategy, and have defined 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,” and are working to “improve individual capabilities” and “revitalize the

organization” to increase employee engagement under the human resources development policy and the policies for improving the internal environment.

In order to face social issues and promptly respond to increasingly diverse and complex needs and issues in the rapidly changing environment of society, it is necessary to sharpen one’s unique strengths and enhance the value of one’s existence by allowing employees to demonstrate their individuality in a variety of fields. We then place them in optimal positions where they can better demonstrate their strengths and characteristics, such as ability and aptitude, and by successfully combining the abilities of each individual, we aim to maximize organizational performance and transform the organization into one where diverse human resources can be leveraged.

Human resources development policy

“Design personnel” development
◇ **Persons who can create issues for customers and regions, design solutions, and link them to the realization of those solutions**
Considering the deposit and loan business operations as a relationship opportunity, improve the ability and skills to design value creation for customers and regions and link it to solutions.
◇ **Persons who design their careers (=vision) and continue to take on challenges to achieve them.**
In an era of rapid change, we develop and support human resources who have high aspirations and continue to take on challenges, while drawing up their own “vision.”

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, and having each employee fully demonstrate their abilities.

We also believe that financial stability is important for employees to fully demonstrate their abilities, therefore we will promote financial wellness initiatives. Specifically, we will provide financial education aimed at improving financial literacy, as well as support employees from a financial perspective by establishing various programs such as employee stock ownership, asset-building savings, defined contribution pension plans, and employee loans, in order to improve employee satisfaction and motivation.

To be an organization that gathers “aspirations”

The transformation from a Bank to a Company is still in a situation where there are still issues to be addressed. Due to changes in sense of values and other factors, we believe it is necessary to change from organizational formation focused on “discipline and control” to one focused on “vision and sense of values,” based on the idea that a company is formed not by individuals within a company, but by the aggregation of individuals.

We will also focus on the “individual” more than before, and by encouraging transformation into an organization where the personality of each individual shines and is admired, we

aim to become an organization where flexible ideas and forward-looking challenges that are not bound by the conventional banking framework are admired, while cherishing the existing corporate culture based on “trust.”

The Bank’s greatest strength is its “persons,” and there are many employees at the Bank who truly want to help the region. I believe that “Shiga Bank” is a place where we can work for customers and regions with such aspirations, and I would like to continue to be like that.

I will also continue to take on the challenge of becoming an organization that continues to create value based on the aspirations of each and every employee, and that inspires the empathy of customers and regions.

Value creation in personnel strategy

Recognition of issues

For the purpose of creating an environment in which each and every officer and employee can demonstrate their abilities with a sense of fulfillment and work satisfaction, and can play an active role and take on challenges, the Bank understands the level of engagement of employees with the company and is working on further organizational improvement measures.

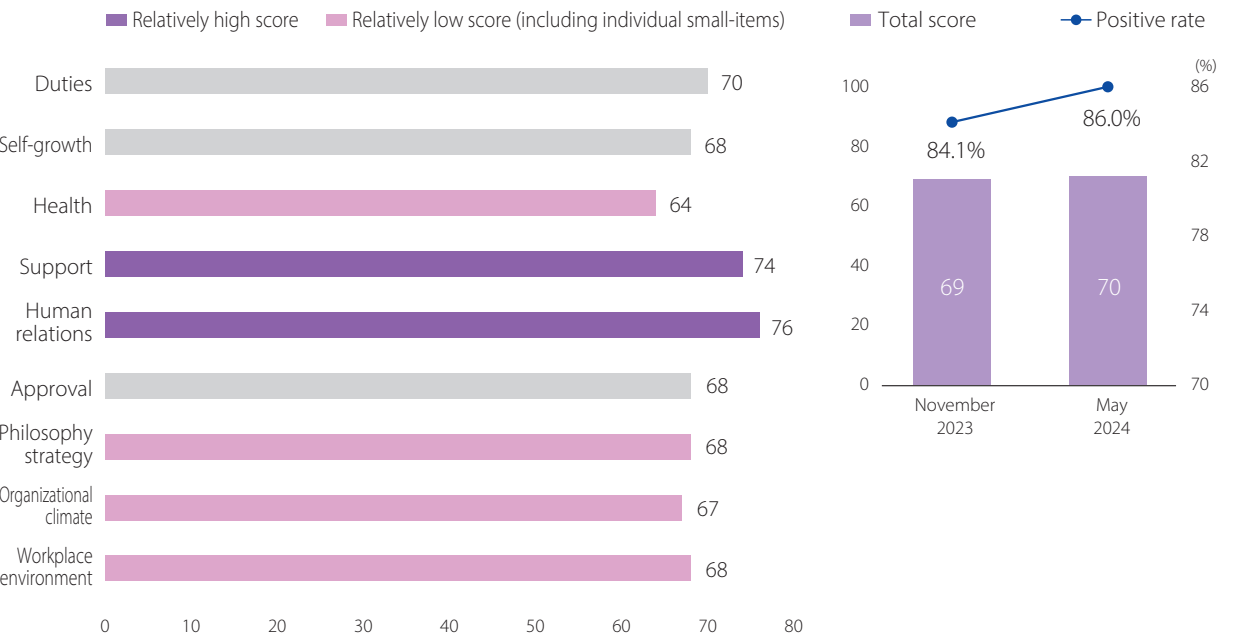
In the engagement surveys conducted in November 2023 and May 2024, the “Support” and “Relationships” items scored high. In the midst of diversifying sense of values, we have established flat and good human relations and trust, which we believe is one of the Bank’s strengths.

On the other hand, we believe that there is still room to systematically increase human capital through communication tailored to each individual’s personality and by drawing out the abilities of persons with different strengths and characteristics, and we recognize the following issues.

- Although efforts have been made to improve productivity, it is necessary to restructure the human resource portfolio appropriately in light of changes in workload due to the fluidization of the labor market and the complexity of customers’ issues.
- It is necessary to change from promotions based on bank sales skills to promotions with more focus on management skills, as well as to improve the abilities and skills of the management level.
- It is necessary to penetrate the Bank’s mission, vision, and values, and to make the workplace psychologically safe.
- We need to engage in proactive human capital investment and clearly share the details of this investment with employees.

Based on good human relations and workplace environment, we will work to create an organizational climate in which each individual in the workplace can feel a sense of fulfillment, achievement, and personal growth more than before.

Results of engagement survey



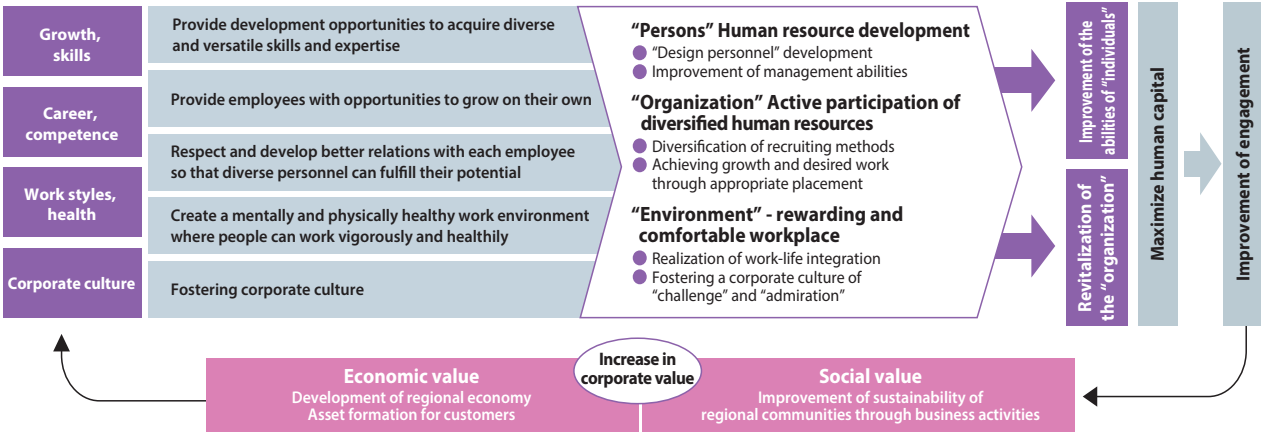
Personnel strategy of the 8th Medium-Term Business Plan

In the 8th Medium-Term Business Plan, the KGI of personnel strategy is set as “improvement of engagement” and we intend to maximize human capital by improving the abilities of “individuals” and revitalizing the “organization.”

In order to improve the abilities of “individuals,” we will support the realization of each individual’s vision through both “human resource development” and “growth support,” create opportunities for motivated and ambitious employees to grow and play an active role independently, and strengthen efforts to acquire skills that can be used both inside and outside the Bank. In addition, to revitalize the “organization,” we will promote the development of a workplace environment that matches diverse sense of values and work styles, enhance the leave system to achieve a balance between life and work, and create an organizational climate that is easy to work in.

In order to reform and further advance the Shiga Bank Group, we will strive to foster a corporate culture that encourages the will to take on “challenges” and actions without fear of failure, and “admires” positive attitudes, thereby enhancing the value of each and every employee and, consequently, the corporate value of the Bank.

Value creation process for personnel strategy



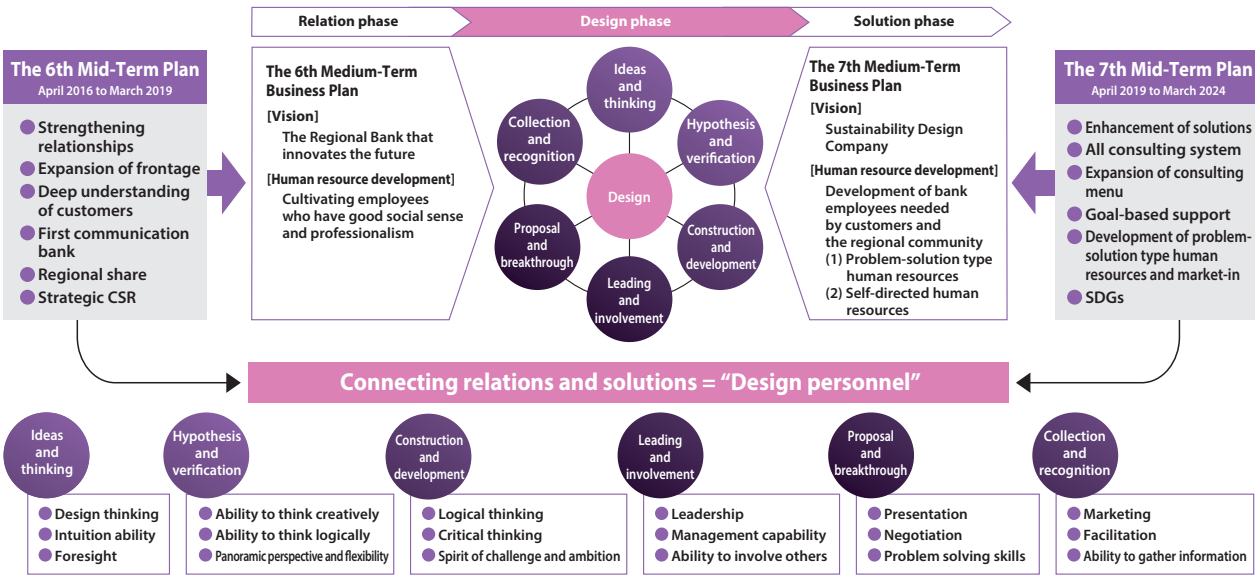
“Persons” Human resource development

“Design personnel” development

In the 8th Medium-Term Business Plan, we will first shift our emphasis from “bank training” to developing human resources that can be used both internally and externally.

As a regional financial institution, the Bank has focused on strengthening relationships (the 6th Medium-Term Business Plan) and solutions (the 7th Medium-Term Business Plan) and has worked to develop problem-solution type human resources in order to provide problem-solution type financial information services. In the future, considering the deposit and loan business operations as a relationship opportunity, we will improve the ability and skills to design value creation for regions and customers and link it to solutions (=“Design personnel” development).

Specifically, we will provide practical output-based training to enable employees to acquire abilities that are applicable both inside and outside the Bank (design thinking, logical thinking, marketing, etc.) in addition to training in banking business operations and skills, and strengthen the development of an environment that enables self-development without time or location constraints by using video distribution, etc. We also actively work on secondment to outside companies, not only to acquire knowledge, but also to experience other corporate cultures, etc., which will help to revitalize the Bank’s organization in the future.



Development of management personnel

The role of management personnel is extremely important in human capital management and we are working to “improve management abilities.”

The essence of today’s management regarding “persons” is based on “individualized communication,” and “essential skills required for managers (= management competencies)” have been established and spread as a common language for the support and involvement of supervisors with their subordinates. In the future, with changes in the labor market and the diversification of work styles, it will be necessary to manage teams according to each individual’s personality. Therefore, we will also set a scope to strengthen middle management, who are highly involved with younger employees on a daily basis, and focus on creating opportunities and systems to foster management skills.

As for the dispatch of our employees to the “GLOBIS Management School,” which began in fiscal year 2021, we will target to dispatch 50 employees per year starting in fiscal year 2024 to courses such as “Marketing and Management Strategy” and “Leadership and Human Resource Management” to help them acquire problem-solving and business skills.

“Organization” Active participation of diversified human resources

Expansion of human resources recruitment system

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. We encourage a wide range of generations to apply for the program and strengthen their awareness of career development through the use of the “Headquarters Job Guide,” which visualizes headquarters business operations, and the “Nozokimi!” which allows visitors to tour departments they are interested in.

Establishment of Alumni Network

Alumni Network was introduced in June 2024. With changing people’s view of employment, it is necessary to transform the traditional relationship between companies and individuals, which is “disconnected by retirement,” into a new relationship of “connectedness even after retirement.” We intend to deepen our collaboration with the people who have been involved with the Bank, including retirees, as we view them as “external human capital that makes the region happy.” Through this network, we will utilize knowledge and ideas that cannot be cultivated within the Bank alone, and promote business collaborations and other initiatives that will help to make the region happy.

Diversity

We established the Diversity Promotion Committee to create a work environment where diverse individuality is respected, and each individual can demonstrate his or her potential and feel a sense of fulfillment in life and work. And to incorporate diverse opinions into the activities of the Committee, we established the Diversity Promotion Team consisting of members openly recruited.

Since the success of women contributes greatly to the spread of diversity, we have set numerical targets in the General Employer Action Plan under the Act on the Promotion of Women's Active Engagement in Professional Life, and are working to promote female managers. To support women in designing their own careers and to build networks within the Bank, we hold "Life & Career Design Seminars" for sub-assistant general managers and "Self Career Branding Training" for acting branch and section managers to increase their own added value, thereby providing opportunities to raise awareness for women. We will continue our efforts to improve the environment in which employees with concerns related to childbirth, childcare, nursing care, infertility treatment, etc. can continue to work with peace of mind to achieve their diverse career and life plans.

In October 2023, we also established the "Heartful Office" within the Personnel Affairs Dept. to expand employment of people with disabilities. We aim to provide a workplace environment where employees with disabilities can work while developing their skills, thereby achieving self-realization.

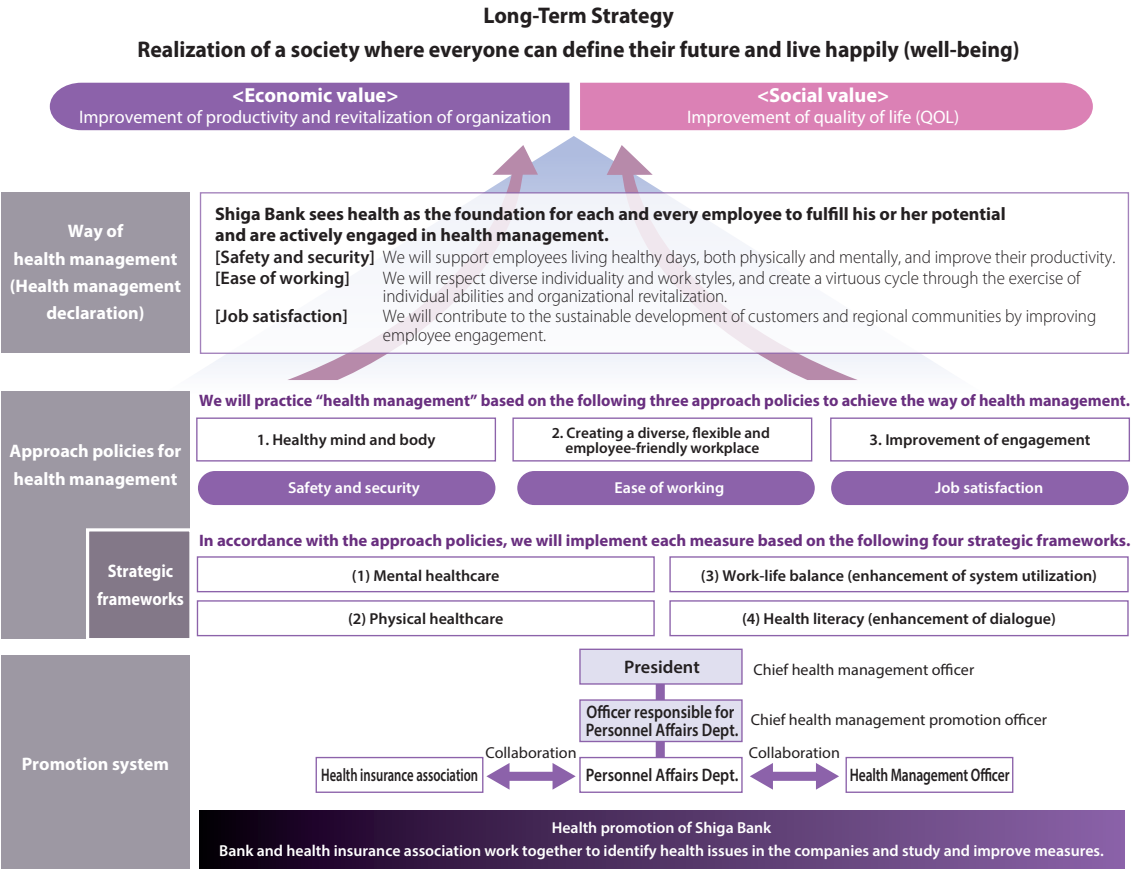


“Environment” Job satisfaction and ease of working

Health management

We consider "health" to be the foundation that supports the exercise of one's abilities, and are actively working on health management. By promoting the creation of a workplace environment where each employee can work in a lively and healthy manner, we aim not only to generate economic value, but also to improve social value (QOL) and to realize long-term strategies (well-being), which is our "way of health management."

We provide employees with the opportunity to undergo regular health checkups or medical examinations once a year, which leads to the early detection and prevention of illness. Employees over the age of 30 are given special leave approximately once every two years and are encouraged to undergo medical examinations. In addition, we are changing employees' awareness to create a comfortable working environment by disclosing the target number of paid leave days to both inside and outside the bank.



Fostering corporate culture

Recently, opportunities for community and communication among employees have been decreasing. In June 2023, we established the "Future Lounge" as a community place where diverse sense of values and free and creative ideas can be generated through new connections. The place is used not only for human relations within the department/branch and scope of business operations or as a community of "like-minded friends," but also as a place to meet other employees who have various positions and skills.

In addition, the "Shigagin Human Award" was newly established in fiscal year 2024. By shining a light on the various "roles," "actions," and "human resources" that support value creation, and by raising interest in each other's work and roles, and creating an awareness of respect, admiration, and recognition, we will create an organization where individuality shines through, and foster a corporate culture of "challenge" and "admiration."

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. Specifically, in addition to video viewing, we conduct training in which all participants exchange opinions in small groups. In addition, we have established dedicated hotlines and systems to prevent sexual, power, and other forms of harassment, and provide appropriate training in a timely manner.

Key indicators in personnel strategy

Indicators			Targets (8th Mid-Term Plan period)	Results (Fiscal year 2023)
Human resource development “Persons”	“Design personnel” development	Investment amount for human resources development per person	¥300 thousand	¥165 thousand
		Number of employees seconded to outside companies	Cumulative total of 100 persons	20 persons per fiscal year
		Number of employees with Financial Planning Grade 1 certification	300 persons	231 persons
	Development of management personnel	Dispatch to external trainings	50 persons per year	23 persons
		Management score of managers (evaluation by others)	4.0 or higher (graded on a 5-point scale)	3.76
Active participation of diversified human resources “Organization”	Diversification of recruiting methods	Retention rate within 3 years of recruiting new graduates	80% or more	85.7%
		Number of mid-career hires	–	11 persons
		Employment of people with disabilities	2.7% or more	2.348%
	Achieving growth and desired work through appropriate placement	Percentage of management candidates with both head-quarters and branch experience	70% or more	52.4%
		Number of persons utilizing human resources recruitment system	100 persons per year	50 persons
Job satisfaction and ease of working “Environment”	Realization of work-life integration	Percentage of female managers	23% or more	17.6%
		Average number of days of paid leave taken	17 days or more per year	17 days
		Percentage of retests received for regular health check-ups (including complete medical checkups)	90% or more	90.2%
	Corporate culture of “challenge” and “admiration”	Selected under Certified KENKO Investment for Health Outstanding Organizations Recognition Program	Recognized as White 500	*Already selected under Certified KENKO Investment for Health Outstanding Organizations Recognition Program
		Engagement score	72 or more	69
		Percentage of participants in trainings on compliance, human rights, etc.	90% or more	92.6%
		Number of people who independently challenged their careers	Cumulative total of 2,000 persons	–

*Management candidates represent the Bank's sub-assistant general managers (one level below the executive).
*Calculated by dividing the total number of days of paid leave taken by the average number of bank employees and dedicated officers with experience and skills.
*Personnel costs for each indicator are calculated by multiplying the applicable number of employees by the average annual salary.

Human First



Shuhei Kuwano
(Business Promotion Dept.)
Joined the Bank in 2011. Utilizing the human resources recruitment system, he was transferred to the current department in February of this year. Responsible for planning new products and services.

Risa Takemura
(Egashira Branch)
Joined the Bank in 2007. Responsible for consultation services for asset management and inheritance measures.

Hatsuko Matsumoto
Amazon Web Services Japan G.K.
Principal FSI Innovation Specialist
After working for a newspaper company, she joined Amazon.co.jp for its launch in July 2000 as a book editor. She has been involved in the launch of various new stores and has been in the current position since 2019.

Shigenori Tsuji
(Credit Supervision Dept.)
Joined the Bank in 2008. He has worked to improve the efficiency of screening operations, etc.

Full opening of curiosity, challenging a new dimension

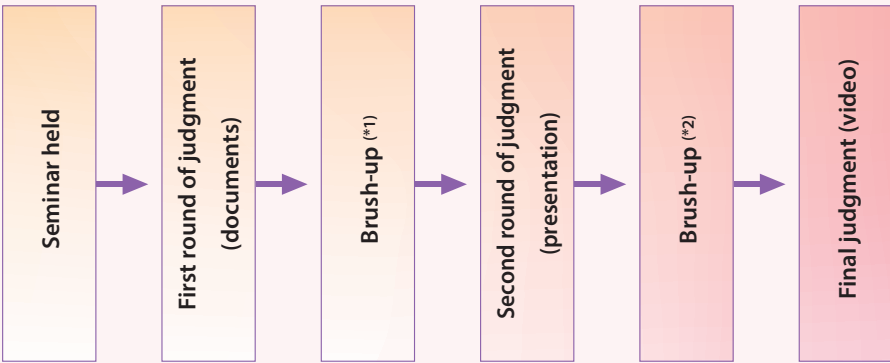
What is needed for the Bank which is committed to fostering a culture of “challenge” and “admiration” in order to be an organization that proactively develops the future, rather than acting at random? Ms. Hatsuko Matsumoto, who was involved in the launch of Amazon.co.jp and is currently in charge of innovation support for financial institutions at Amazon Web Services Japan, and three employees who took on the challenge of the Bank’s first business contest talked each other.

Business Contest —Challenges for the Future—

Last year, in commemoration of the Bank’s 90th anniversary, the “Business Contest—Challenges for the Future—” was held with the participation of all officers and employees of the Group.

In implementing this contest, we received generous support from Ms. Matsumoto and other people at Amazon Web Services Japan G.K. (“AWS”), who held preliminary seminars and provided guidance on brushing up projects during the selection process for the first and second rounds of judgment.

There were 56 projects submitted to the contest, and the Grand Prix was selected from the six finalist teams that made it to the final round of judgment by a vote of the Group’s officers and employees.



*1 Support by AWS. Working Backwards process
*2 One-rank higher support with a view to commercialization

Starting point for challenge

Moderator: Ms. Matsumoto, thank you very much for all your help in the business contest.

And to all the participants, thank you for your hard work in the selection process. This was the first time for the Bank to hold such an event. How did you all like it?

Matsumoto: Hello everyone, it has been a while. It is nice to meet you, Ms. Takemura. I had the opportunity to assist in your business contest this time. There were so many plans that conveyed a sense of “for the region,” as is typical for a regional bank, and I thought that was impressive and good.

Takemura: Nice to meet you, too. Pleased to meet you. I am very happy to hear you say so, Ms. Matsumoto. I participated in the contest as a team with General Manager of the branch I belong to. The plan was called “Shigagin Farm,” and unfortunately we didn’t make it to the final round, so I was not able to meet Ms. Matsumoto at the contest.

Matsumoto: I read the details of the plan. The plan was to buy customers’ rice paddies and fields and grow rice and brand-name vegetables there, thereby creating local employment, right?

Takemura: The area where the branch I work in is located has an aging population, and many people cannot afford to keep the rice paddies and fields that have been passed down from generation to generation. We thought of a business in which we would purchase those paddies and fields and grow rice and Shiga Prefecture’s unique brand of vegetables. If we could employ former farmers as instructors, we could also create employment in the region. AWS suggested that it would be good for children’s dietary education if the rice we grew could be used in school lunches, and also suggested online shopping. It was a lot of fun to think about it, and I personally still wonder if we could somehow make it happen.

Matsumoto: Agriculture is very compatible with tech, and we wanted to think more about it. Like the other plans, I think

it's still an initial hypothesis. It is important to develop it from there. I have high expectations.

Moderator: Mr. Kuwano, you mentioned that you joined the Bank at a branch in Omihachiman City, which led you to the idea.

Kuwano: I came up with the idea of a project to create a regional attraction starting with Okishima island, a Japan Heritage site. In the early days after joining the Bank, many people, including myself, had a personal viewpoint, such as “I want to improve this region that we have been taken care of.” But as I continued to work at the Bank, I became aware of the problem that this perspective may have weakened. I entered the contest by teaming up with my seniors, colleagues and others of a similar generation who felt the same awareness. Okishima island is very close to the branch I joined, and it is a very attractive island. So we thought about what we could do to attract more people to the island, and at first we had some crazy ideas, such as bringing a casino to the island.

Matsumoto: I am glad it was not a casino. I think it would be good to have a casino in Osaka, but I think Shiga has other priorities. There are many historical and cultural assets, and it is rich in nature. The content was very good, and everyone had a strong passion for it. So I was hoping for a good connection between them. It is worth thinking about.

Kuwano: We were taught something called destination marketing during the selection process. Making the place a destination for travel, they said. It made me think again that it is the regional people, infrastructure, and government that can create attractions that will make Okishima island a destination, and that a regional financial institution can be the hub of those parties. The Bank has such a network, and I would like to utilize that asset.

Moderator: Unlike the two of you, Mr. Tsuji took on the challenge as a soloist.



Tsuji: Yes, I did. I came up with the idea of an advertising business that connects customers with general consumers. I experienced branch consolidation at two of the branches I had worked at in the past. After the consolidation was decided, I went around to our customers every day saying, “Excuse me, we are going to lose our branch.” This experience led me to think that it might be possible to create a system that would not harm the convenience of customers and that would allow us to earn a proper income from our branches. However, I thought it would be difficult for the Bank to conduct an advertising business by itself, so I applied in the form of an advertising business that would combine the data possessed by both companies in partnership with a major retailer in the prefecture. Through my discussions with AWS, I realized that I wanted to help regions and customers, which was my core desire for the business. I was also given the idea that we could create an economic zone using the data, and even create a local currency, etc. They expanded my ideas to a great extent, and although there were times when I struggled on my own, it was a lot of fun.

Matsumoto: You really did a great job! I am amazed. I really want you to do a local currency. There were reports that it was very useful in times of disaster, so I think there are a lot of possibilities.

Tsuji: In my personal opinion, I think it is difficult for the Bank alone to create new businesses. As with my plan this time, I

would like to continue to work with various parties, including customers, to come up with new business ideas.

Matsumoto: Yes, that’s right. In recent years, the concept of open innovation has been spreading, and it is becoming more and more difficult for a single company to solve issues alone. That is why we are always open to the idea. But I don’t think that collaboration should come first. The order should be, “In order to solve this customer’s problem, we need to collaborate with this company,” and I don’t think we should change that. It is important to have a platform, such as a system compatibility, that can be quickly activated when the collaboration is necessary.

Tsuji: Collaboration is only one way to achieve this, and the target is to solve the problems of regions and customers.

Matsumoto: I think, like all of you, you think about “Shigagin Farm” by contacting customers, want to contribute to the region, and want to do something about the branch, all because you are so close to the customers. That is the advantage of a regional bank, isn’t it? When we, AWS, think of something new, we start from the customer’s point of view. In that sense, I think you all are very compatible with innovation.

By the way, I was impressed by the wide range of generations of participants in the Bank’s business contest this time, from young people to veterans. Is there some kind of culture like that in the Bank?

Takemura: In the 8th Mid-Term Plan, we aim to foster a “corporate culture of ‘challenge’ and ‘admiration’” and “challenge” has appeared as a key word in the past as well. Perhaps the mindset of challenge is more deeply rooted than we thought.

Meaning of having diversity

Moderator: I was a little disappointed that there were zero women among the finalists in this business contest. It may be that the percentage of female participants was small in the first place.

Matsumoto: Yes, that’s right. I feel from my past experience that when starting something new, the inclusion of women has a positive effect. Perhaps uniformity is not a good thing. As was the case with the participants at the event I spoke on the other day, the financial industry in particular is overwhelmingly male. When it comes to women’s activities, people sometimes say why only women are focused, but this is not because it is a fad, but because it makes a lot of sense. Half of the customers are women. We have many different types of customers, so by having more diversity, we can be closer to our customers. In short, it is an important part of business strategy.

Takemura: The Bank has the recruitment system that allows employees to raise their hands and take on the challenges of the work they want to do. However, it is difficult for women

to work in the same way as men after childbirth. If I raise my hand because I want to do something, but it is in a very busy department, I cannot work until late hours, and I am afraid that I will be asked why I raised my hand if I am not in an environment where I can do it. That's why it is difficult for women to raise hands. I don't think that is sustainable at all.

Matsumoto: Yes, that's right. But I would like Ms. Takemura to take that step forward and try your best to think of yourself as a role model. I am sure you will find someone who will be on your side. I also try to go out to various occasions, but sometimes I wonder if it is really ok with me. But I try to tell myself that I should get out there. Because I think those small things will lead to women's success in the future. However, I understand what you are saying, Ms. Takemura, so I recommend it would introduce a system, like a quota system, where a certain percentage of the workforce must be female, which is better than not having a such system at all. If it doesn't work, you can just reconsider.



Kuwano: If we put such things into practice, the Bank may be able to make a big change.

Tsuji: Indeed. I think there are perspectives unique to women that are difficult for men to notice. The women in my department also remind me of many things.

Takemura: There have been many times when I have seen my seniors working hard and thought to myself, "I should work hard, too." I will do my best so that I can be like them.

“Admiration” generates the next challenge.

Matsumoto: If you set a challenge, I think it is very important to be receptive to the challenge. Another thing that is often said in our company is that a challenge requires psychological safety. This does not mean a lukewarm, friendly organization, but rather a very open environment where people can say what they want to say to each other.

Kuwano: I think there have been many times in the past when I have tried something new and given up on the challenge as a result of listing the risks involved one after another. However, if you are talking about “challenge” and “admiration,” I would like you to let me try it first, and I would be happy if you would give me positive support for it.

Matsumoto: Exactly. Without psychological safety, the organization becomes very rigid, unable to do anything or move and becomes stuck. I am sure that “admiration” is not an agreement that something is good, but rather a recognition of the fact that the idea came up. It is very open organization, and it is very important for everyone to be able to freely express their opinions, so admiration is necessary to create that kind of thing.

Tsuji: So admiration becomes the trigger for a new challenge.

Kuwano: Just getting recognition for a challenge should be enough to reassure you that you can take on the next challenge, but if you even ask for an evaluation, it can be a little too much work and a little harder to take on the next challenge. We are in an industry that is inevitably accustomed to evaluating and scoring.

Matsumoto: I think it would be different from “admiration” if we gave them a score. In that sense, we have to be careful about admiration. Challenges involve action, so it is important to respect the actions taken, not just “thinking” about something.

Takemura: I would like to keep in mind to give admiration that will lead to the person's next challenge.

Believe in your work

Moderator: Does AWS have any important considerations when considering a new project?

Matsumoto: Amazon has an internal slogan, “Work Hard, Have Fun, Make History.” “Make History” means, in essence, to do something meaningful for the world, and I think this is a very important concept when thinking about new things and innovation. Also, the Leadership Principles (LP), an action guideline, added “Success and Scale Bring Broad Responsibility” in 2021. Amazon is getting bigger and more influential globally, but that is why we should be humble and do what is good and meaningful for the earth, society, and future generations, rather than just making money for us. This is very important now, and if we are not constantly aware of it, customers will not choose us. So I try to be very conscious of that when I review our business plan.

Tsuji: Daily awareness is very important, isn't it? The Bank has established the Purpose “Making the region happy with ‘Sampo yoshi’ philosophy” this year. Naturally, such establishment is not the end of the process, but it is only meaningful if it penetrates into the awareness and actions of each and every staff member. What is AWS doing to spread this kind of awareness within the company?

Matsumoto: We are making various efforts to make LP take root in our company. There are frequent opportunities to discuss how we practice LP, and the intranet is constantly uploaded with a variety of information, including leadership case studies. There is also the purpose of sharing how the top management thinks.

Tsuji: I hope that the Bank will provide opportunities and tools for employees to learn more frequently and timely what the top management is thinking. By doing so, I believe that if we can properly understand the meaning of our work and goals, the actions and standards of judgment of each and

every employee will change. For example, if the company is trying to go in this direction, even though it has done so in the past, we should make decisions in this way this time.

Takemura: Chasing only numbers, we tend to lose sight of the true purpose beyond achieving the numbers such as the company's policy. However, if there are regular opportunities to receive such information and to think about it, I can reconsider my actions and thinking each time.

Matsumoto: It is also important for each and every employee to believe that their work, even if small, can have a positive impact on the world.

Kuwano: I sometimes hear voices saying “I don't feel that our work is benefiting regions or customers,” but by believing in our work, we can always work looking toward regions and customers, and I believe this will lead to the practice of Purpose.

Tsuji: This time, just thinking of a new business was a valuable experience, but the contest also provided a good opportunity for me to review the significance of the Bank's existence and my own stance on my work. If I have the chance to do so again in the future, I would definitely like to take on the challenge, and by sharing this experience with those around me, I would like to link it to the development of human resources, which is one of the Bank's strengths.

Moderator: Thank you all for joining the conversation today.

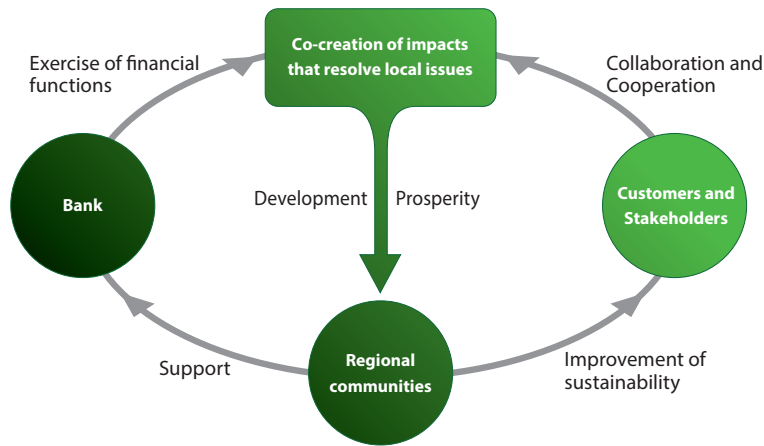
Implementing the Principles for Responsible Banking



We became the first regional bank in Japan to sign the Principles for Responsible Banking (PRB), which was drafted by the United Nations Environment Programme Finance Initiative (UNEP FI*) and launched in September 2019. Together with more than 300 other signatory financial institutions, we practice finance with sustainability at the core of business.

The PRB provide a framework for a bank to take a leading role and responsibility as a financial intermediary and voluntarily set out business strategies that are aligned with the Sustainable Development Goals (SDGs) and the Paris Agreement based on the recognition that sustainable social prosperity is key to development of the banking industry. In accordance with the six principles of the PRB, signatory banks are required to set their own strategies and targets and engage and partner with stakeholders including customers so as to increase the positive impacts as well as reduce the negative impacts of their business activities on the environment and regional communities.

*The United Nations Environment Programme Finance Initiative (UNEP FI)
UNEP FI was established in 1992 by the United Nations Environment Programme, a UN auxiliary organization that was formed in 1972. It is a partnership of more than 500 financial institutions, etc. around the world that is working to transform into financial systems integrating economic development with ESG (environmental, social, and governance) considerations.



Six principles of Principles for Responsible Banking

The Bank is committed to the following principles set forth in the Principles for Responsible Banking.

Principle 1: Alignment
We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Agreement, and relevant national and regional frameworks.

Principle 2: Impact and Target Setting
We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

Principle 3: Customers (Corporate and Retail)
We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

Principle 4: Stakeholders
We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

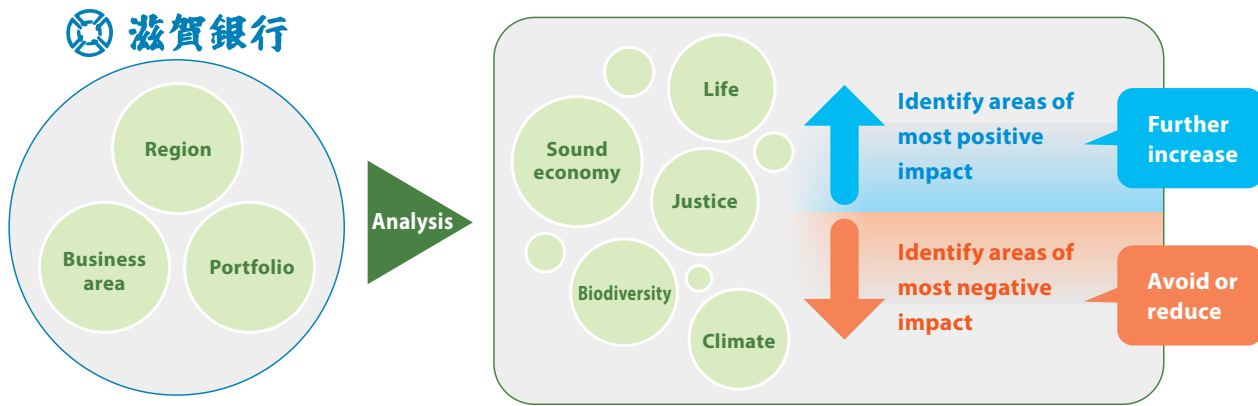
Principle 5: Governance and Corporate Culture
We will implement our commitment to these Principles through effective governance and a corporate culture of responsible banking.

Principle 6: Transparency and Accountability
We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

Concept of impact assessment

In accordance with the impact protocol published by UNEP FI, we take the following steps to conduct an impact assessment of the Bank's business activities. Through impact assessment, we identify the "most positive areas" and "most negative areas" that have an impact on the environment and society, and work to further increase positive areas and avoid or reduce negative areas, leading to sustainable prosperity for the region.

Image of initiatives based on impact assessment



Steps towards implementation (disclosure)

The PRB require signatory financial institutions to implement initiatives and disclose their progress in accordance with the following steps. Specifically, signatories are required to disclose the first report and self-assessment regarding the principles within 18 months of signing, and annually thereafter, and to conduct an impact analysis, set and implement targets, and achieve accountability within four years.

The Bank made its first disclosure in fiscal year 2021 and has provided disclosure annually thereafter in line with the PRB.



The Bank discloses reports with third-party assurance on its website. Scan here for more details.

<https://www.shigagin.com/csr/report/>



Initiatives for Co-existence and Co-prosperity with the Global Environment

Achievement of Shiga Bank Group’s SX based on CSR

Many companies are starting to work toward Sustainability Transformation (SX), which means management and business transformation to synchronize corporate sustainability with social sustainability.

With “regional communities,” “all employees,” and “environment” as the three pillars of CSR, the Bank has developed various initiatives ranging from various regional contribution activities and environmental volunteer activities to the provision of social problem-solution type products and services.

From global issues such as climate change and biodiversity to issues specific to regions, we will strive to improve our ability to generate long-term sustainable sources of growth (earning power) by achieving SX through an approach unique to a regional financial institution.



Lake Biwa is an asset we hold in trust for the future

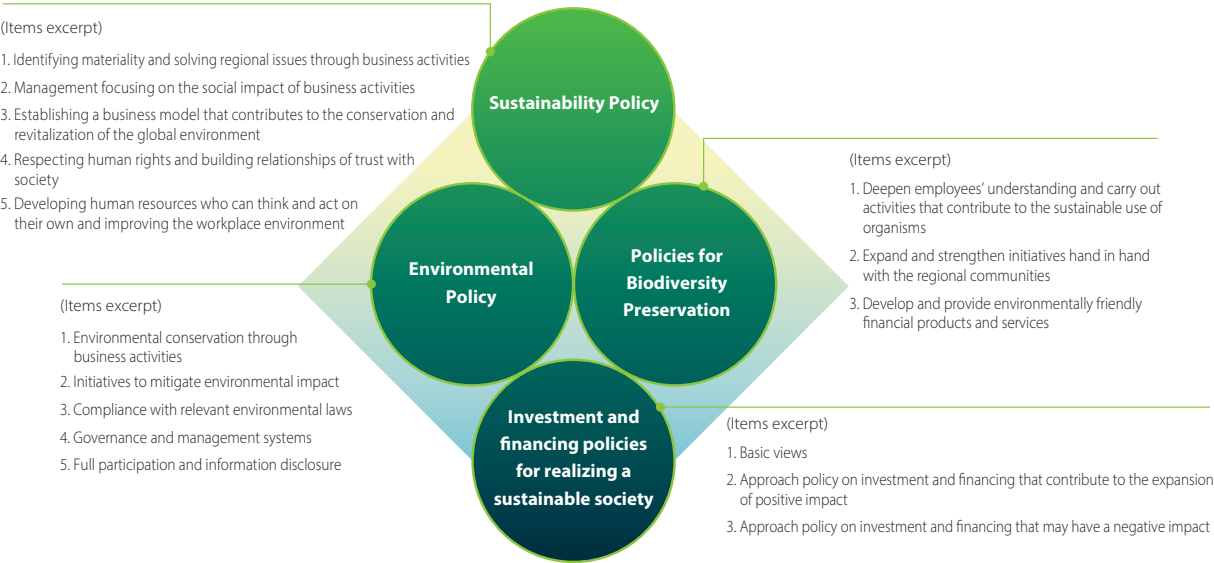
In Shiga Prefecture, where the Bank is headquartered, Lake Biwa is an integral part of our lives and is considered to be an asset we hold in trust for the future.

Lake Biwa is home to over 1,700 species of aquatic plants and animals, around 60 of which are unique to the lake, and supports the lives of 14.5 million people living nearby. It is one of the world’s oldest lakes with a history of approximately four million years. We recognize that it is our mission in the modern world to “bring it back to the future” in its natural state.

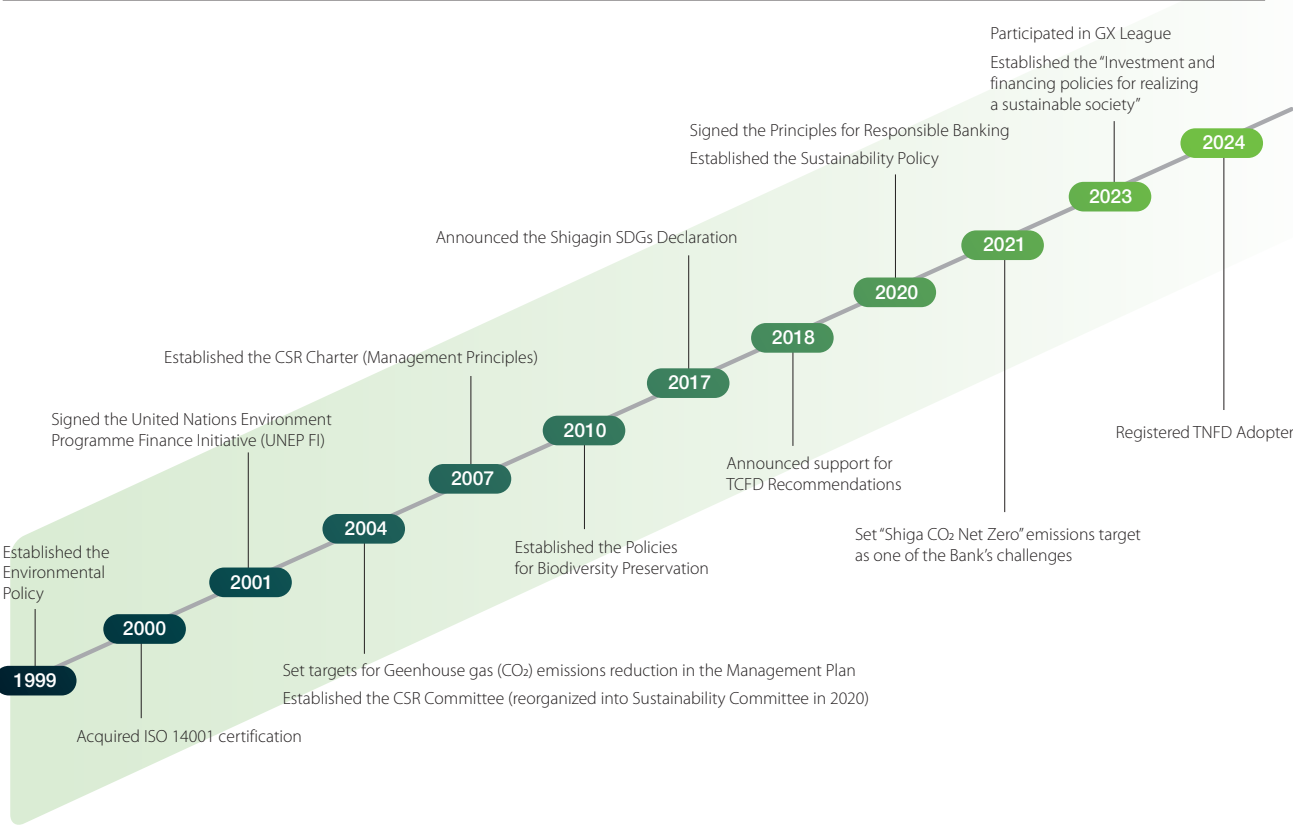
As a financial institution carrying on the “Sampo yoshi” philosophy of the Omi Merchants, the Bank has been practicing environmental management since the 1990s, incorporating environmental considerations into corporate management, and has been working to solve environmental issues by offering a wide range of environmental finance products and services. Amid growing concern about climate change and biodiversity, we have developed ESG finance by leveraging the advantage gained through experience to contribute to society, thereby balancing environmental conservation with the enhancement of corporate value.

Basic policy on sustainability

We formulated our “Environmental Policy” in 1999 and “Policies for Biodiversity Preservation” in 2010 to promote initiatives for climate change and biodiversity preservation as important management issues. In addition, we established the “Sustainability Policy” in October 2020 and the “Investment and financing policies for realizing a sustainable society” in January 2023, and are promoting efforts to increase positive impact and avoid or reduce negative impact toward “co-existence and co-prosperity” with the global environment and regional communities.



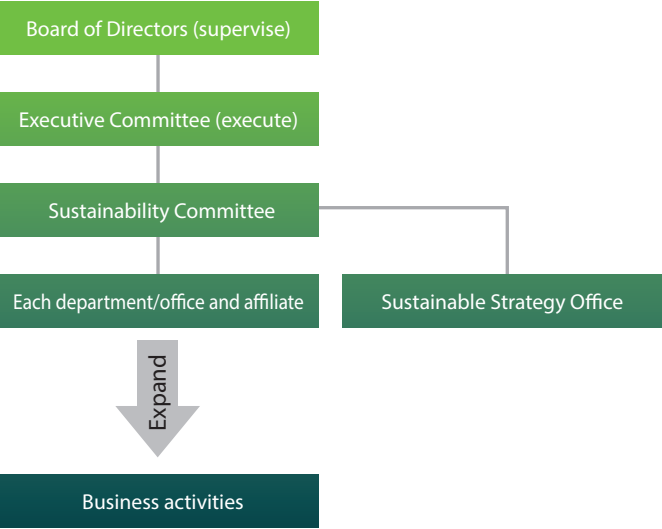
Timeline



Governance on sustainability

Recognizing sustainability as a core theme of our business activities, the Bank discusses these matters at the meetings of the Board of Directors and reflects the outcome in its management strategy and risk management. Specific measures and initiatives are discussed at the Sustainability Committee chaired by the President, the content of which are reported to the Board of Directors at least once a year. The Board of Directors is fully prepared to execute appropriate supervision on matters reported.

The Sustainability Committee meets three times a year with Management Meeting members, General Managers of each department and office, and presidents of consolidated subsidiaries as Committee members. Under the theme of medium- to long-term management issues such as regional decarbonization, the Committee deliberates on response policies, action plans, etc., utilizing the results of impact analysis as defined by the Principles for Responsible Banking and scenario analysis recommended by the Task Force on Climate-related Financial Disclosures (TCFD), as well as the environmental management system based on ISO 14001. The Committee reports on important matters to the Management Meeting (Executive Committee) and the Board of Directors.



Climate initiatives (Response based on TCFD recommendations)

Recognition of risks, opportunities and impacts

The Bank assesses risks and opportunities associated with climate change for the time frames of short-term (5 years), medium-term (10 years), and long-term (30 years).

With regard to the risks and opportunities that have been recognized, we are making efforts related to CO₂ emissions reduction and also considering reflecting the findings in our investment and financing strategy.

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

Financial impact (Scenario analysis)

The Bank simulates financial impacts related to climate change by referencing multiple future scenarios published by public organizations, etc. and conducting scenario analysis. Transition risks refer to the risks associated with the tightening of regulations and other factors that arise in the process of transitioning to a decarbonized society. Physical risks refer to the risks of direct loss due to severe natural disasters, etc.

The results of the analysis are as follows. The financial impact arising from an increase in credit costs is expected to be limited, as cost reduction can be achieved by way of medium- to long-term efforts.

Transition risks	Details
Scenarios used	Three of the Network for Greening the Financial System (NGFS) scenarios are used. ① Net Zero 2050 (immediately start working toward 2050 Net Zero) ② Delayed transition (status quo until 2030, starting work on 2050 Net Zero from 2030) ③ Current Policies (no additional measures are taken and global warming continues at the status quo)
Sector to be analyzed	The following sectors were selected from two perspectives, the impact of climate change risk and the Bank's exposure. ① Electricity sector ② Oil, coal and gas ③ Transportation sector (land transportation)
Analysis period	Up to 2050, with March 31, 2023, as a base
Metrics	Credit-related expenses (credit costs) *Credit costs based on borrower classification
Results of analysis	A total of 5.5 billion to 12.0 billion yen increase in credit costs

Physical risks	Details	
Scenarios used	IPCC's "RCP8.5 Scenario" (4°C Scenario) *Assuming a 1-in-100 year flood event	
Area of analysis	The whole areas of Shiga and Kyoto Prefectures	Japan
Subject entities to be analyzed	Borrowers of business loan (excluding large corporations)	Offices and Branches of the Bank
Metrics	Credit-related expenses (credit costs) due to flood damage ① Deterioration in the classification of borrowers due to a decrease in sales caused by the suspension of business of credit counterparties ② Decrease in coverage ratio due to damage to real estate collateral	Flood risk at 106 locations in Japan where the Bank has offices and branches
Results of analysis	Increase of approximately 2.5 billion yen in credit costs	38 locations (35.8%) flooded

Carbon-related assets

Based on the TCFD recommendations, the Bank recognizes credit balances to sectors that are considered more likely to be financially impacted by climate change than other industries as "carbon-related assets" and measures the concentration of its credit exposure.

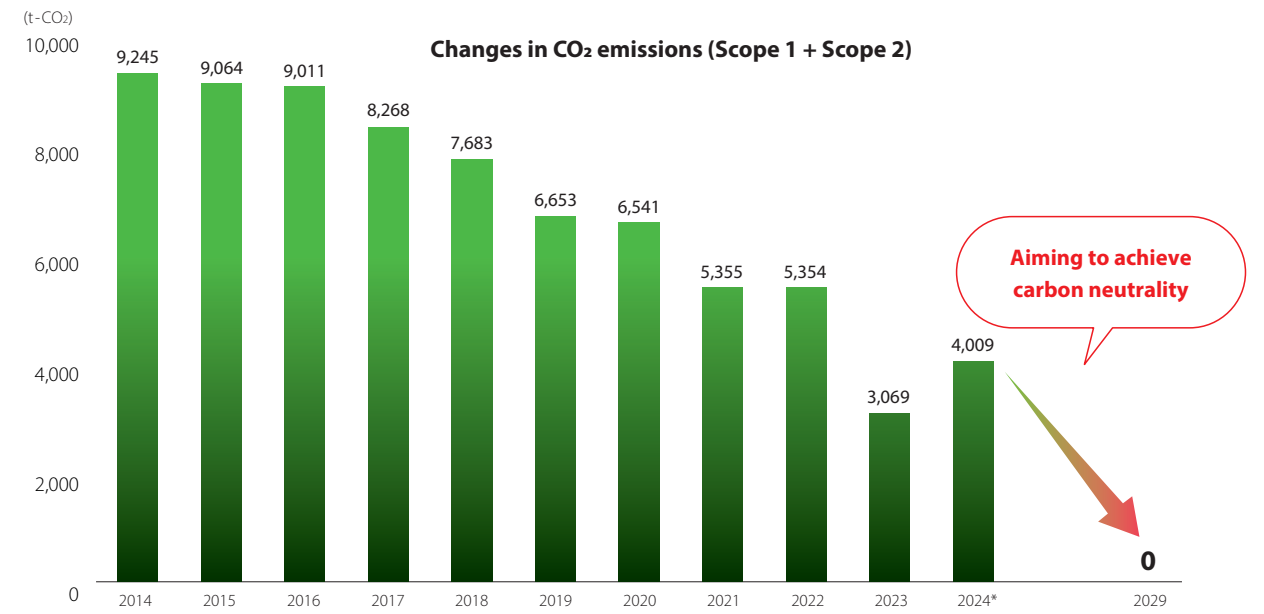
As of March 31, 2024, "carbon-related assets" accounted for 31.4% of the balance of loans.

Carbon-related assets	Subject sector	Percentage of the balance of loans
	Energy*	4.1%
	Transportation	4.5%
	Materials and Building	20.7%
	Agriculture, Food and Forest Products	2.2%
	Total	31.4%

* Excluding renewable energy power generation business

Shiga Bank Group's own initiatives to decarbonize

The Bank has set a target in the Business Plan to achieve net zero greenhouse gas emissions (Scope 1 + Scope 2) by the fiscal year ending March 31, 2029, and has been promoting decarbonization initiatives.



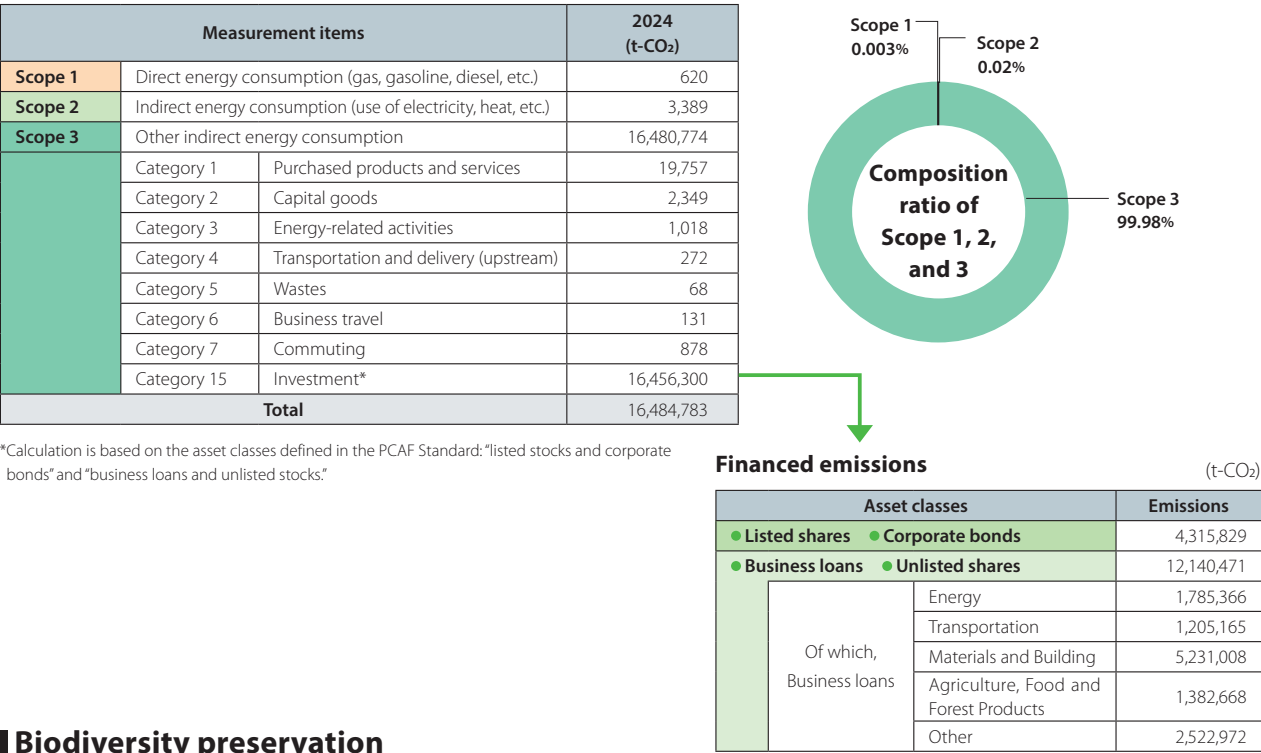
*Criteria have been changed for the fiscal year ended March 31, 2024 due to third-party assurance certification. To ensure reliability, accuracy, transparency, etc., greenhouse gas emissions for the fiscal year ended March 31, 2024 were guaranteed by a third-party assurance organization.

Main measures being implemented to decarbonize	
Improving business efficiency	Integration of locations, provision of Internet-completed housing loans, etc.
Further promotion of energy conservation	Switching to LED lighting, updating to high-efficiency air conditioning equipment
Reduction of fossil fuel consumption	Phased switching to HVs, EVs, FCVs, etc.
Utilization of renewable energy	Installation of solar power generation equipment in newly built or reconstructed offices and branches Switching to a plan with virtually zero CO ₂ emissions for electricity used on the headquarters premises (from 2022)

Initiatives to decarbonize the portfolio

The Bank has set the achievement of a carbon neutral society by 2050 as an achievement image of the long-term strategy, and is working to reduce greenhouse gas emissions throughout its supply chain. In particular, as a financial institution, we recognize the importance of reducing emissions from investment and financing (financed emissions) and are focusing on decarbonization initiatives through engagement with regional customers.

Please refer to “Creating business opportunities with decarbonization at the core” (→ P. 43) for specific initiatives.



Biodiversity preservation

Initiatives for Nature Positive (natural revitalization) (response based on TNFD recommendations)

We have long benefited from the natural capital around Lake Biwa (ecosystem services). These benefits have been irreplaceable, extending far and wide into the history, industry, food culture, and lifestyle of Shiga Prefecture. On the other hand, biodiversity and ecosystem services have been deteriorating due to land development, global warming, and the effects of specific alien species. Therefore, initiatives for the appropriate conservation and restoration of natural capital have become an urgent issue in the sustainability of the regional economy.

With this background, the Bank recognizes biodiversity preservation as an important management issue and established the “Policies for Biodiversity Preservation” as a basic management policy in 2010, when the Aichi Targets were adopted at the 10th Meeting of the Conference of the Parties to the Convention on Biological Diversity (COP10). In addition, the “Investment and financing policies for realizing a sustainable society,” established in 2023, stipulates the policy not to make investment and financing in projects that have a significant adverse impact on human assets that are internationally required to be protected and preserved, such as Ramsar Convention-designated wetlands such as Lake Biwa, UNESCO-designated World Heritage sites, and species regulated by the Convention on International Trade in Endangered Species of Wild Fauna and Flora.

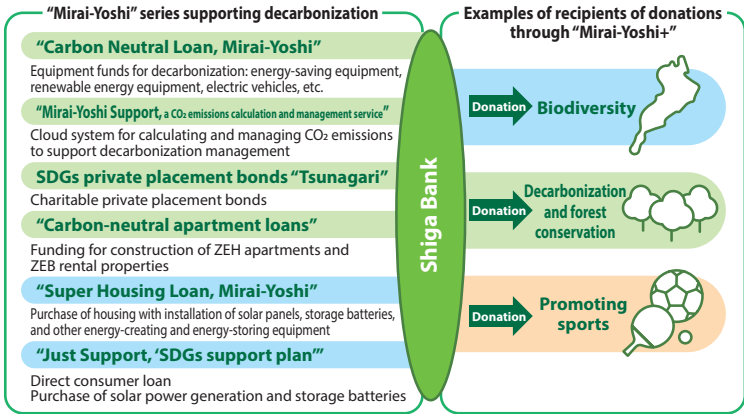
Furthermore, in January 2024, we endorsed the disclosure recommendations (TNFD recommendations) published by the Taskforce on Nature-related Financial Disclosures (TNFD) in September 2023 and registered as an adopter of the disclosure recommendations (TNFD Adopter). In order to transform the flow of funds that have a negative impact on the natural environment into “Nature Positive (natural revitalization)” that has a positive impact, we will work with stakeholders, take initiatives based on the TNFD recommendations in stages, and disclose the progress of these initiatives.

In addition to promoting customers’ efforts for biodiversity preservation through engagement and ESG finance, the Bank is committed to the following initiatives.



“Mirai-Yoshi+,” the donation scheme to promote SDGs in the region

This is a unique scheme whereby the Bank contributes funds based on the actual use of decarbonization-related loan products and donates to activities that promote the SDGs in the region. The funds will be used to donate to projects to release endangered species in Lake Biwa, such as the *nigorobuna* and *wataka* fish, and to purchase “Lake Biwa Carbon Credits” that will support forest conservation projects.



The Bank has utilized the “Lake Biwa Carbon Credits” purchased through “Mirai-Yoshi+” to hold carbon offset in the regional events to help raise awareness for the realization of a decarbonized society.



- Regional events that we helped to hold carbon offsets in fiscal year 2023
- Inazuma Rock Fes 2023 (30 tons offset)
 - Shiga Lakes 2023-24 season home games (30 tons offset)
 - BIWAKO MARATHON 2024 (37 tons offset)
 - Koka EXPO 2023 (3 tons offset)

"Ikimono Monogatari" activities to protect Lake Biwa's ecosystem through story-based environmental volunteering

In cooperation with local environmental protection groups, we are developing story-based environmental volunteering activities aimed at protecting Lake Biwa's ecosystem. In addition to "invasive fish eradication and fishing" in the spring, "forestation support activities" in the summer, "reed seedling planting" in the fall, and "reed cutting" in the winter, we also participate in various activities carried out in the community. Local companies are also involved in the activities, which are helping to develop environmentally conscious human resources by involving stakeholders.



Toward an Attractive Regional Communities where Everyone can be Happy

Enhancing the attractiveness of the region is one of our ultimate missions as a regional financial institution. If a region loses its attractiveness, it will lead to population decline and the collapse of the community. On the other hand, if a region becomes more attractive, it will lead to an increase in the number of people interacting with the region and the creation of jobs, leading to sustainable prosperity. In order to create an attractive local community where everyone can live happily, the Bank is developing a variety of initiatives that go beyond the boundaries of business.

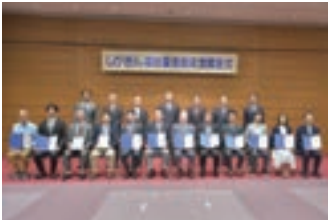
Providing opportunities to experience various types of culture —Shigagin Economic & Cultural Center—

The Bank carries out a wide range of events and cultural projects mainly through the Shigagin Economic & Cultural Center Co., Ltd., one of the Group companies, providing opportunities for locals to participate and interconnect. The regular “Concert of the Ninth Symphony” is attended by a large number of people every year.



Aiming to improve welfare even further —Shigagin Welfare Fund—

The Shigagin Welfare Fund provides unique aid only to welfare projects within Shiga Prefecture. Inheriting the founder's wish to repay everyone in the community who supports the Bank, we have provided a cumulative total of 536 grants totaling 413.01 million yen.



Keeping children healthy and happy worldwide —UNICEF’s Change for Good—

Every year from July to September, all Shiga Bank branches carry out UNICEF’s Change for Good program. The foreign coins we collect with the cooperation of locals help UNICEF activities. We started in 2013 and so far we have donated a total of 223.4 kg in coins to UNICEF.



Helping children grow healthily

Sponsoring the Shigagin Cup

We are sponsors of the Shigagin Cup (SFA under-12 football tournament), the biggest football match in Shiga Prefecture for elementary school students, to raise healthy children who are the bearers of our future and for community empathy.



Athletes coaching local children

Basketball class for elementary school students

The Bank’s women’s basketball club, Lake Venus, teach special basketball classes at elementary schools. The special classes broaden children’s interests and foster their desire to learn.



90th anniversary commemorative projects promoted to express our gratitude to the regional communities

To commemorate the 90th anniversary of the Bank’s founding on October 1, 2023, we developed various “SDGs Mirai-Yoshi activities” (commemorative projects) to express our gratitude to customers and regional communities that have supported the Bank. Looking ahead to the 100th anniversary and beyond, we will continue sustainable initiatives.

—SDGs activities section—

The Bank’s employees promoted volunteering activities to achieve the SDGs and MLGs (Mather Lake Goals) in various locations.



—Education section—

To mark the 90th anniversary, employees of the Bank visited schools, etc. in various regions to give classes on the SDGs and financial literacy.

We will continue to develop our unique educational activities for the sound growth of children, who are the future leaders of their regions.



Visiting class at Kousen Catholic High School.



Work experience for junior high school students

—Other promotions—

On October 29, 2023, the “90th Anniversary Gala Concert” was held at Biwako Hall. A special orchestra was formed by the Osaka Symphony Orchestra with musicians associated with Shiga Prefecture, welcoming Japan’s leading guitarist, Kaori Muraji, and world famous conductor, Yasuo Shinozaki who is associated with Shiga Prefecture. Otsu Children’s Choir and Otsu Junior Orchestra also performed, filling the venue with beautiful sounds.



90th Anniversary Gala Concert

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 traditional management philosophy embraced by the Omi Merchants, which means to bring happiness to three sides: being good for the seller, the buyer, and society. The Bank made the motto “Be tough on ourselves, kind to others and serve society” the starting point for activities, making effort to realize co-existence and co-prosperity with the regional communities, all employees, and the environment as in the Bank’s Management Principles. For the purposes of ensuring sustainable growth and improvement in corporate value for the Bank over the mid- and long-term, we will expand and constantly upgrade our corporate governance standards based on the following basic views.

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

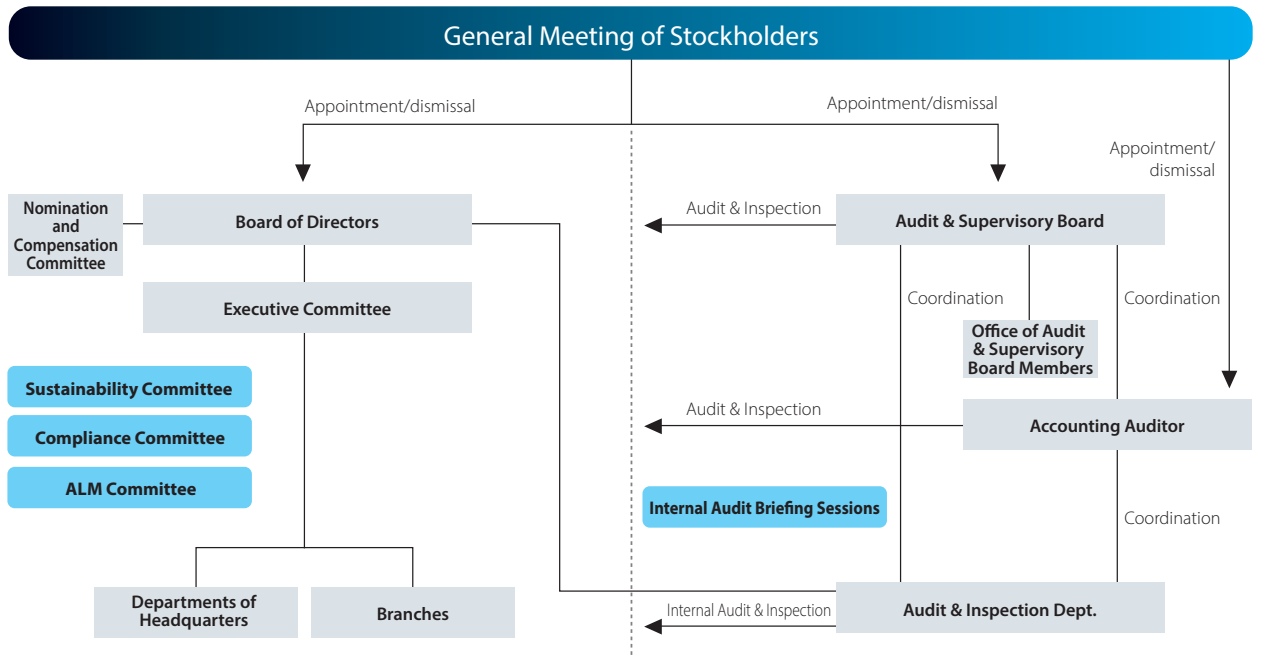
Overview of corporate governance system

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 addition, the “Nomination and Compensation Committee” has been established as an Independent advisory body to the Board of Directors.

Outline of corporate governance system



1. Board of Directors

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

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
2023	April 21	(Regular agenda items) - Matters concerning important personnel affairs - Matters concerning management policy and business plan - Matters concerning corporate accounting such as closing accounts - Matters concerning salaries and bonuses for employees (Agenda items of special note in the fiscal year) - Matters concerning the establishment of the Purposes and the Principles - Matters concerning the formulation of the 8th Medium-Term Business Plan - Matters concerning the establishment of subsidiaries - Matters concerning the Flexsus Project (Matters of discussion) - Branding - Appropriate equity capital - Strategic RAF - Shareholder return policy	Full attendance
	May 12		
	June 27		
	July 28		
	August 25		
	September 28		
	October 20		
	November 10		
	December 15		
	January 26		
	February 22		
	March 22		

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
2023	April 21	(Regular agenda items) - Matters concerning the development of audit plans by Audit & Supervisory Board Members - Key contents of at meetings such as the Executive Committee and Internal Audit Briefing Sessions - Status of execution of Accounting Auditor’s duties (including Key Audit Matters) - Matters concerning appointment or dismissal of Accounting Auditor - Matters concerning audit reports prepared by Audit & Supervisory Board Members - Matters concerning reports and recommendations provided by Audit & Supervisory Board Members to the President (Agenda items of special note in the fiscal year) - Matters concerning the Flexsus Project - Status of credit risk (credit costs) management - Status of management of the risk associated with diverse investment styles - Group governance, status of management of consolidated subsidiaries - Status of operating whistle-blowing system - Status of operating misconduct recurrence prevention measures	Full attendance
	May 11		
	June 27		
	July 28		
	August 25		
	September 28		
	October 20		
	November 10		
	December 15		
	January 26		
	February 22		
	March 22		

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
2023	April 20	(Matters concerning nomination) - Deliberation on candidates for Directors, Directors with specific titles, and Representative Director - Deliberation on candidates for Audit & Supervisory Board Members and Substitute Audit & Supervisory Board Member - Deliberation on positions at other companies concurrently held by Outside Directors - Deliberation on requirements for successors and an information sheet of skills of Directors - Deliberation on a plan for successors (management personnel) (Matters concerning compensation) - Deliberation on compensation for Directors	Full attendance
	May 11		
	June 26		
	August 25		
	October 20		
	November 9		
2024	February 21		
	March 21		

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. Audit results, findings, etc. are reported to the Board of Directors. In addition, the Audit & Supervisory Board requests reports from the Internal Audit Dept. and others as necessary.

Furthermore, the Internal Audit briefings are held as a rule once a month with the attendance of the management team including the President (Representative Director) and Audit & Supervisory Board Members of the Bank, and hold detailed discussions on reported audit results and on the status, problem points and issues of departments and branches subject to auditing. This ensures that risk is minimized, administrative duties are carried out reliably and business management is appropriate.

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

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

6. Sustainability Committee

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

7. Compliance Committee

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

8. ALM Committee

The ALM Committee chaired by the President is aimed at responding to comprehensive asset liability management (ALM) and contributing to an increase in stable earnings through the improvement of risk management. Based on the concept of the Risk Appetite Framework, the Committee operates to maximize the use of capital and funds in terms of both soundness and efficiency.

9. Accounting Auditor

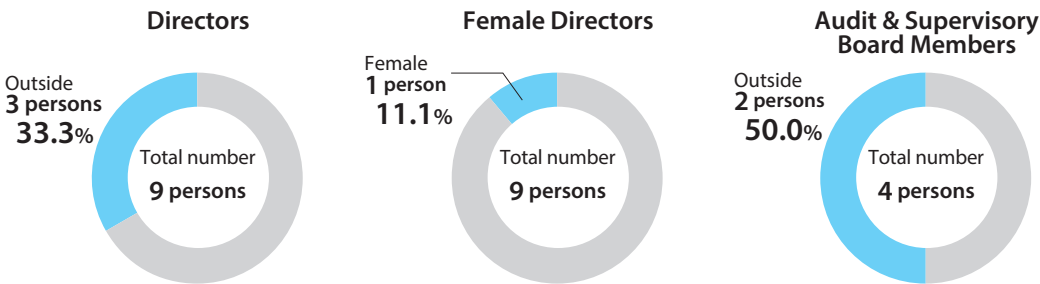
Deloitte Touche Tohmatsu LLC, with which the Bank concluded an audit agreement conducts audit as an accounting auditor.

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	
Directors	Shojiro Takahashi	●	●	●		●		●	
	Shinya Kubota	●	●				●	●	●
	Katsuyoshi Horiuchi	●		●	●	●	●		
	Hidekazu Toda	●				●			●
	Yoshinori Endo		●	●	●				
	Nobuyuki Tanaka	●		●		●			
Outside Directors	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 year 2023
Minako Takeuchi	Outside Director	She has a wealth of experience and a wide range of insight into overall management as a company manager. The Bank expects that she will utilize her experience and insight to supervise the management of the Bank from the independent viewpoint, while contributing to the sustainable growth of the Bank and higher corporate value.	12 out of 12 regular meetings of the Board of Directors (attendance ratio: 100%)
Rikiya Hattori	Outside Director	He has a wealth of experience and a wide range of insight into finance and corporate management as a Deputy President and a Deputy Chairman at Sumitomo Mitsui Trust Bank, Limited. The Bank expects that he will utilize his experience and insight to supervise the management of the Bank from the independent viewpoint, while contributing to the sustainable growth of the Bank and higher corporate value.	12 out of 12 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 after his appointment, while contributing to the sustainable growth of the Bank and higher corporate value.	12 out of 12 regular meetings of the Board of Directors (attendance ratio: 100%)
Yasuhiro Matsui	Outside Audit & Supervisory Board Member	The Bank expects that he will reflect in auditing the Bank his professional expertise and a wealth of experience as a lawyer involved in corporate legal affairs.	12 out of 12 regular meetings of the Board of Directors (attendance ratio: 100%)
Kazukiyo Onishi	Outside Audit & Supervisory Board Member	The Bank expects that he will reflect in auditing the Bank 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.	12 out of 12 regular meetings of the Board of Directors (attendance ratio: 100%)

I Evaluation of Effectiveness of the Bank’s Board of Directors

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

Criteria for Evaluation of the Board of Directors

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

A survey on the overall effectiveness of the Board of Directors for fiscal year 2023 was conducted through a questionnaire distributed to all the Directors and Audit & Supervisory Board Members, and based on the results, the Board of Directors evaluated the following.

From the results of the survey, the way of management of the Board of Directors and discussions that were held to improve sustainability were on the whole positively evaluated.

In addition, the Board of Directors worked to improve the effectiveness of the Board of Directors by holding multiple discussions,

including substantive and constructive discussions and exchanges of opinions utilizing “Discussion” on topics such as the establishment of the Purpose, the arrangement of Management Principles, and the formulation of the 8th Medium-Term Business Plan.

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

- To enhance discussions at the Board of Directors meetings on highly important topics such as business portfolio and human capital, and to work on improving corporate value over the medium to long term.
- To monitor progress on the initiatives of the Medium-Term Business Plan and enhance the effectiveness of the Business Plan.

I Policies on executive compensation, etc.

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

1. Basic Policy

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

More specifically, Director compensation (excluding Outside Directors) comprises of “Fixed-amount compensation,” basic remuneration; “Performance-linked compensation,” which is linked to company’s financial results; “Restricted stock compensation,” non-monetary compensation.

Compensation for Outside Directors and Audit & Supervisory Board Members responsibilities of which are to supervise the management is composed of fixed-amount compensation only.

Fixed-amount compensation for Audit & Supervisory Board Members is determined based on the deliberation among the Members in reference to the actual payment.

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

2. Determination policy

(1) Fixed-amount compensation (basic remuneration)

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

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

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

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

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

3. Details of performance metrics for performance-linked compensation, etc. and policy for determining the calculation method of the amount of performance-linked compensation, etc.

The Bank has adopted performance-linked compensation as part of executive compensation.

The metric used to determine performance-linked compensation is “net income attributable to owners of parent” because it is a performance indicator that represents the final result of the Shiga Bank Group’s business performance.

The amount of performance-linked compensation is within 0.45% of net income attributable to owners of parent (maximum 75.00 million yen), and its allocation is determined by a resolution of the Board of Directors based on the position.

4. Details of non-monetary compensation, etc. and policy for determining the amount or number of non-monetary compensation, etc. or its calculation method

The Bank has adopted restricted stock compensation as part of executive compensation.

This is an allotment of restricted stock in order to share with shareholders the benefits and risks of stock price fluctuations from the period of their office, and to further increase their willingness to contribute to medium to long term improvements in corporate value and stock price appreciation.

The number of allotments is determined by a resolution of the Board of Directors based on the position.

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

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

Executive category	Fixed-amount compensation (basic remuneration)	Performance-linked compensation (which is linked to company’s financial results)	Restricted stock compensation (non-monetary compensation, etc.)	Total	Number of eligible executives
Directors (excluding Outside Directors)	60–95%	0–25%	5–15%	100%	6 persons
Outside Director	100%	—	—	100%	3 persons
Audit & Supervisory Board Members	100%	—	—	100%	4 persons

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

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

For the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

Executive category	Number of persons	Total amount of compensation, etc. (Millions of yen)	Fixed-amount compensation (basic remuneration)	Performance-linked compensation (which is linked to company’s financial results)	Restricted stock compensation (non-monetary compensation, etc.)
Directors (excluding Outside Directors)	7	171	133	18	19
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	2	43	43	—	—
Outside executive (Outside Director and Outside Audit & Supervisory Board Member)	5	32	32	—	—

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

- Fixed-amount compensation (basic remuneration)

It is paid as a fixed monthly monetary compensation.

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

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

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

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

Roundtable Discussion

O	utside	D	irectors
R	oundtable	D	iscussion

Aiming to create a virtuous cycle of happiness brought to the region through Purpose-driven management.

Outside Directors Minako Takeuchi, Rikiya Hattori, and Sawaichiro Kamata, and Chairperson Shojiro Takahashi (Chairperson of the Board of Directors) exchanged opinions on the evaluation of the newly established purpose. The following is the 8th Mid-Term Business Plan (hereinafter the 8th Med-Term Plan), as well as efforts to improve the effectiveness of the Board of Directors and enhance corporate value.



Chairman

Shojiro Takahashi

Outside Director

Rikiya Hattori

Outside Director

Minako Takeuchi

Outside Director

Sawaichiro Kamata

Initiatives to improve the effectiveness of the Board of Directors

Takahashi: Thank you for your always valuable input and advice to the Board of Directors. First of all, let me ask you again, from what perspective you are working to improve the effectiveness of the Board of Directors, and if you have any requests, please let me know.

Takeuchi: I would like to try as much as possible to throw out points and viewpoints that can stimulate discussion. For example, if there are issues rooted in the organizational culture, etc., which may be latent in the topic of discussion, I would like to tie the issue to that and post it in a way that will activate the discussion.

Hattori: I have served as an Outside Director of the Bank since June 2020, and each year I believe the issues have been resolved, so that I feel the Board itself has been brushed up. In particular, the previous fiscal year was the period for formulating the Mid-Term Plan, which allowed us to consider medium- to long-term strategies. I have also confirmed the discussions at Management Meetings through the meeting minutes.

Although the Bank has strengths and advantages developed over its 90-year history, in turbulent times, the existing strengths may be no longer necessarily strengths, and I emphasize the viewpoint of what kind of growth strategy the Bank will draw up in the future. I think the Bank's culture has some good points and some points that need to be changed, and I would like to take a scalpel to those points.

Kamata: The Bank spends half a day the day before a meeting of the Board of Directors explaining the agenda in advance, which is very good because the participants can gain a better understanding of the agenda there and can immediately start discussing it the next day. In addition to the agenda and reports, a time of "Discussion" was established last year to discuss important management issues, and we were able to discuss important items such as the Purpose and the 8th Mid-Term Plan many times. I feel that the effectiveness is increasing. I believe that discussions will be deepened if people other than the officer in charge also actively express their opinions.

There are three things I am aware of as an Outside Director. The first is that I try to finish technical questions the day before and offer my opinions and evaluations on the day of the meeting. The second is to provide new perspectives. Third, I try to approach discussions with the stance that

corporate governance and Tokyo Stock Exchange requirements should be addressed as squarely as possible.

Hattori: During Chairman Takahashi's term as President, the Managing Executive Officer began to sit on the Board of Directors, which is a good thing. It is also important from the perspective of training board members for the next era.

The 8th Medium-Term Business Plan

Takahashi: In the previous fiscal year, you all were involved in the process of formulating the 8th Mid-Term Plan. We have established a new Purpose and will create a virtuous cycle of happiness brought to the region with three basic strategies, "Impact Design," "Base for Growth," and "Human First." What is your evaluation of this 8th Mid-Term Plan?

Takeuchi: Purpose was established to return the Bank to its roots, and Principles were reorganized. I appreciate the fact that the Bank did not completely change everything, but rather kept what was important and optimized it. If new ideas appear, we will just be exhausted by the excessive feeling of having more and more of them. I think it is very good that the vision of "Sustainability Design Company" was continued from the previous Mid-Term Plan, as it shows that our vision is higher than before.

Kamata: I said that the Purpose is to show the significance of the Bank's existence in society and that it should be something that is unique to Shiga Bank. I also believe that the key word is "Sustainability Design Company," and in order to achieve this vision, each and every employee must be aware that the target is to change from a Bank to a Company.

I have taken the stance that there is nothing wrong with the Bank's soundness indicators, that it should be able to take on more risk, and that it should be more profitable and capital efficient. In this regard, I liked the idea of strategic risk-taking through the RAF (Risk Appetite Framework). We first set the level we were aiming for and the vision, then determined the amount of risk we needed to be willing to take to achieve them, and discussed what measures would be necessary to take those risks along the way. As a result, the concept of using new businesses and subsidiaries as +X (transformation), a discontinuous measure rather than an extension of conventional measures, to increase earnings by the entire Group became clear. A new "Future Design Group" has also been established to work on the creation of new businesses, which I think is very significant and appreciated.



Hattori: I appreciate that the contents of the Purpose and 8th Mid-Term Plan were generally able to include the contents that investors are looking for. Strictly speaking, I believe that we need to be clearer about how we are changing from a Bank to a Company and what we are doing with the change, and to make it permeate the Group's employees. In the future, I hope that this plan will be brushed up through the PDCA cycle, and that the emphasis will shift to building a system that can respond to changes flexibly. On the other hand, the Bank has introduced a number of advanced initiatives, such as environmental management and risk management through RAF, and I think this culture is excellent.

Corporate culture of "challenge" and "praise"

Takahashi: Next, I would like to ask you about the corporate culture that the Bank aims to achieve as indicated in the "Human First" section of the 8th Mid-Term Plan.

Takeuchi: It's about fostering a corporate culture of "challenge" and "praise." It's very important, but I think the hurdles are high. If someone tries and fails, they need to accept it, turn the failure into a learning experience, watch over them, "give it a try", and manage it until it leads to success. Careful support is necessary, and it won't work unless you understand and tackle it to that extent. First of all, you need to create a culture that develops people. Developing people requires skill, so that's the big challenge.

Kamata: What I feel is that the Bank has an inherent culture of challenge, as represented by environmental management and the RAF. However, I think we need to be aware of the question of whether this is sufficient compared to the

standards the current times demand. With the deregulation of banks, there should be business opportunities beyond conventional banking operations. The need for challenge is growing, and I believe that the culture of "challenge" and "praise" is taking on more weight than before.

Hattori: Before the "challenge," it is important to know what the person wants to do and whether the person wants to do it this way. I have attended several meetings to formulate the Medium-Term Business Plan. One way to do is to hold more meetings where young people can express their opinions and create opportunities for discussion.

Kamata: I think curiosity is the root of the "spirit of taking on challenges." The Omi Merchants, the origins of our bank, were also particularly curious, and this was the driving force that allowed them to expand their business nationwide. I think that valuing curiosity will lead to challenges. The business contest held during the Mid-Term Plan formulation period was a good initiative. There was an awards ceremony at the 90th anniversary ceremony, and I think that praising and evaluating people who take on challenges in such places will increase their motivation to take on challenges.

Takahashi: In the 8th Mid-Term Plan, in order to firmly implement the PDCA cycle, we have established a "Value Creation Project Team" consisting of the planning staff of the headquarters and the Future Design Group to make it function. I would like to create a culture that firmly admires the challenges of the Group's employees.



Aiming to increase corporate value

Takahashi: Finally, please tell us what the Shiga Bank Group should do in the future to improve its corporate value and PBR (price book value ratio).

Kamata: We have discussed capital efficiency and stock price at the Board of Directors meetings, published a logic tree in the 8th Mid-Term Plan, and are now able to speak to investors in a common language. In addition, although the Bank is a leader among regional banks in the environmental field, I feel that this reality is not fully communicated to the market and investors. I think strategic IR should be implemented. It is important to be aware that enhanced disclosure, including investor relations, will reduce uncertainty and, in turn, lower the cost of capital. (P.20) And, regarding RORA (a measure of profit as a percentage of risk-weighted assets), it is a question of whether we can really manage our business in a way that is truly well organized in terms of profitability by division, taking into account risk. I believe that is the challenge.

Hattori: For example, if we consider a 40% dividend payout ratio as a start, the company will become worthy of what it offers. It is necessary to backcast backwards from the goal to be aimed for and for everyone to think concretely.

Takeuchi: It is important for the Bank to pursue PBR improvement by taking a firm approach to corporate governance and thinking carefully about how capital efficiency can be improved. Together with all stakeholders, we must come to the conclusion that it is truly a good thing that Shiga Bank exists, and we must ensure that this conclusion permeates the entire Group, so that each and every officer and employee is able to act on it with a clear sense of purpose.

Takahashi: In the spirit of the "Sampo yoshi" of the Omi Merchants, the Bank will manage its operations in a balanced manner to ensure soundness, shareholder returns, and investment in growth to generate future earnings. I believe that the most important thing is for customers to feel confidence in the Bank as a bank with which they can do business with peace of mind.

Hattori: While regional banks are required to have a certain level of capital adequacy from the viewpoint of soundness in their management, it is not easy to improve capital efficiency. Rather than reducing capital, it is important to increase earnings and dividends to enhance corporate value and shareholder value.

Takahashi: Thank you for your many valuable comments today. I would like to continue efforts to improve the effectiveness of the Board of Directors.



List of Directors, Audit & Supervisory Board Members and Executive Officers

(As of June 26, 2024)

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)



Representative Director and President **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 **Katsuyoshi Horiuchi**

April 1987

Joined the Bank

June 2014

General Manager of Risk Supervisory Dept.

June 2017

Executive Officer and General Manager of Business Promotion Dept.

June 2019

Director and General Manager of Kyoto Branch

June 2021

Managing Director and General Manager of Financial Markets & International Dept.

February 2022

Managing Director

June 2024

Senior Managing Director (current position)



Managing Director **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)



Managing Director **Nobuyuki Tanaka**

April 1990

Joined the Bank

June 2019

Executive Officer and General Manager of Osaka Branch

June 2020

Executive Officer and General Manager of Credit Supervision Dept.

June 2021

Managing Executive Officer and General Manager of Credit Supervision Dept.

June 2022

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

June 2024

Managing Director (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

April 2017

Deputy President, Sumitomo Mitsui Trust Holdings, Inc.

June 2017

Retired as Director, Sumitomo Mitsui Trust Holdings, Inc.

April 2018

Executive Advisor, Sumitomo Mitsui Trust Bank, Limited

June 2018

Chairman, Sumitomo Mitsui Trust Panasonic Finance Co., Ltd.

March 2020

Corporate Auditor, Sumitomo Densetsu Co., Ltd.

June 2020

Retired as Executive Advisor, Sumitomo Mitsui Trust Bank, Limited

February 2021

Outside Director, the Bank (current position)

June 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 **Hideki Sugie**

April 1985

Joined the Bank

June 2012

Secretarial, Secretariat

June 2016

Retired from the Bank

June 2016

Managing Director, Biwako Broadcasting Co., Ltd.

March 2022

Retired as Managing Director, Biwako Broadcasting Co., Ltd.

April 2022

Deputy Director-General, the Bank

June 2022

Full-time Audit & Supervisory Board Member (current position)



Full-time Audit & Supervisory Board Member **Akihisa Hida**

April 1991

Joined the Bank

June 2019

General Manager of Business Promotion Dept.

June 2020

Executive Officer and General Manager of General Planning Dept.

June 2021

Managing Executive Officer and General Manager of General Planning Dept.

June 2022

Senior Director and General Manager of Sustainable Strategy Office, General Planning Dept.

June 2024

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

Hiroyoshi Inoue

Managing Executive Officer

General Manager of Audit & Inspection Dept.



Kazuaki Kataoka

Managing Executive Officer

General Manager of Kyoto Branch



Isokazu Yamamoto

Managing Executive Officer

General Manager of Head Office Business Department



Hidetoshi Oshima

Executive Officer

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



Kengo Matsunaka

Executive Officer

General Manager of Financial Markets & International Dept.



Takato Mokuzawa

Executive Officer

General Manager of Risk Supervisory Dept.



Shunji Fukuchi

Executive Officers

General Manager of Credit Supervision Dept.



Risk Management

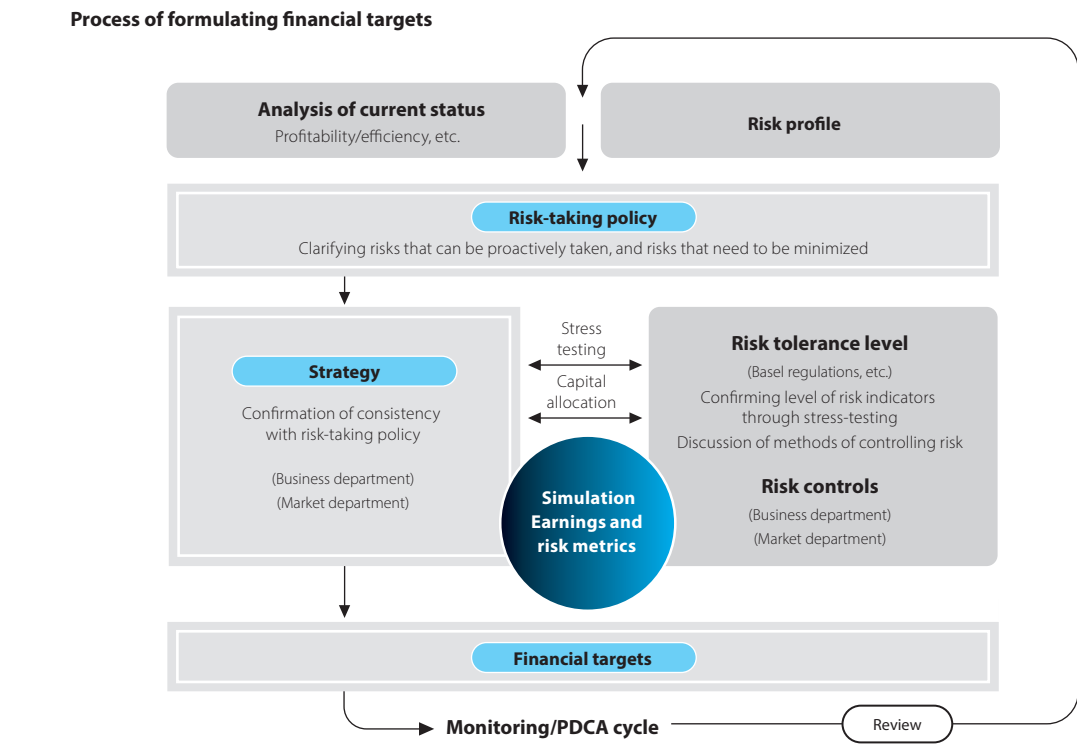
Basic views

The Bank aims to increase corporate value by implementing various management strategies to create a virtuous cycle of happiness brought to the region, centering on the banking business. Based on the concept of the “Risk Appetite Framework,” a framework that clarifies the types and levels of risk we are prepared to take on in order to achieve business strategies and financial targets, we operate to maximize the use of capital and funds in terms of both soundness and efficiency.

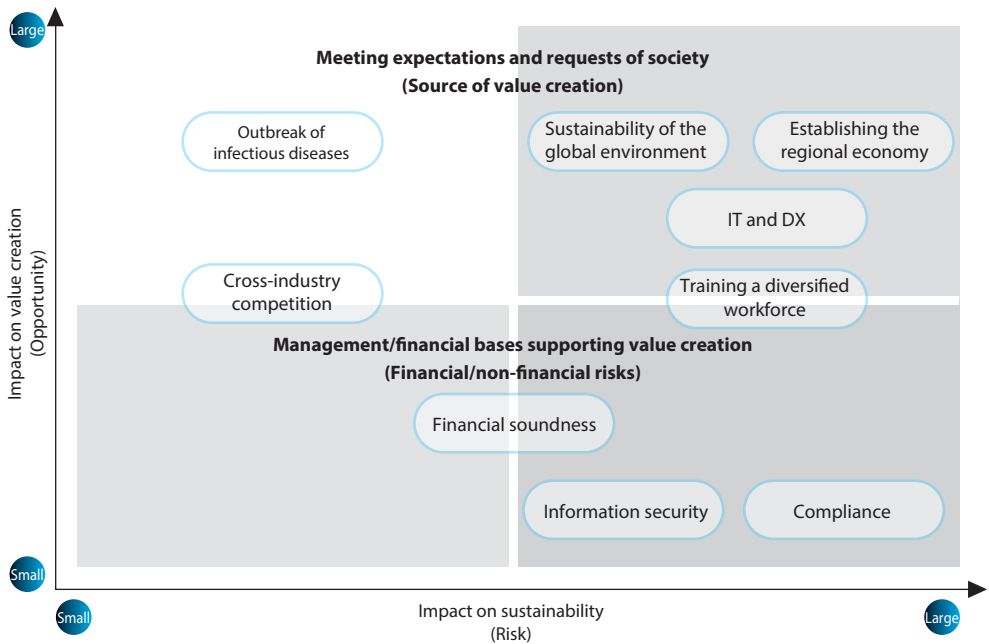
Risk Appetite Framework (RAF)

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 in a “world with interest rates” from a forward-looking perspective and verify the effects of the scenarios on financial targets. After confirming through stress testing that the plan will remain reasonably sound under a certain amount of stress considering the economic cycle, we allocate capital accordingly and aim to control the balance among earnings, risk, and capital. The PDCA cycle effectively functions to achieve our strategies through proactive risk-taking and appropriate risk management in response to changes in the financial environment by monitoring the financial targets we have formulated.



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



Outline of Risk Management System

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

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

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



[Capital allocation]

The Bank uses VaR, etc. to quantify the various risks it faces. Amounts of capital corresponding to risk amounts (economic capital) are allocated for individual categories of risk and for individual departments and other units, within the scope of own capital. At Shiga Bank, business department and market department are subject to capital allocation measures.

[VaR (Value at risk)]

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

Comprehensive Risk Management

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

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

Capital allocation system

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

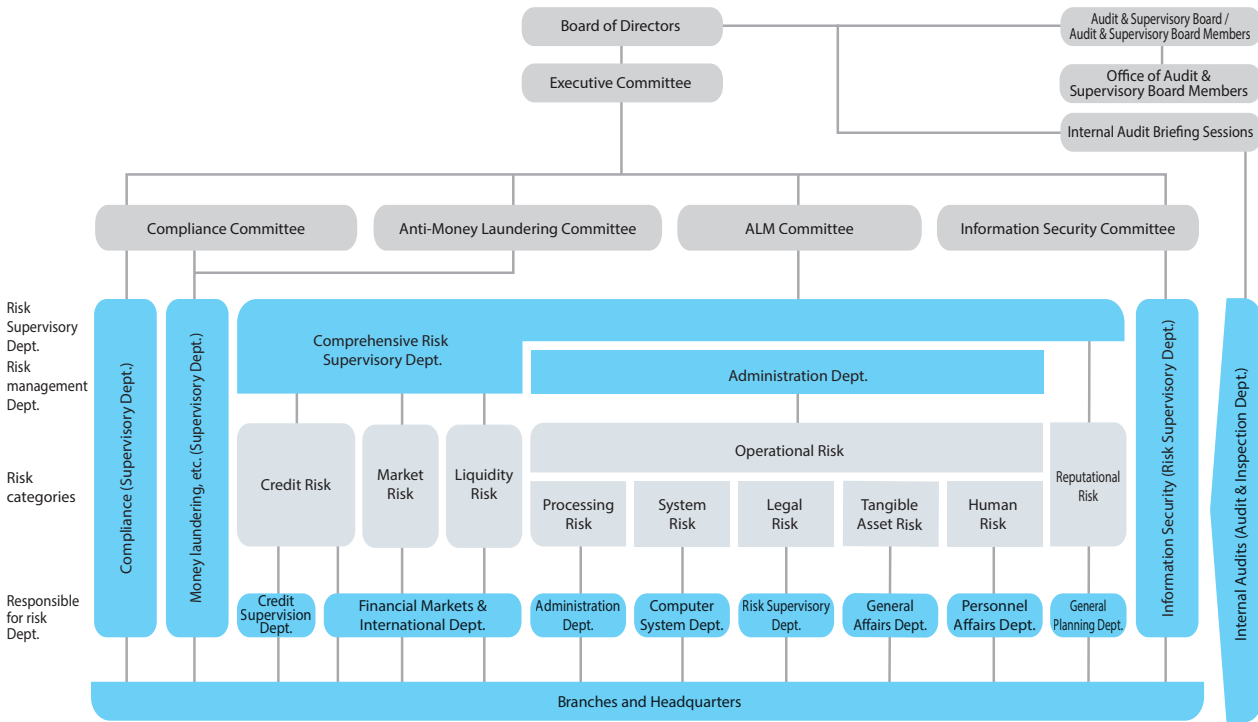
Specifically, the Bank controls risk by keeping it within the specified ratio to both regulatory capital (own capital needed to satisfy capital adequacy regulations) and economic capital (risk amounts calculated using VaR, etc.). In addition, the Bank has created a system that appropriately complements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

Internal capital adequacy assessment process (stress test)

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

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

Risk Management System



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" with regional communities. Based on this view, the Bank introduced its own "Corporate Credit Ratings System" and has endeavored to improve its credit risk management.

Outline of the Corporate Credit Rating System

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

Outline of Credit Risk Management

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

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

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

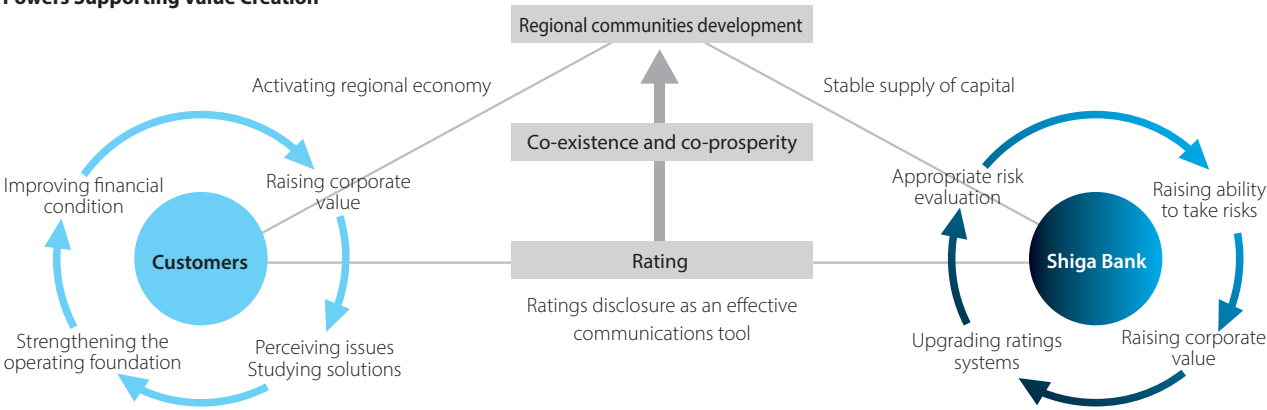
Significance and Purpose of the Corporate Credit Rating System

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

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

From this viewpoint, 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, we have introduced measures such as separation of the business network from the Internet usage environment, next-generation antivirus software, and communication monitoring by external services. In addition, the Bank, with the cross-departmental team “Shigagin CSIRT” playing a central role, has been preparing for emergency by conducting drills to counter cyberattacks and continuously improving its contingency plan*3. We strive to improve literacy of officers and employees by conducting drills for targeted attack email and providing security education on a periodic basis.

Through these measures, we 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.

Compliance system

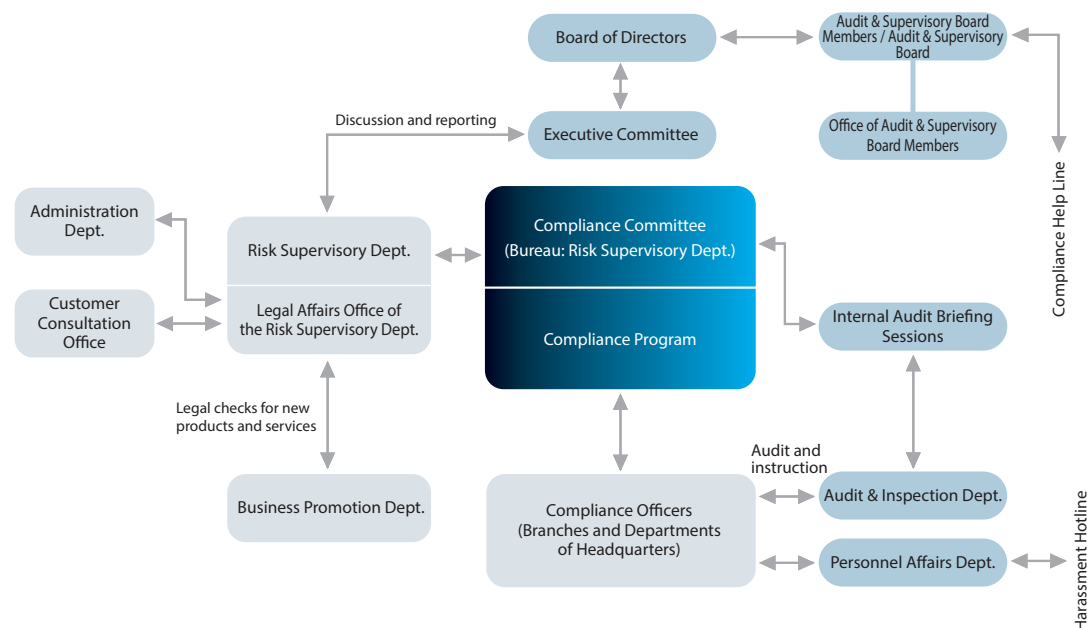
The Bank has stipulated the Code of Conduct based on the Management Principles. In order to comply with them and to thoroughly comply with laws and regulations, the Board of Directors formulates a Compliance Program every fiscal year, after deliberation by the Compliance Committee. In addition, we strive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

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

■ Whistle-blowing system for officers and employees established

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

Compliance system chart



Measures to prevent recurrence of misconduct

Initiatives to prevent recurrence

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

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

Redefining compliance

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

System for managing conflict of interest

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

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

Personal information protection and management

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

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

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

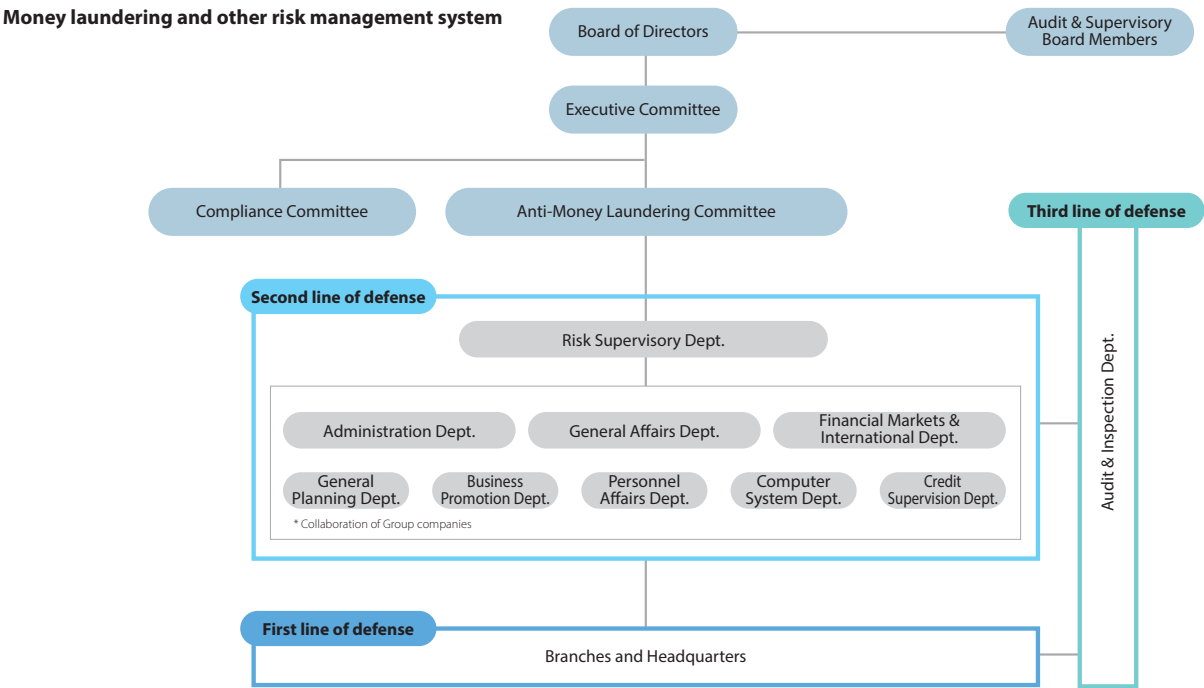
Measures to eliminate anti-social forces

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

Anti-money laundering measures

In recent years, initiatives to prevent anti-money laundering, terrorism financing, and proliferation financing and sanctions violations (hereinafter referred to as the “money laundering”) are becoming increasingly important. In addition to complying with legal requirements, financial institutions are required to take various measures to prevent money laundering, such as updating customer information to ensure that risks are appropriately reduced according to the risks identified and assessed by the financial institution.

In addition, the Bank is working with related authorities and industry associations to implement measures to respond to and effectively prevent increasingly complex and sophisticated money laundering, etc.



The Bank’s main efforts

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

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 money laundering and other risks and allow customers to use the Bank’s products and services including bank accounts in a safe and reliable manner.
- Information on updating customers' information by sending the “Customer Information Confirmation Letter” by mail
 - Update customer information at the Bank’s branches, etc.

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

Stakeholder Engagement

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

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

Communication with customers



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

Communication with 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 with employees



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

Communication with shareholders and investors



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

Communication with the global environment



We will strive to create a society where children who will lead the next generation can live with peace of mind by discussing how to cope with environmental issues such as climate change and crises to regional resources and ecosystems with external parties and conducting direct and indirect activities through volunteering and our main business. The Bank, which is headquartered next to Lake Biwa, conducts "Ikimonogatari" (Tales of Life) activities, environmental volunteering (P. 86), to protect biodiversity in Lake Biwa and help its employees to improve their environmental literacy.

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



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

ESG Data

E (Environment) (Fiscal year 2023)

GHG emissions

	Classification	Energy use/ non-energy GHG	Emissions (tCO ₂ eq)	
Scope 1	Total		620	
	City gas	23,659m ³	49	
	LP gas	84m ³	1	
	Gasoline	207,571L	475	
	Fuel oil	0L	0	
	Diesel oil	3,895L	10	
	HFC	60kg	86	
Scope 2	Electricity	13,403MWh	Market-based	3,389
			Location-based	5,871
Scope 3	Total		16,480,774	
	Category 1	Purchased products and services	19,757	
	Category 2	Capital goods	2,349	
	Category 3	Other fuel energy	1,018	
	Category 4	Transportation (upstream)	272	
	Category 5	Wastes	68	
	Category 6	Business travel	131	
	Category 7	Commuting	878	
	Category 15	Investment and financing	16,456,300	
Scope 1-3 total			Market-based	16,484,783
			Location-based	16,487,264

Scope 3 Category 15 Details
Emissions by industry (carbon-related sectors based on TCFD recommendations)

Industry	Total of "Listed shares & Corporate bonds" and "Business loans & Unlisted shares"		
	Emissions (tCO ₂ eq)	Carbon intensity (tCO ₂ eq/million yen)	Weighted average DQ (value-weighted)
Energy	2,064,070	13.8	2.3
Transportation	3,377,692	12.0	2.1
Materials and Building	6,580,705	6.2	3.0
Agriculture, Food and Forest Products	1,428,257	12.6	2.9
Other	3,005,576	2.2	3.5
Total	16,456,300	5.5	3.1

Breakdown of business loans	Emissions (tCO ₂ eq)	Carbon intensity (tCO ₂ eq/million yen)	Weighted average DQ (value-weighted)
Energy	1,785,366	13.3	2.3
Coal	1,678	3.3	4.0
Oil and Gas	645,842	16.5	2.7
Electric power companies	1,137,847	12.0	2.2
Transportation	1,205,165	6.2	2.6
Trucking service	128,287	1.9	3.9
Marine transportation	194,104	6.4	1.6
Air freight forwarding	17,238	13.5	4.0
Air passenger transportation	11,005	3.4	1.0
Automotive and Parts	804,507	17.7	1.9
Rail transportation	50,022	1.0	2.0
Materials and Building	5,231,008	5.9	3.2
Chemicals	676,588	5.6	2.8
Metals and Mining	287,759	8.5	2.8
Construction materials	852,752	34.7	3.4
Capital goods (buildings, etc.)	3,322,464	10.6	2.7
Real estate management and development	91,445	0.2	3.8
Agriculture, Food and Forest Products	1,382,668	14.4	3.1
Beverages	52,333	1.5	2.4
Paper and Forest products	171,600	8.0	2.6
Agriculture	16,083	1.7	4.0
Packaged foods and Meat	1,142,652	39.3	3.9
Other	2,522,972	2.4	3.7
Other	2,522,972	2.4	3.7
Total	12,127,178	5.1	3.3

*The numbers in the total column for carbon intensity and weighted average DQ are the carbon intensity and the weighted average DQ for the total emissions of the relevant portfolio.
*The weighted average DQ is the weighted average of the DQs for the individual investments.
*Totals are the aggregate results for each industry, including decimals, and do not necessarily correspond to the apparently rounded aggregate results for each industry.

S (Social)

Employees (consolidated) (As of March 31, 2024)		
Number of employees	2,154 persons	
Employees (non-consolidated) (As of March 31, 2024)		
Number of employees	1,875 persons	
Average age	38.16 years old	
Average years of service	15.25 years	
Average annual salary	¥6,793 thousand	
(Results of fiscal year 2023)		
Percentage of female managers	17.6%	
Percentage of male employees taking childcare leave	95.4%	
Wage difference between male and female employees	All workers	48.5%
	Full-time workers	68.2%
	Non full-time workers	43.2%
Number of mid-career hires in management positions	21 persons	
Employment of people with disabilities	2.348%	
Average number of days of paid leave taken	17 days	
Employee engagement	84.1%	

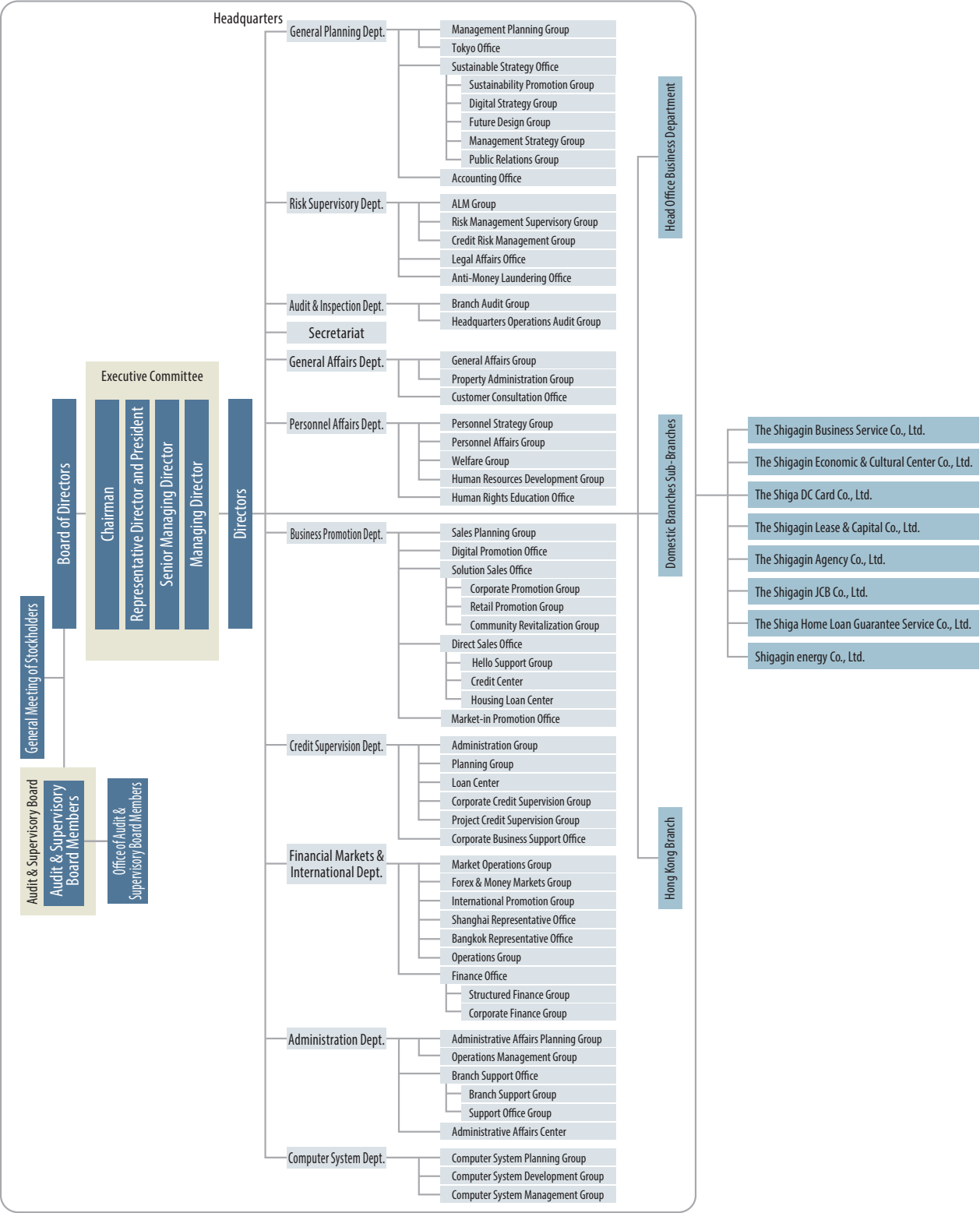
Human resource development	
Investment amounts for human resources development per person	¥165 thousand
Number of employees seconded to outside companies	20 persons per fiscal year
Number of employees with Financial Planning Grade 1 certification	231 persons
Dispatch to external trainings	23 persons
Management score of managers (evaluation by others)	3.76 (graded on a 5-point scale)
Activities of diversified human resources	
Retention rate within 3 years of recruiting new graduates	85.7%
Number of mid-career hires	11 persons
Number of persons utilizing human resources recruitment system	50 persons
Job satisfaction and ease of working	
Percentage of retests received for regular health checkups (including medical checkups)	90.2%
Engagement score	69
Percentage of participants in trainings on human rights, etc.	(First half) 92.4% (Second half) 92.6%

G (Governance)

Compliance	
Comprehension of compliance training	(First half) 97.4% (Second half) 98.6%
*Total of "Understood well" and "Understood" responses.	
Corporate Governance	
Percentage of compliance with the Corporate Governance Code	100%
Attendance ratio of Directors and Audit & Supervisory Board Members at meetings of the Board of Directors	100%
Number of Directors	9 persons
Number of Outside Directors	4 persons
Percentage of Outside Directors	33.3%
Number of female Directors	1 person
Percentage of female Directors	11.1%

FINANCIAL SECTION

Organization Chart (As of June 26, 2024)



Profile

(As of March 31, 2024)

Corporate Name	THE SHIGA BANK, LTD.
Head Office	1-38, Hamamachi, Otsu, Shiga 520-8686, Japan
Established	October 1, 1933
Total Assets	¥7,944.1 billion
Deposits	¥5,846.6 billion
Loans	¥4,495.1 billion
Common Stock	¥33.0 billion
Employees	1,875 persons
Offices and Branches	133 (including 33 agents)

Financial Section

The Shiga Bank, Ltd. and Consolidated Subsidiaries

Consolidated Five-year Summary

	Millions of yen				
	2024	2023	2022	2021	2020
As of March 31					
Total assets	¥7,970,551	¥7,305,698	¥7,537,956	¥7,793,748	¥6,285,002
Investment securities	1,857,431	1,515,578	1,511,864	1,586,506	1,307,107
Loans and bills discounted	4,475,442	4,343,641	4,064,683	4,001,698	3,859,363
Deposits	5,803,032	5,714,368	5,611,084	5,398,851	4,886,433
Total equity	490,887	441,222	464,214	495,469	375,801
Years ended March 31					
Total income	122,632	115,498	98,307	88,127	93,873
Total expenses	98,896	95,330	74,899	75,075	76,084
Income before income taxes	23,735	20,168	23,408	13,051	17,788
Net income attributable to owners of the parent	15,940	14,858	17,715	11,448	12,412
Per share data (in yen)					
Cash dividends	¥ 90.00	¥ 80.00	¥ 80.00	¥ 40.00	¥ 40.00
Net income	336.31	310.57	359.50	228.12	243.05
Net equity	10,459.88	9,293.39	9,552.14	9,958.46	7,482.34
Ratio					
Capital ratio	15.70%	15.80%	15.14%	17.19%	14.12%
ROE	3.42%	3.28%	3.69%	2.62%	3.19%

Financial review (Consolidated basis)

The Japanese economy in the fiscal year ended March 31, 2024 has been gradually recovering after overcoming the COVID-19 pandemic, and Japan's Nikkei Stock Average hit its first all-time high in 34 years in February 2024. Capital expenditure has been increasing moderately amid the improvement of overall corporate revenue, though it was affected by production and shipment halts at some automobile manufacturers. In addition, consumer spending has remained solid despite the effect of price hikes and other factors.

Shiga Prefecture's economy has continued its recovery trend. On the other hand, production activities in the entire manufacturing sector, including transport machinery, have declined, and on the demand front, real consumer spending growth has remained slow. On the investment front, private capital expenditure, housing investment, and public investment have declined.

Balance sheets

Regarding the financial position, the balance of total assets was ¥7,970,551 million, an increase of ¥664,852 million from the end of the previous fiscal year.

With regards to the main account balance of assets, investment securities stood at ¥1,857,431 million (an increase of ¥341,853 million from the end of the previous fiscal year), and loans and bills discounted totaled ¥4,475,442 million (an increase of ¥131,801 million from the end of the previous fiscal year).

Meanwhile, total liabilities were ¥7,479,663 million, an increase of ¥615,186 million from the end of the previous fiscal year.

With regards to the main account balance of liabilities, deposits totaled ¥5,803,032 million (an increase of ¥88,664 million from the end of the previous fiscal year), negotiable certificates of deposit were ¥25,360 million (a decrease of ¥4,971 million from the end of the previous fiscal year), call money and bills sold were ¥346,092 million (an increase of ¥108,186 million from the end of the previous fiscal year), payables under securities lending transactions were ¥241,330 million (an increase of ¥35,757 million from the end of the previous fiscal year), and borrowed money was ¥882,628

million (an increase of ¥344,172 million from the end of the previous fiscal year).

Total equity amounted to ¥490,887 million, an increase of ¥49,665 million from the end of the previous fiscal year. This was mainly due to an increase of ¥24,082 million in net unrealized gains on available-for-sale securities from the end of the previous fiscal year.

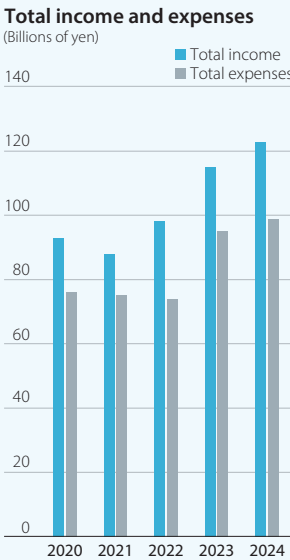
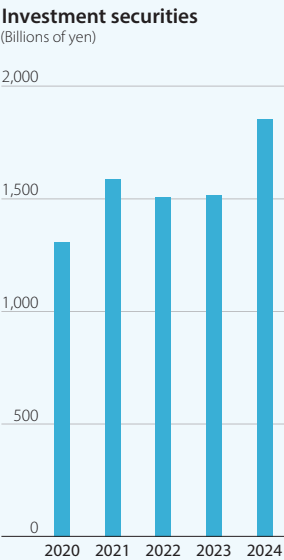
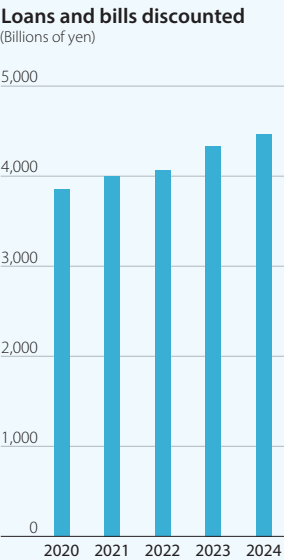
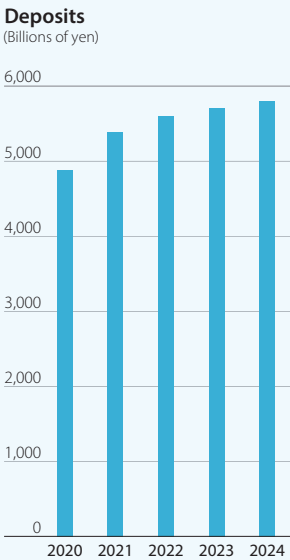
Statements of operations

Regarding operating results, ordinary income was ¥122,630 million, an increase of ¥7,341 million year on year. This was mainly due to an increase in interest income (an increase of ¥16,138 million year on year) due in part to an increase in interest on loans and discounts and interest and dividends on securities.

On the other hand, ordinary expenses were ¥98,663 million, an increase of ¥3,415 million year on year. This was mainly due to an increase in interest expenses (an increase of ¥9,980 million year on year) due in part to an increase in interest on borrowing and rediscounts.

As a result, ordinary profit for the fiscal year under review increased by ¥3,925 million year on year to ¥23,967 million, and net income attributable to owners of the parent increased by ¥1,082 million year on year to ¥15,940 million.

Furthermore, comprehensive income increased by ¥70,997 million year on year to ¥55,925 million, primarily resulting from a greater increase in net unrealized gains on available-for-sale securities.



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

Cash flows

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

Net cash provided by operating activities was an inflow (hereinafter, "cash inflow") of ¥453,292 million, mainly due to an increase in borrowed money, call money, payables under securities lending transactions. Cash inflow increased by ¥936,726 million year on year mainly because borrowed money shifted to an increase in the fiscal year under review from a decrease in the previous year.

Net cash used in investing activities was an outflow (hereinafter, "cash outflow") of ¥288,586 million as purchases of securities exceeded proceeds from sales and redemptions of securities. Cash outflow increased by ¥230,597 million year on year, mainly due to a decrease in proceeds from sales of securities.

Furthermore, net cash used in financing activities was a cash outflow ¥6,280 million, due to dividends paid and purchases of treasury stock. Cash outflow decreased by ¥1,673 million year on year, mainly due to decreases in purchases of treasury stock and dividends paid.

As a result, cash and cash equivalents as of the end of the fiscal year under review amounted to ¥1,359,724 million, an increase of ¥158,425 million year on year.

The Shiga Bank, Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet

As of March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Assets			
Cash and due from banks (Notes 3 and 33)	¥1,360,066	¥1,201,938	\$ 8,982,669
Call loans and bills bought.....	5,753	17,759	37,996
Debt purchased.....	1,968	2,514	12,997
Trading securities (Note 4).....	459	488	3,031
Money held in trust (Note 5).....	30,376	27,059	200,620
Investment securities (Notes 4, 7, 12, 19 and 33)	1,857,431	1,515,578	12,267,558
Loans and bills discounted (Notes 7, 12, 13, 33 and 39)	4,475,442	4,343,641	29,558,430
Foreign exchange assets (Notes 7 and 8).....	6,193	6,730	40,902
Other assets (Notes 7, 9 and 12)	161,400	119,185	1,065,979
Tangible fixed assets (Notes 10, 11 and 14)	47,638	52,349	314,629
Intangible fixed assets.....	1,342	2,180	8,863
Asset for retirement benefits (Note 31)	25,228	19,650	166,620
Deferred tax assets (Note 32).....	591	572	3,903
Customers' liabilities for acceptances and guarantees (Notes 7 and 19).....	29,340	28,226	193,778
Allowance for loan losses.....	(32,683)	(32,177)	(215,857)
Total assets	7,970,551	7,305,698	52,642,170
Liabilities			
Deposits (Notes 12, 15 and 33).....	5,803,032	5,714,368	38,326,609
Negotiable certificates of deposit (Note 33)	25,360	30,332	167,492
Call money and bills sold (Note 33).....	346,092	237,906	2,285,793
Payables under securities lending transactions (Notes 12 and 33).....	241,330	205,572	1,593,884
Borrowed money (Notes 12, 16 and 33)	882,628	538,456	5,829,390
Foreign exchange liabilities (Note 8).....	92	377	607
Borrowed money from trust account (Note 17)	184	187	1,215
Other liabilities (Notes 18 and 39).....	88,812	61,346	586,566
Liability for retirement benefits (Note 31).....	168	159	1,109
Liability for retirement benefits of directors and Audit & Supervisory Board Members	4	4	26
Allowance for repayment of excess interest	5	10	33
Reserve for other contingent losses.....	196	140	1,294
Deferred tax liabilities (Note 32).....	56,949	41,893	376,124
Deferred tax liabilities for land revaluation (Note 14)	5,463	5,495	36,080
Acceptances and guarantees (Note 19).....	29,340	28,226	193,778
Total liabilities	7,479,663	6,864,476	49,400,059
Equity (Notes 20, 21 and 37)			
Common stock, authorized, 100,000,000 shares; issued, 53,090,081 shares as of March 31, 2024 and 2023.....	33,076	33,076	218,453
Capital surplus.....	24,541	24,540	162,083
Retained earnings	269,792	258,053	1,781,863
Treasury stock – at cost 6,159,570 shares and 5,613,090 shares as of March 31, 2024 and 2023, respectively	(16,476)	(14,488)	(108,817)
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities (Notes 4 and 6)	131,867	107,785	870,926
Deferred gains on derivatives under hedge accounting.....	30,145	15,599	199,095
Land revaluation surplus (Note 14).....	8,240	8,312	54,421
Defined retirement benefit plans.....	9,700	8,343	64,064
Total equity	490,887	441,222	3,242,104
Total liabilities and equity	¥7,970,551	¥7,305,698	\$52,642,170

See Notes to Consolidated Financial Statements.

Consolidated Statement of Income

Years ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Income (Notes 22 and 38)			
Interest income:			
Interest on loans and discounts.....	¥44,597	¥38,192	\$294,544
Interest and dividends on securities	25,026	19,024	165,286
Other interest income	4,553	821	30,070
Trust fees	0	0	0
Fees and commissions.....	19,995	17,651	132,058
Other operating income (Note 23)	13,181	20,188	87,055
Other income (Note 24)	15,277	19,619	100,898
Total income	122,632	115,498	809,933
Expenses			
Interest expenses:			
Interest on deposits.....	2,045	1,194	13,506
Interest on borrowing and rediscounts	11,746	4,746	77,577
Other interest expenses	5,199	3,069	34,337
Fees and commissions.....	5,730	4,873	37,844
Other operating expenses (Note 25)	18,072	33,788	119,358
General and administrative expenses (Note 26).....	51,047	44,420	337,144
Other expenses (Note 27)	5,056	3,236	33,392
Total expenses	98,896	95,330	653,166
Income before income taxes	23,735	20,168	156,759
Income taxes (Note 32)			
Current	10,078	4,731	66,560
Deferred	(2,283)	578	(15,078)
Net income	15,940	14,858	105,277
Net income attributable to owners of the parent	¥15,940	¥14,858	\$105,277

	Yen		U.S. dollars
	2024	2023	2024
Per share information (Note 36)			
Basic net income.....	¥336.31	¥310.57	\$2.221
Diluted net income	—	310.49	—
Cash dividends applicable to the year	90.00	80.00	0.594

See Notes to Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

Years ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Net income			
Other comprehensive income (Note 35):			
Net unrealized gains (losses) on available-for-sale securities	24,082	(41,170)	159,051
Deferred gains on derivatives under hedge accounting.....	14,546	9,553	96,070
Defined retirement benefit plans.....	1,356	1,687	8,955
Total other comprehensive income (loss)	39,985	(29,930)	264,084
Comprehensive income (loss).....	¥ 55,925	¥ (15,071)	\$ 369,361
Attributable to			
Owners of the parent.....	¥ 55,925	¥ (15,071)	\$ 369,361

See Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

Years ended March 31, 2024 and 2023

	Thousands	Millions of yen									
		Accumulated Other Comprehensive Income									
	Outstanding number of shares of common stock	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Net unrealized gains (losses) on available- for-sale securities	Deferred gains on derivatives under hedge accounting	Land revaluation surplus	Defined retirement benefit plans	Total equity
Balance as of April 1, 2022	48,587	¥33,076	¥24,536	¥ 103	¥248,089	¥(11,619)	¥148,955	¥ 6,045	¥8,369	¥6,656	¥464,214
Changes during the year:											
Net income attributable to owners of the parent					14,858						14,858
Cash dividends, ¥102.50 per share					(4,951)						(4,951)
Purchase of treasury stock	(1,161)					(3,002)					(3,002)
Sales of treasury stock	51		3			133					137
Reversal of land revaluation surplus					56						56
Other changes				(103)			(41,170)	9,553	(56)	1,687	(30,090)
Net change in the year		—	3	(103)	9,963	(2,869)	(41,170)	9,553	(56)	1,687	(22,992)
Balance as of March 31, 2023	47,476	33,076	24,540	—	258,053	(14,488)	107,785	15,599	8,312	8,343	441,222
Changes during the year:											
Net income attributable to owners of the parent					15,940						15,940
Cash dividends, ¥90.00 per share					(4,273)						(4,273)
Purchase of treasury stock	(554)					(2,007)					(2,007)
Sales of treasury stock	7		0			20					20
Reversal of land revaluation surplus					72						72
Other changes							24,082	14,546	(72)	1,356	39,912
Net change in the year		—	0	—	11,739	(1,987)	24,082	14,546	(72)	1,356	49,665
Balance as of March 31, 2024	46,930	¥33,076	¥24,541	¥ —	¥269,792	¥(16,476)	¥131,867	¥30,145	¥8,240	¥9,700	¥490,887

	Thousands of U.S. dollars (Note 1)									
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Accumulated Other Comprehensive Income				Total equity
						Net unrealized gains (losses) on available- for-sale securities	Deferred gains on derivatives under hedge accounting	Land revaluation surplus	Defined retirement benefit plans	
Balance as of April 1, 2023	\$218,453	\$162,076	\$ —	\$1,704,332	\$ (95,687)	\$711,875	\$103,024	\$54,897	\$55,102	\$2,914,087
Changes during the year:										
Net income attributable to owners of the parent.....				105,277						105,277
Cash dividends, \$0.59 per share.....				(28,221)						(28,221)
Purchase of treasury stock.....					(13,255)					(13,255)
Sales of treasury stock		0			132					132
Reversal of land revaluation surplus				475						475
Other changes.....						159,051	96,070	(475)	8,955	263,602
Net change in the year.....	—	0	—	77,531	(13,123)	159,051	96,070	(475)	8,955	328,016
Balance as of March 31, 2024.....	\$218,453	\$162,083	\$ —	\$1,781,863	\$ (108,817)	\$870,926	\$199,095	\$54,421	\$64,064	\$3,242,104

See Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

Years ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Operating activities:			
Income before income taxes.....	¥ 23,735	¥ 20,168	\$ 156,759
Depreciation.....	2,400	1,846	15,851
Losses on impairment of long-lived assets.....	146	—	964
Increase (decrease) in allowance for loan losses.....	505	(637)	3,335
Increase in reserve for other contingent losses.....	56	6	369
Increase in asset for retirement benefits.....	(5,578)	(6,326)	(36,840)
Increase in liability for retirement benefits.....	9	1	59
Increase in liability for retirement benefits of directors and Audit & Supervisory Board Members.....	0	0	0
Decrease in liability for reimbursement of deposits.....	—	(83)	—
Decrease in allowance for repayment of excess interest.....	(4)	(2)	(26)
Interest income.....	(74,177)	(58,038)	(489,908)
Interest expense.....	18,990	9,010	125,421
Losses (gains) on sales and write-down of investment securities.....	(7,635)	5,424	(50,425)
Gains on money held in trust.....	(704)	(66)	(4,649)
Foreign exchange gains.....	(3)	(2)	(19)
Losses (gains) on disposals of fixed assets – net.....	84	(126)	554
Net increase in loans and bills discounted.....	(131,801)	(278,957)	(870,490)
Net increase in deposits.....	88,664	103,283	585,588
Net decrease in negotiable certificate of deposits.....	(4,971)	(11,548)	(32,831)
Net increase (decrease) in borrowed money (excluding subordinated loans).....	344,172	(398,383)	2,273,112
Net decrease in due from banks (excluding deposits in Bank of Japan).....	297	222	1,961
Net decrease (increase) in call loans and others.....	12,551	(8,234)	82,894
Net increase in call money and bills sold.....	108,186	92,096	714,523
Net increase in payables under securities lending transactions.....	35,757	19,892	236,160
Net decrease in foreign exchange assets.....	537	332	3,546
Net increase (decrease) in foreign exchange liabilities.....	(285)	131	(1,882)
Net decrease in borrowed money from trust account.....	(2)	(26)	(13)
Interest received (cash basis).....	72,695	57,582	480,120
Interest paid (cash basis).....	(16,812)	(5,848)	(111,036)
Other.....	(9,713)	(18,521)	(64,150)
Subtotal.....	457,101	(476,807)	3,018,961
Income taxes – paid.....	(3,808)	(6,626)	(25,150)
Net cash provided by (used in) operating activities.....	453,292	(483,433)	2,993,804
Investing activities:			
Purchases of securities.....	(650,801)	(700,336)	(4,298,269)
Proceeds from sales of securities.....	285,027	571,189	1,882,484
Proceeds from redemptions of securities.....	80,993	87,575	534,925
Increase in money held in trust.....	(6,109)	(11,840)	(40,347)
Decrease in money held in trust.....	3,000	—	19,813
Purchases of tangible fixed assets.....	(1,132)	(4,235)	(7,476)
Proceeds from sales of tangible fixed assets.....	486	509	3,209
Purchases of intangible fixed assets.....	(50)	(849)	(330)
Net cash used in investing activities.....	(288,586)	(57,989)	(1,905,990)
Financing activities:			
Purchases of treasury stock.....	(2,007)	(3,002)	(13,255)
Proceeds from sales of treasury stock.....	0	—	0
Dividends paid.....	(4,273)	(4,951)	(28,221)
Net cash used in financing activities.....	(6,280)	(7,954)	(41,476)
Foreign currency translation adjustments on cash and cash equivalents.....	—	(0)	—
Net increase (decrease) in cash and cash equivalents.....	158,425	(549,377)	1,046,331
Cash and cash equivalents, beginning of year.....	1,201,299	1,750,676	7,934,079
Cash and cash equivalents, end of year (Note 3).....	¥1,359,724	¥1,201,299	\$ 8,980,410

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Years ended March 31, 2024 and 2023

1. Basis of presenting consolidated financial statements

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

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

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

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥151.41 to U.S.\$1, the rate of exchange at March 31, 2024, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen amounts have been or could be readily converted, realized or settled in U.S. dollar amounts at this rate or any other rates.

2. Summary of significant accounting policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Bank and seven consolidated subsidiaries for the years ended March 31, 2024 and 2023.

The consolidated subsidiaries’ respective fiscal periods end March 31 for the years ended March 31, 2024 and 2023.

The Bank has one and two other nonconsolidated subsidiaries in 2024 and 2023, respectively, in which investments are not accounted for by the equity method because their net income (the portion corresponding to the Bank’s equity), retained earnings (as above) and accumulated other comprehensive income (as above) have no material impact on the Group’s financial position or business performance.

All significant intercompany transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

(b) Cash equivalents

For the purpose of reporting cash flows, cash and cash equivalents are defined as cash and due from the Bank of Japan.

(c) Trading securities

Trading securities held by the Bank are stated at fair value at the fiscal year end (cost of sales, in principle, is computed by the moving-average method).

(d) Investment securities

i. Marketable securities held for trading purposes are stated at fair value (cost of sales, in principle, is computed by the moving-average method).

Securities held to maturity are stated at amortized cost (straight-line method) using the moving-average method. Securities available-for-sale are stated at fair value (cost of sales, in principle, is computed by the moving-average method). Shares, etc. that do not have market price are stated at cost using the moving-average method. Investment in capital of investment partnership and others are recorded at the net amount of the Bank’s share of their assets based on the most recent financial statements of the partnership and others. Valuation gains/losses on securities available for sale are included in net assets, net of income taxes (cost of sales, in principle, is computed by the moving-average method).

ii. Marketable securities included in money held in trust by the Bank are treated as trust assets and are stated at fair value at the fiscal year-end. Securities that constitute trust assets in money held in trust are stated using the same methods described in (i) above.

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

(e) Derivatives and hedging activities

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

i. Interest rate risk hedges

The Bank applies deferred hedge accounting to hedge transactions against interest rate risk arising from financial assets and liabilities which includes the method of designating hedging instruments to hedged items as well as the method stipulated in “Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry” (JICPA Industry Committee Practical Guidelines No. 24, March 17, 2022).

With regard to the assessment of hedge effectiveness, for the hedges that offset the fluctuations in the fair value of fixed interest rates classified as available-for-sale securities, interest rate swaps are assigned to hedged items collectively by bond type as the hedging instrument. The Bank designates the hedges so as to ensure that the critical conditions related to the hedged items and hedging instruments are largely identical; therefore, the hedges are considered to be highly effective, and the assessment of the effectiveness is based on the similarity of the conditions.

With regard to the effectiveness of cash flow hedges, hedge effectiveness is assessed by verifying the relationship of the interest rate fluctuation factors of the hedged items and the hedging instruments.

With regard to some assets, special treatment of interest rate swaps has been carried out, and the evaluation of the effectiveness of hedging has been replaced by the determination of the requirements for special treatment.

ii. Currency exchange risk hedges

Regarding the hedge accounting method applied to hedging transactions against currency exchange risk arising from assets and liabilities in foreign currencies, the Bank applies deferred hedge accounting stipulated in “Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry” (JICPA Industry Committee Practical Guidelines No. 25, October 8, 2020).

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

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

To hedge foreign exchange fluctuation risks of foreign currency-denominated securities (other than bonds), the Bank identifies in advance the specific foreign currency-denominated securities to be hedged and applies fair value hedging as a comprehensive hedge on the conditions, including but not limited to the Bank having direct liabilities for such foreign currency-denominated securities in excess of the acquisition cost on a foreign currency basis.

(f) Bills discounted

Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Committee Practical Guidelines No. 24. The Bank has rights to sell or pledge bank acceptances bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions.

(g) Tangible fixed assets (except for lease assets)

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation for buildings and equipment of the Bank is computed using the declining-balance method at a rate principally based on the estimated useful lives of the assets. However, buildings purchased on or after April 1, 1998 (excluding fittings and equipment), and fittings and equipment and structures purchased on or after April 1, 2016, are depreciated using the straight-line method.

The range of useful lives is principally from 3 to 50 years for buildings and from 3 to 20 years for equipment.

Depreciation of tangible fixed assets owned by subsidiaries is computed principally using the declining-balance method over the estimated useful lives of the assets.

Under certain conditions such as exchanges of fixed assets of similar kinds and sales and purchases resulting from expropriation, Japanese tax laws permit companies to defer the profit arising from such transactions by reducing the cost of the assets acquired or by providing a special reserve in the equity section. The Bank adopted the former treatment and reduced the cost of the assets acquired by ¥3,487 million (\$23,030 thousand) at March 31, 2024 and 2023, respectively.

(h) Long-lived assets
The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

Accumulated impairment losses are directly deducted from the respective fixed assets.

(i) Intangible fixed assets (except for lease assets)
Depreciation for intangible fixed assets is computed under the straight-line method. Development costs for internally used software are capitalized and depreciated using the straight-line method over the estimated useful lives of 5 years.

(j) Lease assets
Lease assets in “Tangible fixed assets” or “Intangible fixed assets” of the finance leases other than those that were deemed to transfer the ownership of the leased property to the lessee are computed under the straight-line method over the lease term with zero residual value unless residual value is guaranteed by the corresponding lease contracts.

(k) Allowance for loan losses
Allowance for loan losses of the Bank is provided as detailed below, pursuant to internal rules for write-offs and allowances.

For debtors who are legally bankrupt (bankrupt, under special liquidation, or subject to legal bankruptcy proceedings) or virtually bankrupt (in a similar situation), an allowance is provided based on the amount of claims, after the write-off stated below, net of amounts expected to be collected through disposal of collateral or execution of guarantees. For loans to debtors who are likely to become bankrupt (potentially bankrupt), an allowance is provided for the amount considered to be necessary based on an overall solvency assessment performed for the amount of such loans, net of amounts deemed collectible through disposal of collateral or execution of guarantees, using the following methods.

(i) For large debtors with credit exposure above a certain amount, an allowance is provided for the non-protected amount, net of an estimate of the amount collectible through cash flow based on a comprehensive assessment of the debtor’s situation (cash flow deduction method).

(ii) For loans to debtors other than (i), an allowance is provided for the expected losses for the subsequent three years. Expected losses are determined based on the average loan loss ratio over a certain period of time calculated using historical loan loss experience over three years with required adjustments for future forecasts and others.

For loans to other debtors, with regard to debtors who are recognized as having good business conditions and no particular problems with their financial conditions (hereinafter, “normal debtors”) and debtors who require careful management (hereinafter, “debtors on close watch”) such as debtors that have problems with loan terms, debtors with performance issues, debtors with weak or unstable business conditions, and debtors that have problems with their financial conditions, an allowance is provided for the expected losses for subsequent one year. Among the debtors on close watch, for debtors whose loans are in need of management (restructured

loans and loans that are delinquent for three months or more), an allowance is provided for the expected losses for the subsequent three years. Expected losses are determined based on the average loan loss ratio over a certain period of time calculated using historical loan loss experience over one year or three years with required adjustments for future forecasts and others.

*Necessary revision and determination method of the expected loss ratio due to future forecasts, etc.

The expected loss ratio used in the calculation of the allowance is determined by comparing the average value of the most recent three calculation periods with the long-term average value that takes into account the business cycle. The average of the three most recent calculation periods is calculated after reviewing the current situation, future forecasts, and other necessary adjustments.

All loans are assessed by the branches and the operating divisions based on the Bank’s internal rules for self-assessment of assets. The risk management sector, which is independent from the branches and the operating divisions, subsequently verifies the appropriateness of self-assessment results, write-offs and allowances.

For collateralized or guaranteed claims to debtors who are legally bankrupt or virtually bankrupt, the amount deemed unrecoverable, which is the amount of claims exceeding the estimated value of collateral or guarantees, has been written off and amounted to ¥8,362 million (\$55,227 thousand) and ¥8,161 million as of March 31, 2024 and 2023, respectively.

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

(l) Retirement and Pension Plans
The Bank has a contributory funded pension plan and lump-sum severance payment plan. Consolidated subsidiaries have unfunded lump-sum severance payment plans.

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

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

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

(m) Liability for retirement of directors and Audit & Supervisory Board Members
Consolidated subsidiaries provide Liability for retirement benefits of directors and Audit & Supervisory Board Members at the amount required if they all retired at the fiscal year-end, which is calculated based on the internal rules of the Group.

(n) Allowance for repayment of excess interest
Allowance for repayment of excess interest is provided at the estimated amount based on payment experience that the Bank’s consolidated subsidiaries may be required to refund upon customers’ claims.

(o) Reserve for other contingent losses
The Bank provides reserves for contingent liabilities not covered by other reserves in an amount deemed necessary based on estimated losses in the future.

(p) Foreign currency transactions
Receivables and payables in foreign currencies and foreign branch accounts are translated into Japanese yen principally at the rates prevailing at the balance sheet dates.

(q) Accounting for leases
In March 2007, the ASBJ issued ASBJ Statement No. 13, “Accounting Standard for Lease Transactions,” which revised the previous accounting standard for lease transactions.

i. As lessee
Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the balance sheet.

ii. As lessor
Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were to be treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain “as if sold” information is disclosed in the notes to the lessor’s financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee should be recognized as lease receivables and all finance leases that are deemed not to transfer ownership of the leased property to the lessee should be recognized as investments in leases.

Lease revenue and lease costs are recognized over the lease period.

(r) Income taxes
The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax rates to the temporary differences.

(s) Appropriations of retained earnings
The consolidated statements of changes in equity reflect the appropriation resolved by the general shareholders’ meeting when duly resolved and paid.

(t) Per share information
Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the fiscal year.

(u) Significant accounting estimates
Items for which the amount was recorded in the consolidated financial statements for the current fiscal year based on accounting estimates, and which may have a significant impact on the consolidated financial statements for the following fiscal year, are as follows.

Allowance for loan losses
(1) Amounts recorded in the consolidated financial statements
Allowance for loan losses was ¥32,683 million (\$215,857 thousand) and ¥32,177 million at March 31, 2024 and 2023, respectively.

(2) Information that contributes to an understanding of the content of significant accounting estimates for identified items

i. Calculation method
The method of calculating the allowance for loan losses is described in “(k) Allowance for loan losses” in “2. Summary of significant accounting policies.” In addition, the Bank has recorded an allowance for loan losses by revising the debtor classifications based on the current deterioration in business performance and estimates related to impacts that are not yet reflected in financial information in order to prepare for expected losses due to such impacts based on the following assumptions. For certain borrowers in specific industries that have been impacted by COVID-19, an additional allowance for loan losses is provided based on the expected loss ratio, with necessary adjustments to the loan loss ratio.

ii. Major assumptions
The major assumption is the “future forecasts of business environments of the borrower in determining the debtor classifications.” It is set based on the individual evaluation of each debtor’s ability to earn income. In addition, regarding the impact of COVID-19 that may have a significant impact on the “future forecasts of business environments of the borrower in determining the debtor classifications,” although the status under the Infectious Diseases Control Law has been downgraded to Category 5 and various economic activities have generally normalized, it cannot be said that the impact has yet completely disappeared for certain borrowers in specific industries, and it is assumed that the credit risk contained in loans to these borrowers remains relatively high.

iii. Impacts on the consolidated financial statements for the following fiscal year
The Group conducts self-assessment with scrutiny and takes measures such as setting aside an allowance for loan losses as deemed necessary. However, due to the high degree of uncertainty in the above assumptions, changes in the assumptions used for the initial estimates may have a significant impact on the allowance for loan losses in the consolidated financial statements for the following fiscal year (ending March 31, 2025) and thereafter.

In addition, the uncertainty may grow even greater when the determination of the debtor classifications depends on future forecasts of business environments, such as the business improvement plan of the borrower.

(v) New accounting pronouncements
“Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27 issued on October 28, 2022)
“Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25 issued on October 28, 2022)
“Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28 issued on October 28, 2022)

(1) Summary
Provisions on the classification of recording of income taxes, etc. when taxing other comprehensive income and the treatment of tax effects related to the sale of subsidiary shares, etc. when the group corporate tax system is applied.

(2) Effective date
The Group expects to apply the new guidance effective from the beginning of the fiscal year ending March 31, 2025.

(3) Effects of application of the standards and guidance
The Group is currently evaluating the impact of applying this guidance.

3. Cash and cash equivalents

The reconciliation of “Cash and cash equivalents” and “Cash and due from banks” in the consolidated balance sheets at March 31, 2024 and 2023, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Cash and due from banks	¥1,360,066	¥1,201,938	\$8,982,669
Other due from banks	(341)	(639)	(2,252)
Cash and cash equivalents	¥1,359,724	¥1,201,299	\$8,980,410

4. Securities

Securities at March 31, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Japanese government bonds.....	¥ 538,190	¥ 324,224	\$ 3,554,520
Japanese local government bonds	231,788	228,191	1,530,863
Japanese corporate bonds.....	300,895	310,074	1,987,286
Corporate stocks	345,625	284,360	2,282,709
Other securities.....	440,931	368,726	2,912,165
Total.....	¥1,857,431	¥1,515,578	\$12,267,558

Securities lent under unsecured loan (bond lending transactions) amounted to ¥52,828 million (\$348,906 thousand) and ¥52,819 million are included in Japanese government bonds of securities at March 31, 2024 and 2023, respectively.

Fair value and other information on securities at March 31, 2024 and 2023 were as follows. Securities include “Trading securities” and trust beneficiary right under “Debt purchased,” in addition to “Investment securities,” which are presented on the consolidated balance sheet.

Securities

(1) Trading securities

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Losses included in loss during the fiscal year			
Trading securities.....	¥0	¥0	\$0

(2) Held-to-maturity securities

Held-to-maturity securities as of March 31, 2024 and 2023 were as follows:

	Millions of yen		
	2024		
	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeding consolidated balance sheet amount:			
Japanese government bonds.....	¥ —	¥ —	¥ —
Japanese local government bonds	—	—	—
Japanese corporate bonds.....	—	—	—
Others	—	—	—
Subtotal	¥ —	¥ —	¥ —
Fair value not exceeding consolidated balance sheet amount:			
Japanese government bonds.....	¥66,960	¥58,695	¥(8,264)
Japanese local government bonds	—	—	—
Japanese corporate bonds.....	—	—	—
Others	—	—	—
Subtotal	66,960	58,695	(8,264)
Total	¥66,960	¥58,695	¥(8,264)

	Millions of yen			
	2023			
	Consolidated balance sheet amount	Fair value	Difference	
Fair value exceeding consolidated balance sheet amount:				
Japanese government bonds.....	¥ —	¥ —	¥ —	—
Japanese local government bonds	—	—	—	—
Japanese corporate bonds.....	—	—	—	—
Others	—	—	—	—
Subtotal	¥ —	¥ —	¥ —	—

Fair value not exceeding consolidated balance sheet amount:			
Japanese government bonds.....	¥66,958	¥61,806	¥(5,152)
Japanese local government bonds	—	—	—
Japanese corporate bonds.....	—	—	—
Others	—	—	—
Subtotal	66,958	61,806	(5,152)
Total	¥66,958	¥61,806	¥(5,152)

	Thousands of U.S. dollars		
	2024		
	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeding consolidated balance sheet amount:			
Japanese government bonds.....	\$ —	\$ —	\$ —
Japanese local government bonds	—	—	—
Japanese corporate bonds.....	—	—	—
Others	—	—	—
Subtotal	\$ —	\$ —	\$ —

Fair value not exceeding consolidated balance sheet amount:			
Japanese government bonds.....	\$442,242	\$387,656	\$(54,580)
Japanese local government bonds	—	—	—
Japanese corporate bonds.....	—	—	—
Others	—	—	—
Subtotal	442,242	387,656	(54,580)
Total	\$442,242	\$387,656	\$(54,580)

(3) Available-for-sale securities

Available-for-sale securities as of March 31, 2024 and 2023 were as follows:

	Millions of yen		
	2024		
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)
Consolidated balance sheet amount exceeding cost:			
Stocks.....	¥ 334,826	¥ 93,789	¥241,036
Bonds:.....	229,177	228,113	1,063
Japanese government bonds.....	144,568	144,086	482
Japanese local government bonds	49,358	49,177	180
Japanese corporate bonds.....	35,249	34,849	399
Others	151,700	145,959	5,740
Subtotal	¥ 715,703	¥ 467,863	¥247,840
Consolidated balance sheet amount not exceeding cost:			
Stocks.....	¥ 5,981	¥ 6,310	¥ (329)
Bonds:.....	774,737	801,439	(26,702)
Japanese government bonds.....	326,661	344,251	(17,590)
Japanese local government bonds	182,430	184,785	(2,355)
Japanese corporate bonds.....	265,645	272,402	(6,756)
Others	271,383	307,230	(35,846)
Subtotal	1,052,101	1,114,980	(62,878)
Total	¥1,767,805	¥1,582,843	¥184,961

	Millions of yen		
	2023		
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)
Consolidated balance sheet amount exceeding cost:			
Stocks.....	¥ 267,227	¥ 82,563	¥184,663
Bonds:.....	214,445	211,130	3,315
Japanese government bonds.....	82,915	80,784	2,130
Japanese local government bonds	48,773	48,462	311
Japanese corporate bonds.....	82,757	81,883	873
Others	86,486	83,598	2,887
Subtotal	¥ 568,159	¥ 377,292	¥190,866

Consolidated balance sheet amount not exceeding cost:			
Stocks.....	¥ 13,717	¥ 14,410	¥ (692)
Bonds:.....	581,086	595,456	(14,370)
Japanese government bonds.....	174,350	181,991	(7,640)
Japanese local government bonds	179,418	181,699	(2,281)
Japanese corporate bonds.....	227,317	231,765	(4,448)
Others	268,677	293,987	(25,309)
Subtotal	863,481	903,854	(40,372)
Total	¥1,431,641	¥1,281,146	¥150,494

	Thousands of U.S. dollars		
	2024		
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)
Consolidated balance sheet amount exceeding cost:			
Stocks.....	\$ 2,211,386	\$ 619,437	\$1,591,942
Bonds:.....	1,513,618	1,506,591	7,020
Japanese government bonds.....	954,811	951,628	3,183
Japanese local government bonds	325,989	324,793	1,188
Japanese corporate bonds.....	232,804	230,163	2,635
Others	1,001,915	963,998	37,910
Subtotal	\$ 4,726,920	\$ 3,090,040	\$1,636,879

Consolidated balance sheet amount not exceeding cost:			
Stocks.....	\$ 39,502	\$ 41,674	\$ (2,172)
Bonds:.....	5,116,815	5,293,170	(176,355)
Japanese government bonds.....	2,157,459	2,273,634	(116,174)
Japanese local government bonds	1,204,874	1,220,427	(15,553)
Japanese corporate bonds.....	1,754,474	1,799,101	(44,620)
Others	1,792,371	2,029,126	(236,747)
Subtotal	6,948,688	7,363,978	(415,283)
Total	\$11,675,615	\$10,454,018	\$1,221,590

(4) Bonds classified as held to maturity were not sold for the years ended March 31, 2024 and 2023.

(5) Available-for-sale securities sold

	Millions of yen		
	2024		
	Sales amount	Gains on sales	Losses on sales
Stocks.....	¥ 38,523	¥13,064	¥ 708
Bonds:.....	179,540	1,189	5,155
Japanese government bonds.....	96,230	1,130	3,156
Japanese local government bonds	60,792	48	1,290
Japanese corporate bonds.....	22,517	9	708
Others	32,677	1,201	1,690
Total	¥250,741	¥15,455	¥7,554

	Millions of yen		
	2023		
	Sales amount	Gains on sales	Losses on sales
Stocks.....	¥ 53,825	¥17,616	¥ 985
Bonds:.....	289,507	685	4,943
Japanese government bonds.....	272,955	678	4,898
Japanese local government bonds	—	—	—
Japanese corporate bonds.....	16,552	7	44
Others	170,584	555	18,511
Total	¥513,917	¥18,857	¥24,440

	Thousands of U.S. dollars		
	2024		
	Sales amount	Gains on sales	Losses on sales
Stocks.....	\$ 254,428	\$ 86,282	\$ 4,676
Bonds:.....	1,185,786	7,852	34,046
Japanese government bonds.....	635,559	7,463	20,844
Japanese local government bonds.....	401,505	317	8,519
Japanese corporate bonds.....	148,715	59	4,676
Others.....	215,817	7,932	11,161
Total.....	\$1,656,039	\$102,073	\$49,891

(6) Reclassification of investment securities due to change in intent of holding

There were no reclassifications of investment securities due to change in intent of holding for the years ended March 31, 2024 and 2023.

(7) Impairment losses on securities

For available-for-sale securities with market quotations (other than shares, etc. that do not have market price and investment in capital of investment partnership and others), in cases where the fair value has fallen substantially from the acquisition cost and there is believed to be little likelihood of a recovery in the acquisition cost level, said securities are shown on the balance sheets at fair value and the difference between the fair value and the acquisition cost is posted as a loss (hereinafter “impairment loss”).

Impairment losses amounted to ¥172 million (\$1,135 thousand) which consisted of all stocks of ¥172 million (\$1,135 thousand); and less than a million yen which consisted of all bonds of less than a million yen; as of March 31, 2024 and 2023, respectively.

In addition, the Bank recognizes that fair value has fallen significantly based on standards that have been set out in the self-assessment standards for assets by the issuing companies of securities. The details are as follows:

The Bank recognizes that the fair value of available-for-sale securities of legally bankrupt debtors, virtually bankrupt debtors, or debtors who are likely to go bankrupt, has fallen significantly when the fair value of such instruments as of the consolidated balance sheet date has decreased from the acquisition cost. For debtors on close watch, the Bank recognizes that the fair value has fallen significantly when the fair value as of the consolidated balance sheet date has decreased 30% or more from the acquisition cost. For normal debtors, it recognizes this when the fair value as of the consolidated balance sheet date has fallen 50% or more from the acquisition cost or when the fair value as of the consolidated balance sheet date has fallen 30% or more from the acquisition cost and the market prices remain below certain levels.

Debtors on close watch are defined as those who will require close monitoring in the future and normal debtors are defined as those other than legally bankrupt debtors, virtually bankrupt debtors, debtors who are likely to go bankrupt, or debtors on close watch.

5. Money held in trust

(1) Money held in trust classified as trading

	Millions of yen			
	2024		2023	
	Consolidated balance sheet amount	Gains (losses) included in profit (loss) during the fiscal year	Consolidated balance sheet amount	Gains (losses) included in profit (loss) during the fiscal year
Money held in trust classified as trading.....	¥26,721	¥83	¥24,517	¥(75)

	Thousands of U.S. dollars	
	2024	
	Consolidated balance sheet amount	Gains (losses) included in profit (loss) during the fiscal year
Money held in trust classified as trading.....	\$176,481	\$548

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

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

	Millions of yen				
	2024				
	Consoli-dated balance sheet amount	Cost	Unrealized gains (losses)	Consolidated balance sheet amount exceeding cost	Consolidated balance sheet amount not exceeding cost
Other money held in trust	¥3,655	¥3,749	¥(94)	—	¥94

	Millions of yen				
	2023				
	Consoli-dated balance sheet amount	Cost	Unrealized gains (losses)	Consolidated balance sheet amount exceeding cost	Consolidated balance sheet amount not exceeding cost
Other money held in trust	¥2,542	¥2,578	¥(36)	—	¥36

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

	Thousands of U.S. dollars			
	2024			
	Consoli-dated balance sheet amount	Cost	Unrealized gains (losses)	Consolidated balance sheet amount exceeding cost
Other money held in trust	\$24,139	\$24,760	\$(620)	—

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

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

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

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Net unrealized gains on investment securities.....	¥184,579	¥150,169	\$1,219,067
Available-for-sale securities.....	184,673	150,205	1,219,688
Other money held in trust.....	(94)	(36)	(620)
Deferred tax liabilities.....	(52,711)	(42,384)	(348,134)
Noncontrolling interests.....	—	—	—
Net unrealized gains on available-for-sale securities.....	¥131,867	¥107,785	\$ 870,926

7. Loans and bills discounted

Loans and bills discounted at March 31, 2024 and 2023, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Bills discounted.....	¥ 8,322	¥ 5,793	\$ 54,963
Loans on bills.....	69,385	72,600	458,259
Loans on deeds.....	3,962,643	3,853,207	26,171,606
Overdrafts.....	435,091	412,039	2,873,594
Total.....	¥4,475,442	¥4,343,641	\$29,558,430

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

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Bankrupt and substantially bankrupt claims.....	¥ 3,006	¥ 2,838	\$ 19,853
Doubtful claims.....	51,666	48,314	341,232
Loans past due three months or more.....	119	68	785
Restructured loans.....	29,977	33,340	197,985
Total.....	¥84,771	¥84,561	\$559,877

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

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

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

Restructured loans mean loans on which creditors grant concessions (e.g., reduction of the stated interest rate, deferral of interest payments, extension of maturity dates, waiver of the face amount, or other concessive measures) to the debtors to assist them in recovering from financial difficulties and eventually being able to pay creditors, excluding the claims subject to legal bankruptcy proceedings and reorganization proceedings and any other type of claims equivalent thereto, the claims with risks and the loans overdue for three months or more.

The total face value of bills discounted at March 31, 2024 and 2023 was ¥8,464 million (\$55,901 thousand) and ¥5,935 million, respectively.

8. Foreign exchanges

Foreign exchange assets and liabilities at March 31, 2024 and 2023, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Assets:			
Due from foreign correspondents.....	¥5,840	¥6,258	\$38,570
Foreign bills of exchange purchased.....	—	0	—
Foreign bills of exchange receivable.....	352	471	2,324
Total.....	¥6,193	¥6,730	\$40,902
Liabilities:			
Foreign bills of exchange sold.....	¥ 47	¥ 172	\$ 310
Accrued foreign bills of exchange.....	44	205	290
Total.....	¥ 92	¥ 377	\$ 607

9. Other assets

Other assets at March 31, 2024 and 2023, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Prepaid expenses.....	¥ 245	¥ 259	\$ 1,618
Accrued income.....	7,902	5,705	52,189
Derivatives.....	49,071	30,135	324,093
Other (Note 12).....	104,181	83,085	688,072
Total.....	¥161,400	¥119,185	\$1,065,979

10. Tangible fixed assets

Tangible fixed assets at March 31, 2024 and 2023, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Buildings.....	¥13,264	¥13,670	\$ 87,603
Land.....	31,457	32,054	207,760
Construction in progress.....	703	4,531	4,643
Other.....	2,211	2,092	14,602
Total.....	¥47,638	¥52,349	\$314,629

Accumulated depreciation on tangible fixed assets at March 31, 2024 and 2023 amounted to ¥47,804 million (\$315,725 thousand) and ¥47,305 million, respectively.

11. Long-lived assets

The Group recognized impairment losses for the years ended March 31, 2024 and 2023, as follows:

The Bank groups assets by the methods described in the “Overview of asset groups and grouping method” below. Subsidiaries group their assets by unit, which periodically manages profit and loss. The Bank wrote down the carrying amounts to the recoverable amounts and recognized impairment losses as follows for the year ended March 31, 2024 since the carrying amounts of the assets held by the above branches and other exceeded the sum of the undiscounted future cash flows. There are no impairment losses to be recognized for the year ended March 31, 2023.

Location			Impairment losses		
			Millions of yen		Thousands of U.S. dollars
			2024	2023	2024
Shiga Prefecture	Idle assets	Land	¥101	¥—	\$667
		Buildings	20	—	132
		Equipment	0	—	0
Total			¥122	¥—	\$805

			Impairment losses		
Location	Description	Classification	Millions of yen		Thousands of U.S. dollars
			2024	2023	2024
Outside of Shiga Prefecture	Business assets	Buildings.....	¥16	¥—	\$105
		Equipment.....	7	—	46
		Total.....	¥24	¥—	\$158

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

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

Impairment losses are included in other expenses (Note 27).

Overview of asset groups and grouping method

(1) Outline of asset groups

- i. Idle assets
 - Stores, former company housing sites, etc.
- ii. Operating assets
 - Assets used for business purposes
- iii. Common assets
 - Assets related to the entire bank (headquarters, office centers, dormitories, company housing, etc.)

(2) Methods of grouping

- i. Idle assets
 - Grouping as independent assets.
- ii. Operating assets
 - Grouping is done by store groups or store units that constitute full-banking functions.
- iii. Common assets
 - Grouping of the entire bank as a whole.

12. Assets pledged

Assets pledged as collateral and related liabilities at March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Investment securities.....	¥975,359	¥656,024	\$6,441,840
Loans and bills discounted.....	283,925	199,653	1,875,206

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Related liabilities			
Deposits.....	¥ 12,547	¥ 25,115	\$ 82,867
Payables under securities lending transactions.....	241,330	205,572	1,593,884
Borrowed money.....	877,226	533,391	5,793,712

In addition, other assets (deposits to central counterparty) of ¥45,696 million (\$301,803 thousand) and ¥43,553 million at March 31, 2024 and 2023, respectively.

Other assets include guarantee deposits of ¥378 million (\$2,496 thousand) at March 31, 2024 and 2023, respectively.

13. Overdrafts and commitment lines

Overdraft agreements and commitment line agreements are agreements that oblige the Group to lend funds up to a certain limit agreed in advance. The Group makes the loans upon the request of an obligor to draw down funds under such loan agreements as long as there is no breach of the various terms and conditions stipulated in the relevant loan agreements. The unused commitment balance relating to these loan agreements at March 31, 2024 and 2023 amounted to ¥1,022,887 million (\$6,755,742 thousand) and ¥1,018,015 million, respectively, and the amounts of unused commitments whose original contract terms are within one year or unconditionally cancelable at any time were ¥909,092 million (\$6,004,174 thousand) and ¥914,616 million at March 31, 2024 and 2023, respectively. In many cases, the term of the agreement expires without the loan ever being drawn down. Therefore, the unused loan commitment will not necessarily affect future cash flows. Conditions are included in certain loan agreements that allow the Group to decline the request for a loan draw down or to reduce the agreed limit amount where there is due cause to do so, such as when there is a change in financial conditions or when it is necessary to do so in order to protect the Group’s credit. The Group takes various measures to protect its credit. Such measures include having the obligor pledge collateral to the Group in the form of real estate, securities, etc. on signing the loan agreements or, in accordance with the Group’s established internal procedures, confirming the obligor’s financial condition, etc. at regular intervals.

14. Land revaluation

Under the “Act of Land Revaluation,” promulgated on March 31, 1998 (final revision on May 30, 2003), the Bank elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 2002. The resulting land revaluation surplus represented unrealized appreciation of land and was stated, net of income taxes, as a component of equity. There was no effect on the consolidated statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation surplus account and related deferred tax liabilities. At March 31, 2024 and 2023, the carrying amount of the land after the above one-time revaluation exceeded the fair value by ¥3,407 million (\$22,501 thousand) and ¥3,634 million, respectively.

Method of revaluation

The fair values were determined by applying appropriate adjustments for land shape and analysis on the appraisal specified in Article 2-3 of the Enforcement Ordinance of the Act of Land Revaluation effective March 31, 1998.

15. Deposits

Deposits at March 31, 2024 and 2023, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Current deposits.....	¥ 268,030	¥ 246,969	\$ 1,770,226
Ordinary deposits.....	3,519,768	3,352,562	23,246,601
Deposits at notice.....	33,613	55,454	221,999
Time deposits.....	1,897,853	1,955,961	12,534,528
Other deposits.....	83,766	103,420	553,239
Total.....	¥5,803,032	¥5,714,368	\$38,326,609

16. Borrowed money

At March 31, 2024 and 2023, the weighted-average interest rates applicable to borrowed money were 0.75% and 1.10%, respectively.
Borrowed money at March 31, 2024 and 2023, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Borrowing from banks and other....	¥882,628	¥538,456	\$5,829,390
Total.....	¥882,628	¥538,456	\$5,829,390

Annual maturities of borrowed money at March 31, 2024 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2025.....	¥198,523	\$1,311,161
2026.....	40,125	265,008
2027.....	263,093	1,737,619
2028.....	365,393	2,413,268
2029.....	10,793	71,283
2030 and thereafter.....	4,697	31,021
Total.....	¥882,628	\$5,829,390

17. Borrowed money from trust account

Principal amounts of trusts with a principal compensation agreement at March 31, 2024 and 2023 were ¥184 million (\$1,215 thousand) and ¥187 million, respectively.

18. Other liabilities

Other liabilities at March 31, 2024 and 2023, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Accrued income taxes.....	¥ 7,205	¥ 730	\$ 47,586
Accrued expenses.....	8,980	6,502	59,309
Unearned income.....	7,466	8,841	49,309
Derivatives.....	14,727	13,479	97,265
Other.....	50,433	31,791	333,088
Total.....	¥88,812	¥61,346	\$586,566

19. Acceptances and guarantees

All contingent liabilities arising from acceptances and guarantees are reflected in “Acceptances and guarantees.” As a contra account, “Customers’ liabilities for acceptances and guarantees,” is shown as an asset representing the Bank’s right of indemnity from the applicants.

The amounts of “Acceptances and guarantees” and “Customers’ liabilities for acceptances and guarantees” amounting to ¥8,214 million (\$54,250 thousand) and ¥11,026 million as of March 31, 2024 and 2023, respectively, were set off because those that were relevant to corporate bonds and the guaranteed bonds were held by the Bank itself.

20. Equity

(1) Capital stock and capital surplus

There were no changes in the number of common stock for the years ended March 31, 2024 and 2023.

(2) Companies Act

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders’ meeting. For companies that meet certain criteria such as: (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Bank cannot do so because it does not meet all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% (20% for banks pursuant to the Banking Act) of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% (100% for banks pursuant to the Banking Act) of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

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

(3) Appropriations of retained earnings

The following appropriation of retained earnings at March 31, 2024 was proposed at the Bank’s ordinary general shareholders’ meeting held on June 26, 2024.

	Millions of yen	Thousands of U.S. dollars
Cash dividends (dividend amount per share: ¥40 (\$0.264)).....	¥1,877	\$12,396

21. Stock options

There were no stock options as of March 31, 2024 and 2023, respectively.

22. Revenue recognition

Disaggregation of revenue from contracts with customers

	Millions of yen		Thousands of U.S. dollars
Category	2024	2023	2024
Income	¥122,630	¥115,289	\$809,920
Of which, fees and commissions	19,995	17,651	132,058
Deposit and loan services.....	5,812	4,003	38,385
Foreign exchange services.....	3,017	2,843	19,926
Trust related services.....	160	135	1,056
Securities related services.....	131	234	865
Agency services.....	298	313	1,968
Safe-deposit and safe-deposit box services.....	108	113	713
Guarantee services.....	951	1,007	6,280
Credit card services.....	3,324	3,228	21,953
Investment trust and insurance sales.....	4,359	4,100	28,789
Others.....	1,830	1,670	12,086
Of which, trust fees.....	0	0	0

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

23. Other operating income

Other operating income for the years ended March 31, 2024 and 2023, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Gains on sales of bonds.....	¥ 1,614	¥ 870	\$10,659
Gains on derivative financial instruments.....	943	9,075	6,228
Other	10,622	10,242	70,153
Total	¥13,181	¥20,188	\$87,055

24. Other income

Other income for the years ended March 31, 2024 and 2023, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Gains on sales of stocks and other securities.....	¥13,861	¥18,382	\$ 91,546
Recoveries of claims previously charged-off.....	252	615	1,664
Other	1,163	621	7,681
Total	¥15,277	¥19,619	\$100,898

25. Other operating expenses

Other operating expenses for the years ended March 31, 2024 and 2023, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Losses on sales of bonds.....	¥ 6,687	¥23,426	\$ 44,164
Losses on devaluation of bonds.....	—	0	—
Losses on redemption of bonds.....	—	198	—
Other.....	11,384	10,163	75,186
Total.....	¥18,072	¥33,788	\$119,358

26. R&D expenses

Expenses related to mission-critical systems were recorded for the years ended March 31, 2023, including R&D expenses of 4,888 million yen. In addition, the amount recorded for the fiscal year ended March 31, 2024 includes 6,783 million yen (\$44,798 thousand), which is a partial transfer of expenses that were recorded as mission-critical system-related assets by the end of the current fiscal year.

27.Other expenses

Other expenses for the years ended March 31, 2024 and 2023, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Provision of allowance for loan losses.....	¥2,470	¥ 886	\$16,313
Losses on sales of stocks and other securities.....	866	1,014	5,719
Written-off of loans and bills discounted	789	989	5,211
Losses on devaluation of stocks and other securities	288	37	1,902
Losses on disposal of fixed assets....	86	82	567
Losses on impairment of long-lived assets.....	146	—	964
Other.....	408	227	2,694
Total.....	¥5,056	¥3,236	\$33,392

28. Gains (losses) related to bonds, etc.

Gains (losses) related to bonds for the years ended March 31, 2024 and 2023, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Gains (losses) related to bonds:			
Gains on sales of bonds.....	¥ 1,614	¥ 870	\$ 10,659
Losses on sales of bonds	(6,687)	(23,426)	(44,164)
Losses on redemption of bonds	—	(198)	—
Losses on devaluation of bonds	—	(0)	—
Subtotal.....	¥(5,072)	¥(22,754)	\$(33,498)
Gains (losses) on derivatives financial instruments:			
Total.....	¥(4,128)	¥(13,678)	\$(27,263)

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

Gains (losses) related to stocks and other securities for the years ended March 31, 2024 and 2023, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Gains (losses) related to stocks and other securities:			
Gains on sales of stocks and other securities.....	¥13,861	¥18,382	\$91,546
Losses on sales of stocks and other securities.....	(866)	(1,014)	(5,719)
Losses on devaluation of stocks and other securities.....	(288)	(37)	(1,902)
Gains (losses) on stocks and other securities	¥12,706	¥17,331	\$83,917

30. Leases

Lessor

One subsidiary lease certain equipment and other assets.

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

Investments in leases included in other assets on the balance sheets as of March 31, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Gross lease receivables	¥15,909	¥14,933	\$105,072
Unguaranteed residual values.....	388	390	2,562
Unearned interest income.....	(1,325)	(1,221)	(8,751)
Investments in leases.....	¥14,972	¥14,102	\$ 98,883

Maturities of lease receivables for finance leases that are deemed to transfer ownership of the leased property to the lessee are as of March 31, 2024 are as follows:

	Millions of yen	Thousands of U.S. dollars
2025	¥352	\$2,324
2026	330	2,179
2027	235	1,552
2028	120	792
2029	25	165
2030 and thereafter.....	1	6

Maturities of gross lease receivables related to investments in leases as of March 31, 2024 are as follows:

	Millions of yen	Thousands of U.S. dollars
2025	¥4,929	\$32,553
2026	3,851	25,434
2027	3,081	20,348
2028	2,282	15,071
2029	1,294	8,546
2030 and thereafter.....	469	3,097

The minimum rental commitments under noncancelable operating leases as of March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Due within one year.....	¥15	¥13	\$ 99
Due after one year	31	37	204
Total.....	¥47	¥50	\$310

31. Retirement benefit plans

The Bank and consolidated subsidiaries have either funded or unfunded defined benefit plans. The Bank's funded defined benefit corporate pension plan (contract type) provides lump-sum or annuity payments, the amounts of which are determined based on the length of service and certain other factors. The Bank's lump-sum severance payment plan, which became a funded plan as a result of setting a retirement benefits trust, provides lump-sum payments determined based on the length of service, position, and certain other factors. As of October 1, 2017, the Bank has transferred a part of its funded defined benefit corporate pension plan to a defined contribution plan. The consolidated subsidiaries' unfunded lump-sum severance payment plans are based on a simplified method in the calculation of their liability for retirement benefits and retirement benefit costs.

1. Defined benefit plan (except for the plan adopting the simplified method)

(1) The changes in defined benefit obligation for the years ended March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Balance at beginning of year	¥42,143	¥47,217	\$278,336
Current service cost	1,466	1,709	9,682
Interest cost	493	203	3,256
Actuarial gains.....	(1,110)	(4,508)	(7,331)
Benefits paid.....	(2,334)	(2,477)	(15,415)
Prior service cost	—	—	—
Balance at end of year.....	¥40,658	¥42,143	\$268,529

(2) The changes in plan assets for the years ended March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Balance at beginning of year	¥61,793	¥60,540	\$408,117
Expected return on plan assets	1,027	1,219	6,782
Actuarial gains (losses).....	2,717	(349)	17,944
Contribution from the employer	1,655	1,697	10,930
Benefits paid.....	(1,306)	(1,314)	(8,625)
Balance at end of year.....	¥65,887	¥61,793	\$435,156

(3) Reconciliation between the asset recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Funded defined benefit obligation.....	¥ 40,658	¥ 42,143	\$ 268,529
Plan assets.....	(65,887)	(61,793)	(435,156)
Net asset arising from the balance sheet	¥(25,228)	¥(19,650)	\$(166,620)

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Liability for retirement benefits	¥ —	¥ —	\$ —
Asset for retirement benefits.....	25,228	19,650	166,620
Net asset arising from the balance sheet	¥(25,228)	¥(19,650)	\$(166,620)

(4) The components of net periodic benefit costs for the years ended March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Service cost	¥ 1,466	¥ 1,709	\$ 9,682
Interest cost.....	493	203	3,256
Expected return on plan assets	(1,027)	(1,219)	(6,782)
Recognized actuarial gains	(1,877)	(1,733)	(12,396)
Amortization of prior service cost.....	—	—	—
Net periodic benefit costs	¥ (944)	¥(1,039)	\$ (6,234)

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Prior service cost	¥ —	¥ —	\$ —
Actuarial gains.....	(1,950)	(2,425)	(12,878)
Total.....	¥(1,950)	¥(2,425)	\$(12,878)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Unrecognized prior service cost	¥ —	¥ —	\$ —
Unrecognized actuarial gains	(13,947)	(11,996)	(92,114)
Total.....	¥(13,947)	¥(11,996)	\$(92,114)

(7) Plan assets:

a. Components of plan assets

	2024	2023
Bonds	12%	12%
Stocks.....	61	60
Cash and cash equivalents.....	9	10
General accounts.....	18	18
Total.....	100%	100%

(Note) Total plan assets included retirement benefits trust of 48% and 52%, for the years ended March 31, 2024 and 2023, respectively, mainly consisting of 5 stocks, which were set for a corporate pension plan and a lump-sum payment plan.

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the allocation of plan assets and the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2024 and 2023, were set forth as follows:

	2024	2023
Discount rate.....	1.17%	1.17%
Expected rate of return on plan assets		
Plan assets (except for retirement benefits trust)	3.48%	4.19%
Plan assets (retirement benefits trust)	0.00%	0.00%
Estimated rate of salary increase.....	3.90%	4.10%

2. Defined benefit plan adopting the simplified method

(1) The changes in defined benefit obligation adopting the simplified method for the years ended March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Balance at beginning of year	¥159	¥157	\$1,050
Net periodic benefit costs.....	24	20	158
Benefits paid.....	(15)	(18)	(99)
Contribution to the plan.....	—	—	—
Balance at end of year.....	¥168	¥159	\$1,109

(2) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Unfunded defined benefit obligation.....	¥168	¥159	\$1,109
Net liability arising from the balance sheet	¥168	¥159	\$1,109

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Liability for retirement benefits	¥168	¥159	\$1,109
Net liability arising from the balance sheet	¥168	¥159	\$1,109

(3) Net periodic benefit costs recognized in the simplified method for the years ended March 31, 2024 and 2023, were ¥24 million (\$158 thousand) and ¥20 million, respectively.

3. Defined contribution plan

The Bank's required contribution to the defined contribution plan for the years ended March 31, 2024 and 2023 were ¥332 million (\$2,192 thousand) and ¥338 million, respectively.

32. Income taxes

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities at March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Deferred tax assets:			
Allowance for loan losses.....	¥ 11,088	¥ 11,009	\$ 73,231
Devaluation of stocks and other securities.....	4,149	4,295	27,402
Liability for retirement benefits	57	262	376
Depreciation.....	9,666	6,173	63,839
Accrued enterprise tax.....	421	154	2,780
Other.....	2,267	2,010	14,972
Less valuation allowance.....	(12,889)	(12,174)	(85,126)
Total.....	¥ 14,761	¥ 11,731	\$ 97,490

Deferred tax liabilities:			
Reserve for advance depreciation of fixed assets.....	(184)	(184)	(1,215)
Net unrealized gains on available-for-sale securities.....	(52,711)	(42,384)	(348,134)
Defined retirement benefit plans.....	(4,246)	(3,652)	(28,043)
Asset for retirement benefits.....	(778)	—	(5,138)
Deferred gains on derivatives under hedge accounting.....	(13,198)	(6,829)	(87,167)
Total.....	(71,119)	(53,052)	(469,711)
Net deferred tax liabilities	¥(56,358)	¥(41,320)	\$(372,221)

A reconciliation of the effective income tax rate reflected in the accompanying consolidated statement of income to the statutory tax rate for the years ended March 31, 2024 and 2023, were as follows:

	2024	2023
Statutory tax rate	30.4%	30.4%
(Reconciliation)		
Permanent differences excluded from taxable income such as dividend income	(1.9)%	(3.6)%
Tax credit for experimentation and research expenses, etc.	—%	(3.3)%
Changes in valuation allowance.....	3.0%	2.4%
Others.....	1.3%	0.4%
Effective income tax rate	32.8%	26.3%

33. Financial instruments and related disclosures

1. Overall situation concerning financial instruments (1) Basic policy for financial instruments

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

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

To carry out these operations, the Group has financial assets and financial liabilities that are largely subject to interest rate volatility. To minimize disadvantages caused by interest rate volatility, the Group conducts Asset Liability Management (ALM), the comprehensive management of assets and liabilities.

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

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

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

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

Financial liabilities are primarily deposits from customers and borrowed money. Borrowed money is — under certain conditions, such as when the Group is unable to access the market — subject to risks that losses are incurred due to an inability to secure required funds or being forced to raise funds at significantly higher than normal interest rates. Moreover, some of the Group's borrowings are made at variable interest rates and are subject to risks of losses from increasing fund procurement costs associated with rising interest rates.

To respond to customer needs and hedge market risks for assets and liabilities, the Group uses derivative transactions, including interest rate swaps, currency swaps, currency options, and forward exchange contracts. For some of these transactions, the Group applies hedge accounting based on internal regulations that comply with the "JICPA Practical Guidelines for Financial Instruments" and the Group's own hedging policies.

To obtain short-swing profits, the Group transacts bond futures contracts, bond options, and stock price index futures trading after setting position limit and loss limits amounts.

These derivative transactions include market risk as well as credit risk.

(3) Risk management for financial instruments (i) Credit risk management

Recognizing credit risk as the most important risk to business management from the standpoint of its impact, the Group has established regulations and standards pertaining to such risk. It has also developed a debtor rating system based on a Foundation Internal Ratings-based approach and has built a credit risk management system appropriate to its needs.

Notably, the Group has developed a rating system that involves asset self-assessments. Under this system, for example, the Business Management

Department reports the results of its own asset ratings at meetings such as the Meeting of Managing Directors.

With respect to individual credit management, the Group has instituted its "Basic Rules of Loan Business," in which it has clearly defined the way of thinking and a code of conduct to which all employees involved in the loan business should adhere. It has also established basic procedures to follow when making credit decisions or managing credit, along with putting in place a system that enables executives and employees to make credit decisions in accordance with the principles of public benefit, security, profitability, liquidity, and growth potential. More specifically, the Group has developed and is operating a credit management system that handles credit assessment, credit limits, credit information management, and internal ratings; sets guarantees and collateral; and deals with problem debts of companies (or corporate groups) or individual projects. This credit management system is being implemented in every bank branch and the Credit Supervision Department.

With respect to extending credit to overseas debtors, the Group manages it by setting a credit limit for each country at the Meeting of Managing Directors each fiscal year, after taking into account the foreign currency conditions and the political and economic situation of the country in which the debtor resides.

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

(ii) Market risk management

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

1) Interest rate risk management

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

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

2) Exchange rate risk management

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

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

3) Price volatility risk management

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

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

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

4) Derivative transaction management

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

5) Quantitative information regarding market risks

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

Interest rate risks

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

The Group's interest rate risk amounts as of March 31, 2024 and 2023 stood at ¥5,077 million (\$33,531 thousand) and ¥7,386 million, respectively.

Regarding liquid deposits, such as ordinary deposits, the Group handles some as deposits that remain with the Group for an extended period and manages them by allocating them to each period category based on an internal model.

Stock price volatility risks

The Group holds certain shares for strategic investment and purely investment purposes. The volatility risk amounts of the prices of such shares as of March 31, 2024 and 2023 stood at ¥61,439 million (\$405,779 thousand) and ¥62,108 million, respectively.

Backtesting

To verify the appropriateness of the risk amounts that are measured through VaR, the Group carries out backtesting in which VaR is compared with gains and losses. In this way, the Group analyzes the effectiveness of the risk measurement method. However, because VaR statistically measures the amounts based on the historical market volatility, results may vary due to assumptions, measuring methods, and other factors. In addition, risks may not be able to be appropriately captured when the market environment changes drastically.

Interest rate risks and stock price volatility risks that are held by the Bank's consolidated subsidiaries are excluded from the calculation of the market risk amount as the impact from such risks on the Group is limited.

(iii) Liquidity risk management related to financing

The Group has compiled a set of Liquidity Risk Management Rules under a basic policy of clearly understanding its cash position and ensuring stable financing. In this way, it strives to establish an appropriate risk management system.

With respect to daily financing, the Group monitors and manages the financial environment, the balance of realizable current assets, the expected amount of cash outflows, and other such factors. The Group reports the financing situation and other related matters to the ALM Committee and the Board of Directors on a regular basis.

2. Fair value of financial instruments

Fair value and the consolidated balance sheet amount as of March 31, 2024 and 2023, are shown below. Shares, etc. that do not have market price and investment in capital of partnership are not included in the table below (see Note 1).

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

Millions of yen			
2024			
	Consolidated balance sheet amount	Fair value	Difference
Investment securities	¥1,834,766	¥1,826,501	¥ (8,264)
Held-to-maturity securities	66,960	58,695	(8,264)
Available-for-sale securities (*1)	1,767,805	1,767,805	—
Loans and bills discounted.....	4,475,442	—	—
Allowance for loan losses (*2).....	(32,315)	—	—
	4,443,126	4,403,369	(39,756)
Assets total.....	6,277,892	6,229,871	(48,021)
Deposits.....	5,803,032	5,803,163	131
Negotiable certificates of deposit.....	25,360	25,361	1
Borrowed money.....	882,628	874,896	(7,732)
Liabilities total.....	6,711,021	6,703,422	(7,599)
Derivative transactions (*3).....			
Deferred hedge accounting is not applied	(8,999)	(8,999)	—
Deferred hedge accounting is applied (*4)	43,343	43,343	—
Derivative transactions total.....	¥ 34,344	¥ 34,344	¥ —

Millions of yen			
2023			
	Consolidated balance sheet amount	Fair value	Difference
Investment securities	¥1,498,034	¥1,492,882	¥ (5,152)
Held-to-maturity securities	66,958	61,806	(5,152)
Available-for-sale securities (*1)	1,431,076	1,431,076	—
Loans and bills discounted.....	4,343,641	—	—
Allowance for loan losses (*2).....	(31,842)	—	—
	4,311,798	4,286,290	(25,508)
Assets total.....	5,809,833	5,779,173	(30,660)
Deposits.....	5,714,368	5,714,494	126
Negotiable certificates of deposit.....	30,332	30,333	1
Borrowed money.....	538,456	536,341	(2,114)
Liabilities total.....	6,283,157	6,281,169	(1,987)
Derivative transactions (*3).....			
Deferred hedge accounting is not applied	(5,773)	(5,773)	—
Deferred hedge accounting is applied (*4)	22,428	22,428	—
Derivative transactions total.....	¥ 16,655	¥ 16,655	¥ —

	Thousands of U.S. dollars		
	2024		
	Consolidated balance sheet amount	Fair value	Difference
Investment securities.....	\$12,117,865	\$12,063,278	\$ (54,580)
Held-to-maturity securities	442,242	387,656	(54,580)
Available-for-sale securities (*1)	11,675,615	11,675,615	—
Loans and bills discounted.....	29,558,430	—	—
Allowance for loan losses (*2).....	(213,427)	—	—
	29,344,997	29,082,418	(262,571)
Assets total.....	41,462,862	41,145,703	(317,158)
Deposits.....	38,326,609	38,327,475	865
Negotiable certificates of deposit.....	167,492	167,498	6
Borrowed money.....	5,829,390	5,778,323	(51,066)
Liabilities total.....	44,323,499	44,273,310	(50,188)
Derivative transactions (*3)			
Deferred hedge accounting is not applied	(59,434)	(59,434)	—
Deferred hedge accounting is applied (*4)	286,262	286,262	—
Derivative transactions total.....	\$ 226,827	\$ 226,827	\$ —

(*1) Available-for-sale securities include investment trusts to which the treatment of recognizing the base price at market value has been applied, as set forth in Paragraphs 24-3 and 24-9 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31 issued on June 17, 2021).

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

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

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

	Millions of yen					
	2024					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Due from banks.....	¥1,326,185	¥ —	¥ —	¥ —	¥ —	¥ —
Investment securities.....	51,999	293,810	253,705	124,300	111,756	677,986
Held-to-maturity securities	—	—	—	—	—	67,000
Japanese government bonds.....	—	—	—	—	—	67,000
Available-for-sale securities.....	51,999	293,810	253,705	124,300	111,756	610,986
Japanese government bonds.....	12,000	140,000	49,800	20,000	31,000	235,000
Japanese local government bonds.....	9,143	45,183	57,926	51,960	61,073	8,850
Japanese corporate bonds.....	12,170	44,338	73,238	18,966	300	158,133
Others	18,685	64,288	72,740	33,373	19,383	209,003
Loans and bills discounted (*)	990,052	852,255	700,676	412,448	435,265	1,008,247
Total	¥2,368,237	¥1,146,065	¥954,382	¥536,748	¥547,022	¥1,686,234

	Millions of yen					
	2023					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Due from banks.....	¥1,162,006	¥ —	¥ —	¥ —	¥ —	¥ —
Investment securities.....	63,219	138,422	163,388	114,681	103,854	642,048
Held-to-maturity securities	—	—	—	—	—	67,000
Japanese government bonds.....	—	—	—	—	—	67,000
Available-for-sale securities.....	63,219	138,422	163,388	114,681	103,854	575,048
Japanese government bonds.....	3,000	12,000	—	—	20,000	227,000
Japanese local government bonds.....	13,128	36,031	42,756	70,799	54,343	13,045
Japanese corporate bonds.....	19,498	38,540	59,944	15,838	800	178,828
Others	27,592	51,850	60,687	28,043	28,710	156,174
Loans and bills discounted (*)	952,444	826,450	653,775	410,949	471,956	954,086
Total	¥2,177,670	¥964,872	¥817,164	¥525,631	¥575,810	¥1,596,135

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

(Note 1) Shares, etc. that do not have market price and investment in capital of partnership
The consolidated balance sheet amounts of shares, etc. that do not have market price and investment in capital of partnership are as follows. These are not included in “available-for-sale securities” under “investment securities” in the tables above.

	Consolidated balance sheet amount		
	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Unlisted stocks (*1) (*2).....	¥ 4,818	¥3,416	\$ 31,820
Investment in capital of partnership and others (*3)	17,846	14,126	117,865

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

(*2) Impairment losses for unlisted stocks amounted to ¥116 million (\$766 thousand) and ¥37 million for the years ended March 31, 2024 and 2023, respectively.

(*3) Investment in capital of partnership and others are excluded from fair value disclosure in accordance with Paragraph 24-16 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31 issued on June 17, 2021).

	Thousands of U.S. dollars					
	2024					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Due from banks.....	\$ 8,758,899	\$ —	\$ —	\$ —	\$ —	\$ —
Investment securities.....	343,431	1,940,492	1,675,615	820,949	738,101	4,477,815
Held-to-maturity securities	—	—	—	—	—	442,507
Japanese government bonds.....	—	—	—	—	—	442,507
Available-for-sale securities.....	343,431	1,940,492	1,675,615	820,949	738,101	4,035,308
Japanese government bonds.....	79,255	924,641	328,908	132,091	204,742	1,552,077
Japanese local government bonds.....	60,385	298,414	382,577	343,174	403,361	58,450
Japanese corporate bonds.....	80,377	292,834	483,706	125,262	1,981	1,044,402
Others	123,406	424,595	480,417	220,414	128,016	1,380,377
Loans and bills discounted (*)	6,538,881	5,628,789	4,627,673	2,724,047	2,874,744	6,659,051
Total	\$15,641,219	\$7,569,282	\$6,303,295	\$3,544,997	\$3,612,852	\$11,136,873

(*) Bankrupt and substantially bankrupt claims amounting to ¥54,122 million (\$357,453 thousand) and ¥50,816 million, and, loans and bills discounted without contractual maturities amounting to ¥22,373 million (\$147,764 thousand) and ¥23,161 million are excluded from the table above as of March 31, 2024 and 2023.

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

	Millions of yen					
	2024					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (*).....	¥5,514,274	¥260,492	¥ 28,265	¥ —	¥—	¥—
Negotiable certificates of deposit.....	25,360	—	—	—	—	—
Call money and bills sold.....	346,092	—	—	—	—	—
Payables under securities lending transactions.....	241,330	—	—	—	—	—
Borrowed money.....	198,523	303,219	376,187	4,697	—	—
Total	¥6,325,581	¥563,712	¥404,453	¥4,697	¥—	¥—

	Millions of yen					
	2023					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (*).....	¥5,406,329	¥290,410	¥ 17,627	¥ —	¥ —	¥—
Negotiable certificates of deposit.....	30,332	—	—	—	—	—
Call money and bills sold.....	237,906	—	—	—	—	—
Payables under securities lending transactions.....	205,572	—	—	—	—	—
Borrowed money.....	197,505	71,387	265,414	114	4,035	—
Total	¥6,077,646	¥361,798	¥283,042	¥114	¥4,035	¥—

	Thousands of U.S. dollars					
	2024					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (*).....	\$36,419,483	\$1,720,441	\$ 186,678	\$ —	\$—	\$—
Negotiable certificates of deposit.....	167,492	—	—	—	—	—
Call money and bills sold.....	2,285,793	—	—	—	—	—
Payables under securities lending transactions.....	1,593,884	—	—	—	—	—
Borrowed money.....	1,311,161	2,002,635	2,484,558	31,021	—	—
Total	\$41,777,828	\$3,723,083	\$2,671,243	\$31,021	\$—	\$—

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

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

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

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

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement. Notes regarding securities by purpose of holding are described in 4. Securities.

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

Category	Millions of yen			
	2024			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Japanese government bonds, local government bonds, etc.....	¥446,036	¥256,982	¥ —	¥ 703,019
Japanese corporate bonds...	—	168,490	8,189	176,680
Residential mortgage-backed security	—	124,214	—	124,214
Stocks.....	336,710	4,097	—	340,807
Other	123,666	214,670	65,573	403,909
Derivative transactions				
Interest rate related	—	44,406	—	44,406
Currency related.....	—	4,665	—	4,665
Total assets	906,414	817,526	73,762	1,797,703
Derivative transactions				
Interest rate related	—	960	—	960
Currency related.....	—	13,767	—	13,767
Total liabilities	¥ —	¥ 14,727	¥ —	¥ 14,727

Category	Millions of yen			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Japanese government bonds, local government bonds, etc.....	¥240,840	¥244,617	¥ —	¥ 485,457
Japanese corporate bonds...	—	155,167	11,459	166,627
Residential mortgage-backed security	—	143,447	—	143,447
Stocks.....	278,050	2,895	—	280,945
Other	100,292	188,829	53,634	342,755
Derivative transactions				
Interest rate related	—	24,073	—	24,073
Currency related.....	—	6,062	—	6,062
Total assets	619,182	765,091	65,094	1,449,368
Derivative transactions				
Interest rate related	—	1,591	—	1,591
Currency related.....	—	11,888	—	11,888
Total liabilities	¥ —	¥ 13,479	¥ —	¥ 13,479

(*) Investment securities do not include investment trusts to which the treatment of recognizing the base price at market value has been applied, as set forth in Paragraphs 24-3 and 24-9 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31 issued on June 17, 2021). The consolidated balance sheet amount of investment trusts to which the treatment under Paragraph 24-3 has been applied is ¥1,707 million and the consolidated balance sheet amount of investment trusts to which the treatment under Paragraph 24-9 has been applied is ¥3,698 million.

Category	Thousands of U.S. dollars			
	2024			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Japanese government bonds, local government bonds, etc.....	\$2,945,882	\$1,697,259	\$ —	\$ 4,643,147
Japanese corporate bonds...	—	1,112,806	54,084	1,166,897
Residential mortgage-backed security	—	820,381	—	820,381
Stocks.....	2,223,829	27,058	—	2,250,888
Other	816,762	1,417,805	433,082	2,667,650
Derivative transactions				
Interest rate related	—	293,283	—	293,283
Currency related.....	—	30,810	—	30,810
Total assets	5,986,487	5,399,418	487,167	11,873,079
Derivative transactions				
Interest rate related	—	6,340	—	6,340
Currency related.....	—	90,925	—	90,925
Total liabilities	\$ —	\$ 97,265	\$ —	\$ 97,265

(*) Investment securities do not include investment trusts to which the treatment of recognizing the base price at market value has been applied, as set forth in Paragraphs 24-3 and 24-9 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31 issued on June 17, 2021). The consolidated balance sheet amount of investment trusts to which the treatment under Paragraph 24-3 has been applied is ¥2,838 million (\$18,743 thousand) and the consolidated balance sheet amount of investment trusts to which the treatment under Paragraph 24-9 has been applied is ¥9,327 million (\$61,600 thousand).

(a) Adjustment table from the beginning balance to the year-end balance of investment trusts applying the treatment of Paragraphs 24-3 and 24-9

	Thousands of U.S. dollars	
	2024	
	Millions of yen	
Beginning balance.....	¥ 5,405	\$35,697
Profit or loss or other comprehensive income for the period		
Recorded in profit or loss.....	—	—
Recorded in other comprehensive income (*)	35	231
Purchases, sales and redemption (net).....	6,725	44,415
Amount for which the base price of the investment trusts is considered to be the fair value.....	—	—
Amount for which the base price of the investment trusts is not considered to be the fair value	—	—
Ending balance	¥12,165	\$80,344
Gains or losses on valuation of investment trusts held at the end of the reporting period included in profit or loss for the period	¥ —	\$ —

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

	Millions of yen
	2023
Beginning balance.....	¥ 808
Profit or loss or other comprehensive income for the period	
Recorded in profit or loss.....	—
Recorded in other comprehensive income (*)	44
Purchases, sales and redemption (net).....	4,553
Amount for which the base price of the investment trusts is considered to be the fair value.....	—
Amount for which the base price of the investment trusts is not considered to be the fair value.....	—
Ending balance	¥5,405
Gains or losses on valuation of investment trusts held at the end of the reporting period included in profit or loss for the period	¥ —

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

(b) Breakdown by restriction on cancellation or repurchase requests on consolidated accounting dates

	Millions of yen	Thousands of U.S. dollars
	2024	
Main contents on restriction on cancellation or repurchase requests	Amount on the consolidated balance sheet	
Cancellation or repurchase request is not possible, and the consent of the asset management company is required for transfer...	¥1,968	\$12,997
Taking several months from cancellation application to refund.....	869	5,739

	Millions of yen
	2023
Main contents on restriction on cancellation or repurchase requests	Amount on the consolidated balance sheet
Cancellation or repurchase request is not possible, and the consent of the asset management company is required for transfer...	¥1,302
Taking several months from cancellation application to refund.....	404

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

Category	Millions of yen			
	2024			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Held-to-maturity securities				
Japanese government bonds, local government bonds, etc.	¥58,695	¥ —	¥ —	¥ 58,695
Loans and bills discounted.....	—	—	4,403,369	4,403,369
Total assets	58,695	—	4,403,369	4,462,065
Deposits.....	—	5,803,163	—	5,803,163
Negotiable certificates of deposit.....	—	25,361	—	25,361
Borrowed money.....	—	874,896	—	874,896
Total liabilities	¥ —	¥6,703,422	¥ —	¥6,703,422

Category	Millions of yen			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Held-to-maturity securities				
Japanese government bonds, local government bonds, etc.....	¥61,806	¥ —	¥ —	¥ 61,806
Loans and bills discounted.....	—	—	4,286,290	4,286,290
Total assets	61,806	—	4,286,290	4,348,097
Deposits.....	—	5,714,494	—	5,714,494
Negotiable certificates of deposit.....	—	30,333	—	30,333
Borrowed money	—	536,341	—	536,341
Total liabilities	¥ —	¥6,281,169	¥ —	¥6,281,169

Category	Thousands of U.S. dollars			
	2024			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Held-to-maturity securities				
Japanese government bonds, local government bonds, etc.	\$387,656	\$ —	\$ —	\$ 387,656
Loans and bills discounted.....	—	—	29,082,418	29,082,418
Total assets	387,656	—	29,082,418	29,470,081
Deposits.....	—	38,327,475	—	38,327,475
Negotiable certificates of deposit.....	—	167,498	—	167,498
Borrowed money.....	—	5,778,323	—	5,778,323
Total liabilities	\$ —	\$44,273,310	\$ —	\$44,273,310

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

Assets

Securities

Securities for which unadjusted quoted prices in active markets are available are classified as Level 1 fair value. This mainly includes listed stocks and Japanese government bonds. Securities for which published quoted prices are available but the market is not active are classified as Level 2 fair value. This mainly includes Japanese local government bonds and Japanese corporate bonds. In addition, regarding investment trusts that do not have a trading price in the market, if there is no restriction that is significant enough for the market participants to demand compensation for the risk relating to cancellation or repurchase claims, the base value is the fair value and they are classified as Level 2 fair value.

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

Loans and bills discounted

For loans and bills discounted, the fair value is calculated by discounting the total amount of principal and interest by a discount rate that reflects the market interest rate and credit risk, etc., for each category based on the type of loan, internal rating and term. Those with floating interest rates reflect the market rate in the short term. Consequently, in cases where the credit conditions of borrowers have not significantly changed after the execution of the loans, the book value of the loans is presented as the fair value, as the fair value approximates the book value. With respect to claims against

bankrupt and substantially bankrupt claims, fair value is calculated using the estimated future cash flows and the estimated amounts that the Group would be able to collect from collateral and guarantees. For loans that are subject to special accounting treatment for interest rate swaps or designated hedge accounting for forward exchange contracts, etc., the fair value of the interest rate swaps or forward exchange contracts, etc. is reflected. If the effect of unobservable inputs on fair value is significant, the fair value is classified as Level 3 fair value; otherwise, the fair value is classified as Level 2 fair value.

Liabilities

Deposits and Negotiable certificates of deposit

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

Borrowed money

The present value of borrowed money is calculated by discounting the total principal and interest of the relevant borrowed money, classified by a certain period of time, at an interest rate that takes into account the remaining period of the borrowed money and credit risk. The book value of floating rate borrowings is presented as the fair value, because the fair value approximates book value. This is because the floating rate borrowings reflect the market interest rate in a short period and there has been no significant change in our credit conditions or in the credit conditions of our consolidated subsidiaries before or after the borrowings were made. The fair value of those with short contractual terms (i.e., less than one year) approximates the book value, and the Group deems the book value to be the fair value. Such fair value is classified as Level 2 fair value.

Derivative transactions

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

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

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

(1) Quantitative information on significant unobservable inputs

Category	2024			
	Valuation techniques	Significant unobservable inputs	Scope of inputs	Weighted average of inputs
Securities				
Available-for-sale securities				
Japanese corporate bonds	Present value technique	Discount rate	0.3% to 2.1%	0.4%
Private placement bonds				

Category	2023			
	Valuation techniques	Significant unobservable inputs	Scope of inputs	Weighted average of inputs
Securities				
Available-for-sale securities				
Japanese corporate bonds	Present value technique	Discount rate	0.3% to 1.9%	0.4%
Private placement bonds				

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

	Millions of yen			
	2024			
	Securities			
	Available-for-sale securities			
	Japanese corporate bonds	Foreign bonds	Others	
Beginning balance.....	¥11,459	¥53,634	¥ —	
Profit or loss or other comprehensive income for the period				
Recorded in profit or loss (*1)	2	4	—	
Recorded in other comprehensive income (*2)	(2)	(1,529)	(22)	
Purchases, sales, issuances, and settlements (net)	(3,269)	12,379	1,107	
Transfer into Level 3	—	—	—	
Transfer out of Level 3	—	—	—	
Ending balance	¥ 8,189	¥64,488	¥1,084	
Gains or losses on valuation of financial assets and financial liabilities held at the end of the reporting period included in profit or loss for the period (*1)	¥ —	¥ —	¥ —	

	Millions of yen			
	2023			
	Securities			
	Available-for-sale securities			
	Japanese corporate bonds	Foreign bonds		
Beginning balance.....	¥17,858	¥17,467		
Profit or loss or other comprehensive income for the period				
Recorded in profit or loss (*1)	5	4		
Recorded in other comprehensive income (*2)	(29)	(749)		
Purchases, sales, issuances, and settlements (net)	(6,374)	34,676		
Transfer into Level 3 (*3)	—	2,235		
Transfer out of Level 3	—	—		
Ending balance	¥11,459	¥53,634		
Gains or losses on valuation of financial assets and financial liabilities held at the end of the reporting period included in profit or loss for the period (*1)	¥ —	¥ —		

	Thousands of U.S. dollars		
	2024		
	Securities		
	Available-for-sale securities		
	Japanese corporate bonds	Foreign bonds	Others
Beginning balance.....	\$ 75,681	\$354,230	\$ —
Profit or loss or other comprehensive income for the period			
Recorded in profit or loss (*1)	13	26	—
Recorded in other comprehensive income (*2)	(13)	(10,098)	(145)
Purchases, sales, issuances, and settlements (net)	(21,590)	81,758	7,311
Transfer into Level 3	—	—	—
Transfer out of Level 3	—	—	—
Ending balance.....	\$ 54,084	\$425,916	\$ 7,159
Gains or losses on valuation of financial assets and financial liabilities held at the end of the reporting period included in profit or loss for the period (*1)	\$ —	\$ —	\$ —

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

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

(*3) Transferred out of Level 2 fair value into Level 3 fair value because of changes in observability of inputs used for the calculation of fair value. The transfer was made at the end of the previous fiscal year.

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

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

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

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

34. Fair value information on derivative transactions

Derivative transactions to which hedge accounting is not applied

The following is the fair value information for derivative transactions to which hedge accounting is not applied at March 31, 2024 and 2023.

The contractual value of swap agreements and the contract amounts of forward exchange contracts, option agreements and other derivatives do not necessarily measure the Bank's exposure to market risk.

(1) Interest-rate-related transactions

	Millions of yen			
	2024			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the-counter:				
Interest rate swap				
Receivable fixed rate/pay floating rate	¥4,742	¥3,992	¥ (39)	¥ (39)
Receivable floating rate /pay fixed rate	6,408	5,658	142	142
Total	¥ —	¥ —	¥102	¥102

	Millions of yen			
	2023			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the-counter:				
Interest rate swap				
Receivable fixed rate/pay floating rate	¥11,077	¥5,683	¥ (66)	¥ (66)
Receivable floating rate /pay fixed rate	12,545	7,285	119	119
Total	¥ —	¥ —	¥ 53	¥ 53

	Thousands of U.S. dollars			
	2024			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the-counter:				
Interest rate swap				
Receivable fixed rate/pay floating rate	\$31,318	\$26,365	\$(257)	\$(257)
Receivable floating rate /pay fixed rate	42,322	37,368	937	937
Total	\$ —	\$ —	\$ 673	\$ 673

Note: The above transactions were revalued at the end of each of the years and the related gains and losses are reflected in the accompanying consolidated statements of income.

(2) Currency-related transactions

	Millions of yen			
	2024			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the-counter:				
Currency swap.....	¥ 62,271	¥ 47,690	¥(7,867)	¥(7,867)
Forward exchange contracts:				
Sold	54,789	15	(1,302)	(1,302)
Bought	9,904	317	97	97
Currency options:				
Sold	139,260	111,016	(4,208)	(28)
Bought	139,260	111,016	4,178	813
Total	¥ —	¥ —	¥(9,101)	¥(8,287)
	Millions of yen			
	2023			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the-counter:				
Currency swap.....	¥ 40,542	¥33,509	¥(5,190)	¥(5,190)
Forward exchange contracts:				
Sold	70,892	—	(830)	(830)
Bought	21,998	—	343	343
Currency options:				
Sold	113,883	87,761	(5,524)	(2,269)
Bought	113,883	87,761	5,375	2,858
Total	¥ —	¥ —	¥(5,826)	¥(5,087)
	Thousands of U.S. dollars			
	2024			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the-counter:				
Currency swap.....	\$411,274	\$314,972	\$(51,958)	\$(51,958)
Forward exchange contracts:				
Sold	361,858	99	(8,599)	(8,599)
Bought	65,411	2,093	640	640
Currency options:				
Sold	919,754	733,214	(27,792)	(184)
Bought	919,754	733,214	27,593	5,369
Total	\$ —	\$ —	\$(60,108)	\$(54,732)

Note: The above transactions were revalued at the end of each of the years and the related gains and losses are reflected in the accompanying consolidated statements of income.

(3) Stock-related transactions are not applicable.

(4) Bond-related transactions are not applicable.

(5) Financial product-related transactions are not applicable.

(6) Credit derivative transactions are not applicable.

Derivative transactions to which hedge accounting is applied

The following is the fair value information for derivative transactions to which hedge accounting is applied at March 31, 2024 and 2023.
The contract value do not necessarily measure the Bank's exposure to market risk:

(1) Interest-rate-related transactions

	Millions of yen			
	2024			
	Hedged items	Contractual value	Contractual value due after one year	Fair value
Principle treatment	Available-for-sale securities (bonds), deposits			
Interest rate swap: Receivable floating rate/ pay fixed rate.....		¥373,522	¥373,522	¥43,343
Special treatment				
Interest rate swap: Receivable floating rate/ pay fixed rate.....	Loans	7,000	7,000	(Note 2)
Total	¥ —	¥ —	¥43,343	

	Millions of yen			
	2023			
	Hedged items	Contractual value	Contractual value due after one year	Fair value
Principle treatment	Available-for-sale securities (bonds)			
Interest rate swap: Receivable floating rate/ pay fixed rate.....		¥312,847	¥312,847	¥22,428

Note: Deferred hedge accounting is mainly applied.

	Thousands of U.S. dollars			
	2024			
	Hedged items	Contractual value	Contractual value due after one year	Fair value
Principle treatment	Available-for-sale securities (bonds)			
Interest rate swap: Receivable floating rate/ pay fixed rate.....		\$2,466,957	\$2,466,957	\$286,262
Special treatment				
Interest rate swap: Receivable floating rate/ pay fixed rate.....	Loans	46,232	46,232	(Note 2)
Total	\$ —	\$ —	\$286,262	

Note 1: In addition to the method of linking the hedged items with the hedging means, deferred hedge accounting is applied based on the Industry Committee Practical Guidelines No. 24.

Note 2: Since interest rate swaps with special treatment are treated as an integral part of loans that are subject to hedging, its fair value is included in the fair value of the loans described in the Note 33 "Financial instruments and related disclosures."

(2) Currency-related transactions are not applicable.

(3) Stock-related transactions are not applicable.

(4) Bond-related transactions are not applicable.

35. Comprehensive income (loss)

The components of other comprehensive income (loss) for the years ended March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Net unrealized gains (losses) on available-for-sale securities:			
The amount arising during the period	¥ 42,137	¥ (64,872)	\$ 278,297
Reclassification adjustments to profit or loss.....	(7,728)	5,583	(51,040)
Before adjustments to tax effect.....	34,409	(59,289)	227,257
The amount of tax effect	(10,326)	18,118	(68,198)
Total	¥ 24,082	¥ (41,170)	\$ 159,051
Deferred gains on derivatives under hedge accounting:			
The amount arising during the period	¥ 24,317	¥ 23,746	\$ 160,603
Reclassification adjustments to profit or loss.....	(3,402)	(10,009)	(22,468)
Before adjustments to tax effect.....	20,914	13,736	138,128
The amount of tax effect	(6,368)	(4,182)	(42,057)
Total	¥ 14,546	¥ 9,553	\$ 96,070
Defined retirement benefit plans:			
The amount arising during the period	¥ 3,827	¥ 4,159	\$ 25,275
Reclassification adjustments to profit or loss.....	(1,877)	(1,733)	(12,396)
Before adjustments to tax effect.....	1,950	2,425	12,878
The amount of tax effect	(593)	(738)	(3,916)
Total	¥ 1,356	¥ 1,687	\$ 8,955
Total other comprehensive income (loss)	¥ 39,985	¥ (29,930)	\$ 264,084

36. Net income per share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2024 and 2023, is as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
For the year ended March 31, 2024				
Basic EPS:				
Net income attributable to common shareholders	¥15,940	47,397	¥336.31	\$2.221
Effect of dilutive securities:				
Warrants				
Diluted EPS:				
Net income for computation.....	¥ —	—	¥ —	\$ —
For the year ended March 31, 2023				
Basic EPS:				
Net income attributable to common shareholders	¥ 14,858	47,841	¥ 310.57	
Effect of dilutive securities:				
Warrants		11		
Diluted EPS:				
Net income for computation.....	¥ 14,858	47,852	¥ 310.49	

Note: Diluted EPS for the year ended March 31, 2024 was not disclosed because there were no potential shares.

37. Subsequent event

Appropriation of retained earnings

The following appropriation of retained earnings was authorized at the ordinary general shareholders' meeting held on June 26, 2024:

	Millions of yen	Thousands of U.S. dollars
Cash dividends,		
¥40 (\$0.264) per share	¥1,877	\$12,396
Total	¥1,877	\$12,396

Establishment of subsidiary

The Bank resolved at a meeting of its Board of Directors held on February 22, 2024 to establish a wholly owned subsidiary, and established Shigagin energy Co., Ltd., on April 1, 2024.

1. Objective of establishment

Shigagin energy Co., Ltd. was established with the objective of solving regional issues from an energy perspective through GX (Green Transformation) initiatives and creating a virtuous cycle of the economy and the environment.

2. Overview of the subsidiary

- (1) Company name

Shigagin energy Co., Ltd.
- (2) Location

1-38 Hamamachi, Otsu (located within the Bank's Head Office premises)
- (3) Capital

¥100 million (\$660 thousand) (wholly owned by the Bank)
- (4) Established

April 1, 2024
- (5) Businesses

• GX and SX consulting business for companies and government agencies

• On-site and off-site PPA business utilizing solar power generation facilities

• Acquisition and operation of solar power plants

• Environmental value business (creation, sale, purchase, brokerage, etc., of environmental value)

• Investment in operating companies related to decarbonization and resource-recycling

38. Segment information

For the years ended March 31, 2024 and 2023

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

Related Information

(1) Information about services

	Millions of yen				
	2024				
	Lending services	Securities investment	Fees and commissions	Other	Total
Operating income from external customers.....	¥44,679	¥40,501	¥19,995	¥17,454	¥122,630
	Millions of yen				
	2023				
	Lending services	Securities investment	Fees and commissions	Other	Total
Operating income from external customers.....	¥38,669	¥38,275	¥17,651	¥20,693	¥115,289
	Thousands of U.S. dollars				
	2024				
	Lending services	Securities investment	Fees and commissions	Other	Total
Operating income from external customers.....	\$295,086	\$267,492	\$132,058	\$115,276	\$809,920

(2) Information about geographical areas

(a) Operating income

Operating income from external domestic customers exceeded 90% of total operating income on the consolidated statements of income for the years ended March 31, 2024 and 2023; therefore, geographical operating income information is not presented.

(b) Tangible fixed assets

The balance of domestic tangible fixed assets exceeded 90% of the total balance of tangible fixed assets on the consolidated balance sheets as of March 31, 2024 and 2023; therefore, geographical tangible fixed assets information is not presented.

(3) Information about major customers

Operating income to a specific customer did not reach 10% of total operating income on the consolidated statements of income for the years ended March 31, 2024 and 2023; therefore, major customer information is not presented.

39. Related party transactions

There were no transactions of the Bank with related parties for the year ended March 31, 2024.

Transactions of the Bank with related parties for the year ended March 31, 2023, were as follows:

Related party	Category	Description of transactions	Transaction amount	Accounts name	Year-end balance
			Millions of yen		Millions of yen
Takagi Building Co., Ltd.	Company in which director or relative has the majority of the voting rights	Lending operation loan, net of collection	¥ (3)	Loans	¥ 82
		Interest receipts	0	Other liabilities...	0
		Commission receipts, etc.	0		

Composition of Capital Disclosure (Capital ratio of the fiscal year ended March 31, 2024, Basel III)

Capital ratio (consolidated)

(Appended Form 2 of Supplementary Provision of the Notification of Japanese Financial Services Agency No. 7, 2014)

		Millions of yen, %		
CC1: Composition of regulatory capital (consolidated)				
		a	b	c
Basel III Template No.	Items	Year ended March 31, 2024	Year ended March 31, 2023	Reference to Template CC2
Common Equity Tier 1 capital: instruments and reserves				
1a+2-1c-26	Directly issued qualifying common share capital plus related capital surplus and retained earnings	309,057	299,282	
1a	of which: capital and capital surplus	57,618	57,617	(6)+(7)
2	of which: retained earnings	269,792	258,053	(8)
1c	of which: treasury stock (-)	16,476	14,488	(9)
26	of which: national specific regulatory adjustments (earnings to be distributed) (-)	1,877	1,899	
	of which: other than above	—	—	
1b	Total of share award rights and subscription rights to common shares	—	—	(14)
3	Accumulated other comprehensive income and other disclosed reserves	179,953	140,040	(10)+(11)+(12)+(13)
5	Common share capital issued by subsidiaries and held by non-controlling interests (amount allowed in group Common Equity Tier 1)	—	—	
6	Common Equity Tier 1 capital: instruments and reserves (A)	489,010	439,323	
Common Equity Tier 1 capital: regulatory adjustments				
8+9	Total intangible fixed assets (excluding those relating to mortgage servicing rights)	929	1,511	
8	of which: goodwill (including those equivalent)	—	—	
9	of which: other intangibles other than goodwill and mortgage servicing rights	929	1,511	(1)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences	—	—	(3)
11	Deferred gains or losses on derivatives under hedge accounting	(66)	—	(11)
12	Shortfall of eligible provisions to expected losses	8,247	12,242	
13	Securitization gain on sale	—	—	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	—	—	
15	Asset for retirement benefits	17,546	13,666	(2)
16	Investments in own shares (excluding those reported in the Net assets section)	0	0	
17	Reciprocal cross-holdings in common equity	—	—	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	—	—	
19+20+21	Amount exceeding the 10% threshold on specified items	—	—	
19	of which: significant investments in the common stock of financials	—	—	
20	of which: intangible fixed assets relating to mortgage servicing rights	—	—	
21	of which: deferred tax assets arising from temporary differences	—	—	
22	Amount exceeding the 15% threshold on specified items	—	—	
23	of which: significant investments in the common stock of financials	—	—	
24	of which: intangible fixed assets relating to mortgage servicing rights	—	—	
25	of which: deferred tax assets arising from temporary differences	—	—	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	—	—	
28	Common Equity Tier 1 capital: regulatory adjustments (B)	26,657	27,420	
Common Equity Tier 1 capital (CET1)				
29	Common Equity Tier 1 capital (CET1) ((A)-(B)) (C)	462,353	411,902	
Additional Tier 1 capital: instruments				
30	Directly issued qualifying Additional Tier 1 instruments plus related capital surplus of which:			
	31a classified as equity under applicable accounting standards	—	—	
	31b Total of share award rights and subscription rights to Additional Tier 1 instruments	—	—	
	32 Directly issued qualifying Additional Tier 1 instruments plus related capital surplus of which:			
	classified as liabilities under applicable accounting standards	—	—	
	Qualifying Additional Tier 1 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities	—	—	
34	Additional Tier 1 instruments issued by subsidiaries and held by non-controlling interests (amount allowed in group Additional Tier 1)	—	—	
36	Additional Tier 1 capital: instruments (D)	—	—	
Additional Tier 1 capital: regulatory adjustments				
37	Investments in own Additional Tier 1 instrument	—	—	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	—	—	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	—	—	

Matters concerning the disclosure of leverage ratio

Millions of yen, %				
CC1: Composition of regulatory capital (consolidated)				
		a	b	c
Basel III Template No..	Items	Year ended March 31, 2024	Year ended March 31, 2023	Reference to Template CC2
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	—	—	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deduction	—	—	
43	Additional Tier 1 capital: regulatory adjustments (E)	—	—	
Additional Tier 1 capital				
44	Additional Tier 1 capital ((D) – (E)) (F)	—	—	
Tier 1 capital (T1 = CET1 + AT1)				
45	Tier 1 capital (T1 = CET1 + AT1) ((C)+(F)) (G)	462,353	411,902	
Tier 2 capital: instruments and provisions				
46	Directly issued qualifying Tier 2 instruments plus related capital surplus of which: classified as equity under applicable accounting standards	—	—	
	Total of share award rights and subscription rights to Tier 2 instruments	—	—	
	Directly issued qualifying Tier 2 instruments plus related capital surplus of which: classified as liabilities under applicable accounting standards	—	—	(5)
	Qualifying Tier 2 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities	—	—	
50	Total of general allowance for credit losses and eligible provisions included in Tier 2	82	68	
50a	of which: provision for general allowance for credit losses	82	68	
50b	of which: eligible provisions	—	—	
51	Tier 2 capital: instruments and provisions (H)	82	68	
Tier 2 capital: regulatory adjustments				
52	Investments in own Tier 2 instruments	—	—	
53	Reciprocal cross-holdings in Tier 2 instruments	—	—	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	—	—	
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation	—	—	
57	Tier 2 capital: regulatory adjustments (I)	—	—	
Tier 2 capital (T2)				
58	Tier 2 capital (T2) ((H)-(I)) (J)	82	68	
Total capital (TC = T1 + T2)				
59	Total capital (TC = T1 + T2) ((G)+(J)) (K)	462,435	411,970	
Risk weighted assets				
60	Risk weighted assets (L)	2,944,602	2,607,077	
Capital ratio (consolidated)				
61	Common Equity Tier 1 capital ratio (consolidated) ((C)/(L))	15.70%	15.79%	
62	Tier 1 capital ratio (consolidated) ((G)/(L))	15.70%	15.79%	
63	Total capital ratio (consolidated) ((K)/(L))	15.70%	15.80%	
64	CET1 specific buffer requirement	2.51%	2.50%	
65	of which: capital conservation buffer requirement	2.50%	2.50%	
66	of which: countercyclical buffer requirement	0.01%	0.00%	
67	of which: G-SIB/D-SIB additional requirement			
68	CET1 available after meeting the minimum capital requirements	7.70%	7.80%	
Regulatory adjustments				
72	Non-significant investments in the capital of other financials that are below the thresholds for deduction (before risk weighting)	41,618	28,570	
73	Significant investments in the common stock of other financials that are below the thresholds for deduction (before risk weighting)	103	379	
74	Intangible fixed assets relating to mortgage servicing rights that are below the thresholds for deduction (before risk weighting)	—	—	
75	Deferred tax assets arising from temporary differences that are below the thresholds for deduction (before risk weighting)	—	—	
Provisions included in Tier 2 capital: instruments and provisions				
76	Provisions (general allowance for credit losses)	82	68	
77	Cap on inclusion of provisions (general allowance for credit losses)	917	851	
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach				
78	(prior to application of cap) (if the amount is negative, report as “nil”)	—	—	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	16,387	14,437	

1. Matters concerning the composition of consolidated leverage ratio
(Fiscal year ended March 31, 2024)

Millions of yen			
		FY2023	FY2022
Corresponding Line # on International Template (LR1)	Item		
1	Total assets reported in the consolidated balance sheet	7,970,551	7,305,698
2	Amount of assets of subsidiaries that are not included in the scope of the consolidated leverage ratio or Basel III leverage ratio (-)	—	—
3	Adjustments for securitization exposures that do not satisfy requirements for recognizing risk transfer	—	—
4	Adjustments due to exclusion pertaining to deposits in the central bank (-)	1,325,843	1,161,366
5	Amount of customer assets included in the consolidated balance sheet (-)		
6	Regulatory adjustments in cases of accounting for securities trading based on the trade date basis	—	—
7	Regulatory adjustments for fund transfers based on cash pooling agreements	—	—
8	Adjustments associated with derivative transactions, etc.	(21,291)	(10,710)
8a	Amount associated with derivative transactions, etc.	27,780	19,424
8b	Assets associated with derivative transactions, etc. (-)	49,071	30,135
9	Adjustments related to repo transactions, etc.	1,547	1,360
9a	Amount related to repo transactions, etc.	1,547	1,360
9b	Amount related to repo transactions, etc. (-)	—	—
10	Amount related to off-balance sheet transactions	123,066	105,862
11	Amount of adjustment items pertaining to Tier 1 capital (allowance for loan losses) (-)	8,247	12,242
12	Additional regulatory adjustments	(51,886)	(47,174)
12a	Amount of adjustment items pertaining to Tier 1 capital (other than allowance for loan losses) (-)	18,476	15,177
12b	Amount of customers' liabilities for acceptances and guarantees (-)	29,340	28,226
12c	Amount of receivables arising from providing collateral in relation to derivative transactions, etc. (limited to the portion corresponding to offset amounts)	—	—
12d	Amount of receivables arising from providing cash variation margin in relation to derivative transactions, etc. (-)	4,069	3,770
12e	Amount of assets of subsidiaries that are included in the scope of the consolidated leverage ratio or Basel III leverage ratio (except those included in the total assets reported in the consolidated balance sheet)	—	—
13	Total exposures	6,687,895	6,181,427

(Note) “Corresponding Line # on International Template (LR1)” refers to that in Table LR1 in the rule text of “Consolidated framework. DIS80 Leverage ratio” published by the Basel Committee on Banking Supervision on December 15, 2019.

Millions of yen			
		FY2023	FY2022
Corresponding Line # on International Template (LR2)	Item		
On-balance sheet exposures			
1	On-balance sheet exposures before deducting adjustment items	6,566,295	6,085,970
2	Amount of receivables arising from providing collateral in relation to derivative transactions, etc. (limited to the portion corresponding to offset amounts)	—	—
3	Amount of receivables arising from providing cash variation margin in relation to derivative transactions, etc. (-)	4,069	3,770
4	Recorded amount of securities received through repo transactions, etc. (-)	—	—
5	Amount of adjustment items pertaining to Tier 1 capital (allowance for loan losses) (-)	8,247	12,242
6	Amount of adjustment items pertaining to Tier 1 capital (other than allowance for loan losses) (-)	18,476	15,177
7	Total on-balance sheet exposures (A)	6,535,502	6,054,779
Derivative transaction exposures			
8	Replacement cost associated with derivatives transactions, etc. (with the 1.4 alpha factor applied)	13,870	6,950
9	Add-on amount for potential future exposure associated with derivatives transactions, etc. (with the 1.4 alpha factor applied)	13,909	12,473
10	Amount of exposures to central counterparties zeroed when the debt performance of qualified central counterparties is not guaranteed for indirect settlement participants (-)	—	—
11	Amount of adjusted effective notional amount of written credit derivatives, etc.	—	—
12	Amount of deductions from effective notional amount of written credit derivatives, etc. (-)	—	—
13	Total exposures related to derivative transactions (B)	27,780	19,424

		Millions of yen	
Corresponding Line # on International Template (LR2)	Item	FY2023	FY2022
Repo transaction exposures			
14	Amount of assets related to repo transactions, etc.	—	—
15	Amount of deductions from repo transactions, etc. (-)	—	—
16	Amount of counterparty risk exposure for repo transactions, etc.	1,547	1,360
17	Amount of agent transaction exposures		
18	Total exposures related to repo transactions, etc. (C)	1,547	1,360
Other off-balance sheet exposures			
19	Notional amount of off-balance sheet transactions	465,569	386,989
20	Amount of adjustments for conversation to in relation to off-balance sheet transactions (-)	342,502	281,126
22	Total exposures related to off-balance sheet transactions (D)	123,066	105,862
Consolidated leverage ratio or Basel III leverage ratio			
23	The amount of capital (Tier 1 capital) (E)	462,353	411,902
24	Total exposures ((A) + (B) + (C) + (D)) (F)	6,687,895	6,181,427
25	Consolidated leverage ratio or Basel III leverage ratio ((E) / (F))	6.91	6.66
26	Applicable required consolidated leverage ratio or Basel III leverage ratio	3.00	3.00
27	Applicable required consolidated leverage buffer ratio or Basel III leverage buffer ratio	0.00	0.00
Consolidated leverage ratio or Basel III leverage ratio including deposits in Bank of Japan			
	Total exposures (F)	6,687,895	6,181,427
	Amount of deposits in Bank of Japan	1,325,843	1,161,366
	Total exposures including deposits in Bank of Japan (F')	8,013,739	7,342,794
	Consolidated leverage ratio or Basel III leverage ratio including deposits in Bank of Japan ((E) / (F'))	5.76	5.60
Disclosure of average values			
28	Average value of assets related to repo transactions, etc. (after deductions) ((G) + (H))	—	—
	Average value of assets related to repo transactions, etc. (G)	—	—
	Average value of deductions from repo transactions, etc. (-) (H)	—	—
29	Quarter-end value of assets related to repo transactions, etc. (after deductions) ((I) + (J))	—	—
	14 Quarter-end value of assets related to repo transactions, etc. (I)	—	—
	15 Quarter-end value of deductions from repo transactions, etc. (-) (J)	—	—
30	Total exposures (using average value of assets related to repo transactions, etc. (after deductions) and excluding deposits in Bank of Japan) (K)	6,687,895	6,181,427
30a	Total exposures (using average value of assets related to repo transactions, etc. (after deductions) and including deposits in Bank of Japan) (L)	8,013,739	7,342,794
31	Consolidated leverage ratio or Basel III leverage ratio (using average value of assets related to repo transactions, etc. (after deductions) and excluding deposits in Bank of Japan) ((E) / (K))	6.91	6.66
31a	Consolidated leverage ratio or Basel III leverage ratio (using average value of assets related to repo transactions, etc. (after deductions) and including deposits in Bank of Japan) ((E) / (L))	5.76	5.60

(Note) "Corresponding Line # on International Template (LR2)" refers to that in Table LR2 in the rule text of "Consolidated framework. DIS80 Leverage ratio" published by the Basel Committee on Banking Supervision on December 15, 2019.

2. Reasons for any significant disparities in consolidated leverage ratio compared to the previous fiscal year (if any)

Not applicable.

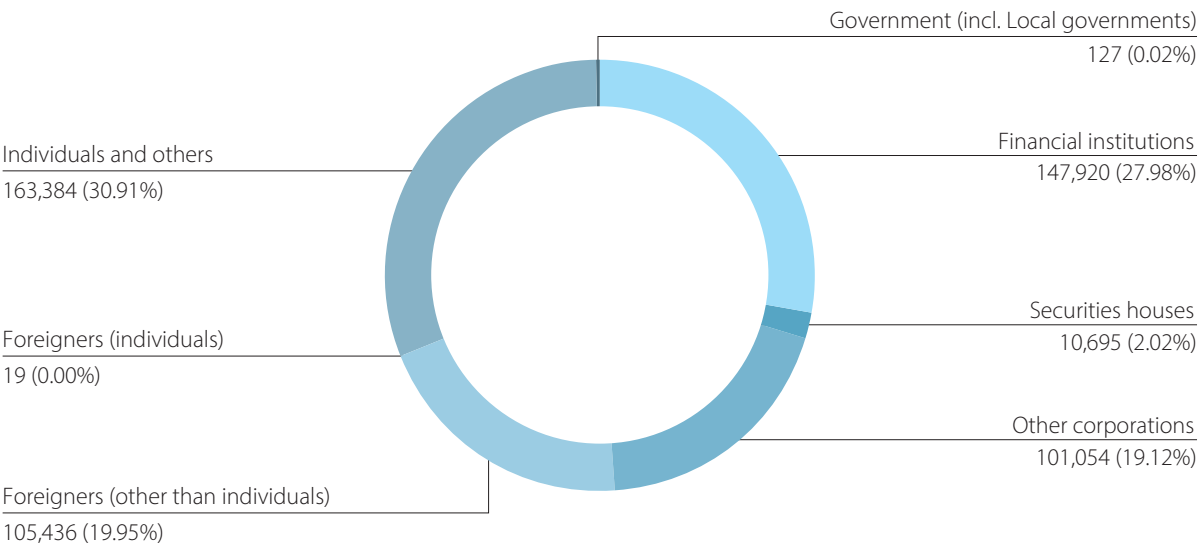
Stock Information

As of March 31, 2024

Major shareholders

	Number of shares held (Thousand shares)	As a percentage of total number of issued shares (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	4,112	8.76
Custody Bank of Japan, Ltd. (Trust account)	1,835	3.91
Nippon Life Insurance Company	1,610	3.43
Meiji Yasuda Life Insurance Company	1,599	3.40
GOLDMAN SACHS INTERNATIONAL (Standing proxy: Goldman Sachs Japan Co., Ltd.)	1,277	2.72
Sompo Japan Insurance Inc.	1,180	2.51
Employee Stock Ownership of Shiga Bank	1,167	2.48
THE KYOTO CHUO SHINKIN BANK	1,000	2.13
JP MORGAN CHASE BANK 385781 (Standing proxy: Settlement & Clearing Services Department of Mizuho Bank, Ltd.)	646	1.37
CEPLUX- THE INDEPENDENT UCITS PLATFORM 2 (Standing proxy: Citibank, N.A., Tokyo Branch)	609	1.29
Total	15,039	32.04

Number of shares held by type of shareholder (Thousand shares)



Note: Figures in parentheses represent voting rights as a percentage of the total voting rights held by each shareholder segment.

「三方よし」で地域を幸せにする

Sustainability Design Company

SHIGA BANK 