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# Annual Report 2023



## Message from the Management

I would like to take this opportunity to express our heartfelt gratitude for your continuous patronage and support for the Bank of Saga.

We are pleased to present you our “Annual Report 2023” that summarizes the Bank’s management policies, as well as its business performance for fiscal 2022.

The Bank contributes to the sustainable development of the regional community and economy utilizing the synergies within the Bank’s Group to respond appropriately to the rapidly changing management environment and customer needs.

We hope that we can count on your never-ending patronage and kind support as we pursue these endeavors going forward.

July 2023

Hideaki Sakai, President

## The Bank’s Fundamental Thinking

### A Clear Perspective on the Future with a View to Regional Development

#### Management Policy

In its commitment to maintaining “close relationships with the citizens of its region and sound, stable management,” the Bank of Saga provides high-quality financial services and contributes to local community development through its operations as a regional financial institution.

#### Basic Management Principles

##### Contributing to local community development

As a regional bank with its roots deeply embedded in the community, the Bank promotes the development of local industries and dedicates itself to assuring a high standard of living for regional residents and enriching the regional culture.

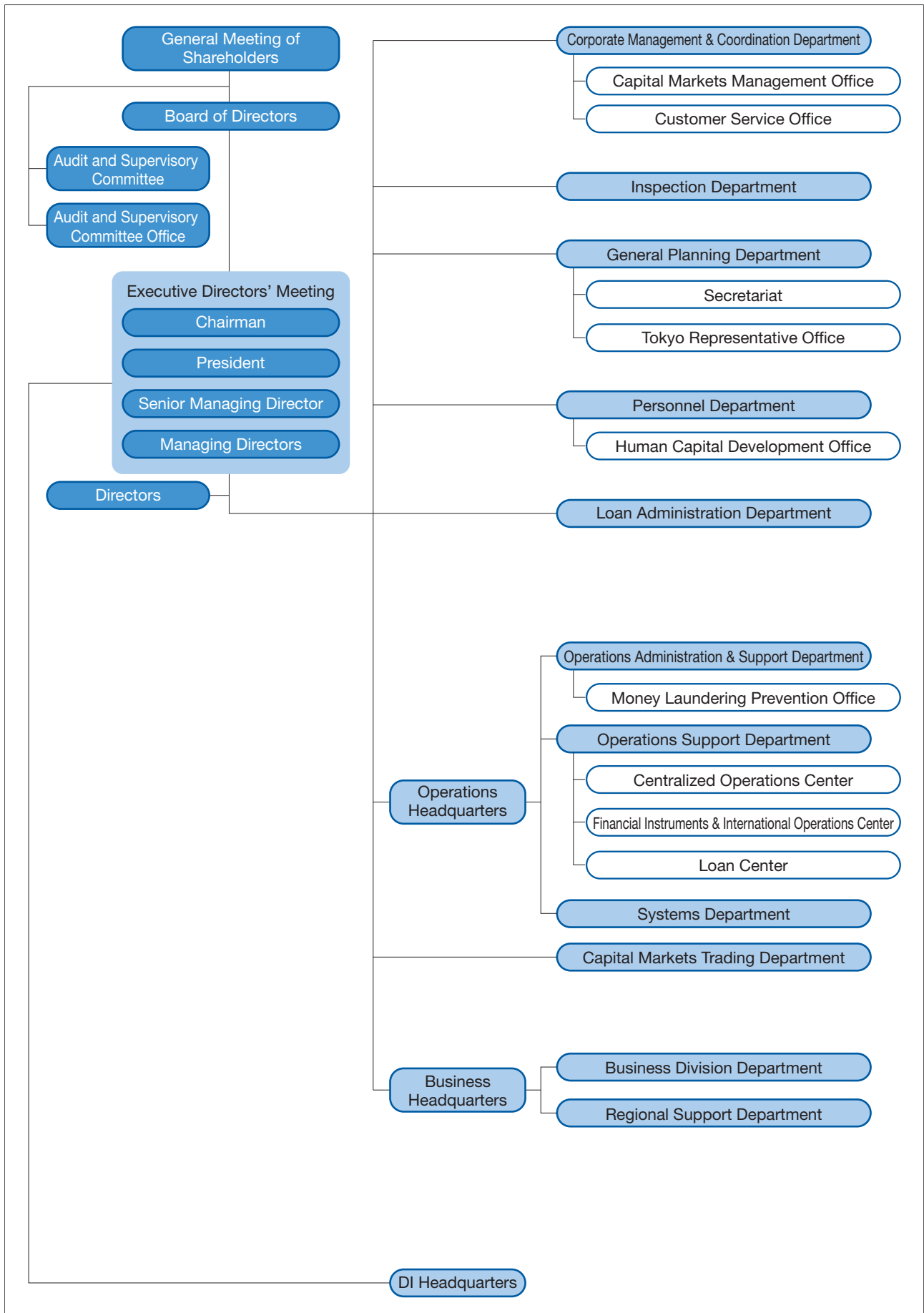
##### Responding to the trust of customers and shareholders

The Bank seeks to enhance its services to assure continued customer satisfaction.  
It satisfies the expectations of its shareholders as well by pursuing management that responds quickly and accurately to changes in the times.

##### Improving employee welfare

The Bank seeks to ensure that every employee enjoys an affluent life by providing an optimal working environment and cultivating a corporate climate that emphasizes respect for others.

# Organization



(as of June 30, 2023)

# Consolidated Balance Sheets

The Bank of Saga Ltd. and its consolidated subsidiaries  
March 31, 2023 and 2022

|                                                       | Millions of yen   |                   | Thousands of<br>U.S. dollars |
|-------------------------------------------------------|-------------------|-------------------|------------------------------|
|                                                       | 2023              | 2022              | 2023                         |
| <b>Assets:</b>                                        |                   |                   |                              |
| Cash and due from banks                               | ¥ 72,968          | ¥ 301,833         | \$ 546,453                   |
| Monetary claims bought                                | 2,333             | 2,164             | 17,471                       |
| Money held in trust                                   | 862               | 862               | 6,455                        |
| Securities                                            | 697,091           | 662,989           | 5,220,482                    |
| Loans and bills discounted                            | 2,180,479         | 2,146,060         | 16,329,506                   |
| Foreign exchanges                                     | 2,787             | 3,534             | 20,871                       |
| Lease receivables and investment assets               | 14,935            | 15,120            | 111,847                      |
| Other assets                                          | 11,653            | 11,619            | 87,268                       |
| Tangible fixed assets                                 | 23,293            | 23,165            | 174,440                      |
| Intangible fixed assets                               | 945               | 1,021             | 7,077                        |
| Net defined benefit asset                             | 1,835             | 194               | 13,742                       |
| Deferred tax assets                                   | 8,139             | 3,490             | 60,952                       |
| Customers' liabilities for acceptances and guarantees | 9,083             | 9,233             | 68,022                       |
| Allowance for possible loan losses                    | (17,133)          | (17,231)          | (128,308)                    |
| Allowance for investment loss                         | (31)              | (31)              | (232)                        |
| <b>Total assets</b>                                   | <b>¥3,009,245</b> | <b>¥3,164,026</b> | <b>\$22,536,096</b>          |
| <b>Liabilities:</b>                                   |                   |                   |                              |
| Deposits                                              | ¥2,786,872        | ¥2,796,335        | \$20,870,755                 |
| Call money and bills sold                             | —                 | 5,874             | —                            |
| Cash collateral received for securities lent          | 65,692            | 48,363            | 491,964                      |
| Borrowed money                                        | 6,442             | 154,154           | 48,243                       |
| Foreign exchanges                                     | 80                | 148               | 599                          |
| Other liabilities                                     | 27,194            | 28,849            | 203,654                      |
| Provision for bonuses                                 | 598               | 614               | 4,478                        |
| Net defined benefit liability                         | 1,210             | 1,215             | 9,061                        |
| Reserve for directors' retirement benefits            | 10                | 19                | 74                           |
| Reserve for reimbursement of deposits                 | 170               | 220               | 1,273                        |
| Deferred tax liabilities                              | 120               | 154               | 898                          |
| Deferred tax liabilities for land revaluation         | 3,008             | 3,054             | 22,526                       |
| Acceptances and guarantees                            | 9,083             | 9,233             | 68,022                       |
| <b>Total liabilities</b>                              | <b>2,900,483</b>  | <b>3,048,240</b>  | <b>21,721,583</b>            |
| <b>Net assets:</b>                                    |                   |                   |                              |
| Common stock                                          | 16,062            | 16,062            | 120,287                      |
| Capital surplus                                       | 13,327            | 13,327            | 99,805                       |
| Retained earnings                                     | 80,824            | 76,541            | 605,287                      |
| Treasury stock                                        | (929)             | (978)             | (6,957)                      |
| <b>Total shareholders' equity</b>                     | <b>109,284</b>    | <b>104,951</b>    | <b>818,422</b>               |
| Valuation difference on available-for-sale securities | (6,751)           | 4,264             | (50,557)                     |
| Revaluation reserve for land                          | 6,273             | 6,267             | 46,978                       |
| Remeasurements of defined benefit plans               | (304)             | 51                | (2,276)                      |
| <b>Total accumulated other comprehensive income</b>   | <b>(782)</b>      | <b>10,583</b>     | <b>(5,856)</b>               |
| Share acquisition rights                              | 259               | 250               | 1,939                        |
| <b>Total net assets</b>                               | <b>108,761</b>    | <b>115,786</b>    | <b>814,506</b>               |
| <b>Total liabilities and net assets</b>               | <b>¥3,009,245</b> | <b>¥3,164,026</b> | <b>\$22,536,096</b>          |

# Consolidated Income Statements

The Bank of Saga Ltd. and its consolidated subsidiaries  
Years ended March 31, 2023 and 2022

|                                                    | Millions of yen |                | Thousands of<br>U.S. dollars |
|----------------------------------------------------|-----------------|----------------|------------------------------|
|                                                    | 2023            | 2022           | 2023                         |
| <b>Income</b>                                      |                 |                |                              |
| Interest income:                                   |                 |                |                              |
| Loans and discounts                                | ¥19,222         | ¥18,674        | \$143,952                    |
| Securities                                         | 7,405           | 5,280          | 55,455                       |
| Others                                             | 488             | 547            | 3,654                        |
| Fees and commissions                               | 8,337           | 7,957          | 62,435                       |
| Other operating income                             | 8,519           | 8,789          | 63,798                       |
| Other income                                       | 4,287           | 2,655          | 32,105                       |
| <b>Total income</b>                                | <b>48,262</b>   | <b>43,904</b>  | <b>361,431</b>               |
| <b>Expenses</b>                                    |                 |                |                              |
| Interest expenses:                                 |                 |                |                              |
| Deposits                                           | 579             | 289            | 4,336                        |
| Borrowings, call money and bills sold              | 63              | 23             | 471                          |
| Others                                             | 1,823           | 78             | 13,652                       |
| Fees and commissions payments                      | 3,199           | 3,166          | 23,957                       |
| Other operating expenses                           | 12,548          | 8,804          | 93,971                       |
| General and administrative expenses                | 19,903          | 20,460         | 149,052                      |
| Other expenses                                     | 2,572           | 4,406          | 19,261                       |
| <b>Total expenses</b>                              | <b>40,692</b>   | <b>37,230</b>  | <b>304,740</b>               |
| <b>Income before income taxes</b>                  | <b>7,569</b>    | <b>6,674</b>   | <b>56,683</b>                |
| <b>Income taxes:</b>                               |                 |                |                              |
| Current                                            | 1,805           | 2,382          | 13,517                       |
| Deferred                                           | 273             | 215            | 2,044                        |
| <b>Total income taxes</b>                          | <b>2,078</b>    | <b>2,598</b>   | <b>15,562</b>                |
| <b>Net income</b>                                  | <b>5,491</b>    | <b>4,076</b>   | <b>41,121</b>                |
| <b>Net income attributable to owners of parent</b> | <b>¥ 5,491</b>  | <b>¥ 4,076</b> | <b>\$ 41,121</b>             |

|                                   | Yen     | U.S. dollars |
|-----------------------------------|---------|--------------|
| <b>Per share of common stock:</b> |         |              |
| Basic net income                  | ¥327.05 | \$ 2.44      |
| Diluted net income                | 324.04  | 2.42         |

# Consolidated Statements of Comprehensive Income

The Bank of Saga Ltd. and its consolidated subsidiaries  
Years ended March 31, 2023 and 2022

|                                                       | Millions of yen  |                  | Thousands of<br>U.S. dollars |
|-------------------------------------------------------|------------------|------------------|------------------------------|
|                                                       | 2023             | 2022             | 2023                         |
| <b>Net income</b>                                     | <b>¥ 5,491</b>   | <b>¥ 4,076</b>   | <b>\$ 41,121</b>             |
| <b>Other comprehensive income:</b>                    | <b>(11,371)</b>  | <b>(13,555)</b>  | <b>(85,156)</b>              |
| Valuation difference on available-for-sale securities | (11,016)         | (12,798)         | (82,498)                     |
| Remeasurements of defined benefit plans               | (355)            | (757)            | (2,658)                      |
| <b>Comprehensive income</b>                           | <b>¥ (5,880)</b> | <b>¥ (9,479)</b> | <b>\$(44,035)</b>            |
| (Breakdown)                                           |                  |                  |                              |
| Comprehensive income attributable to owners of parent | ¥ (5,880)        | ¥ (9,479)        | \$(44,035)                   |

# Consolidated Statements of Changes in Net Assets

The Bank of Saga Ltd. and its consolidated subsidiaries  
Year ended March 31, 2023

|                                                   | Millions of yen      |                 |                   |                |                            |                                                       |                              |                                         |                                              |                          |                  |
|---------------------------------------------------|----------------------|-----------------|-------------------|----------------|----------------------------|-------------------------------------------------------|------------------------------|-----------------------------------------|----------------------------------------------|--------------------------|------------------|
|                                                   | Shareholders' equity |                 |                   |                |                            | Accumulated other comprehensive income                |                              |                                         |                                              |                          |                  |
|                                                   | Common stock         | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity | Valuation difference on available-for-sale securities | Revaluation reserve for land | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | Share acquisition rights | Total net assets |
| <b>Balance at April 1, 2022</b>                   | ¥16,062              | ¥13,327         | ¥76,541           | ¥(978)         | ¥104,951                   | ¥ 4,264                                               | ¥6,267                       | ¥ 51                                    | ¥ 10,583                                     | ¥250                     | ¥115,786         |
| Changes during the fiscal year                    |                      |                 |                   |                |                            |                                                       |                              |                                         |                                              |                          |                  |
| Dividends from surplus                            |                      |                 | (1,174)           |                | (1,174)                    |                                                       |                              |                                         |                                              |                          | (1,174)          |
| Net income attributable to owners of parent       |                      |                 | 5,491             |                | 5,491                      |                                                       |                              |                                         |                                              |                          | 5,491            |
| Purchase of treasury stock                        |                      |                 |                   | (11)           | (11)                       |                                                       |                              |                                         |                                              |                          | (11)             |
| Disposal of treasury stock                        |                      |                 | (26)              | 60             | 33                         |                                                       |                              |                                         |                                              |                          | 33               |
| Reversal of revaluation reserve for land          |                      |                 | (6)               |                | (6)                        |                                                       |                              |                                         |                                              |                          | (6)              |
| Net changes other than shareholders' equity (net) |                      |                 |                   |                |                            | (11,016)                                              | 6                            | (355)                                   | (11,365)                                     | 8                        | (11,357)         |
| <b>Total changes during the fiscal year</b>       | —                    | —               | 4,283             | 49             | 4,332                      | (11,016)                                              | 6                            | (355)                                   | (11,365)                                     | 8                        | (7,024)          |
| <b>Balance at March 31, 2023</b>                  | ¥16,062              | ¥13,327         | ¥80,824           | ¥(929)         | ¥109,284                   | ¥ (6,751)                                             | ¥6,273                       | ¥(304)                                  | ¥ (782)                                      | ¥259                     | ¥108,761         |

|                                                   | Thousands of U.S. dollars |                 |                   |                |                            |                                                       |                              |                                         |                                              |                          |                  |
|---------------------------------------------------|---------------------------|-----------------|-------------------|----------------|----------------------------|-------------------------------------------------------|------------------------------|-----------------------------------------|----------------------------------------------|--------------------------|------------------|
|                                                   | Shareholders' equity      |                 |                   |                |                            | Accumulated other comprehensive income                |                              |                                         |                                              |                          |                  |
|                                                   | Common stock              | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity | Valuation difference on available-for-sale securities | Revaluation reserve for land | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | Share acquisition rights | Total net assets |
| <b>Balance at April 1, 2022</b>                   | \$120,287                 | \$99,805        | \$573,212         | \$(7,324)      | \$785,973                  | \$ 31,932                                             | \$46,933                     | \$ 381                                  | \$ 79,255                                    | \$1,872                  | \$867,116        |
| Changes during the fiscal year                    |                           |                 |                   |                |                            |                                                       |                              |                                         |                                              |                          |                  |
| Dividends from surplus                            |                           |                 | (8,792)           |                | (8,792)                    |                                                       |                              |                                         |                                              |                          | (8,792)          |
| Net income attributable to owners of parent       |                           |                 | 41,121            |                | 41,121                     |                                                       |                              |                                         |                                              |                          | 41,121           |
| Purchase of treasury stock                        |                           |                 |                   | (82)           | (82)                       |                                                       |                              |                                         |                                              |                          | (82)             |
| Disposal of treasury stock                        |                           |                 | (194)             | 449            | 247                        |                                                       |                              |                                         |                                              |                          | 247              |
| Reversal of revaluation reserve for land          |                           |                 | (44)              |                | (44)                       |                                                       |                              |                                         |                                              |                          | (44)             |
| Net changes other than shareholders' equity (net) |                           |                 |                   |                |                            | (82,498)                                              | 44                           | (2,658)                                 | (85,111)                                     | 59                       | (85,052)         |
| <b>Total changes during the fiscal year</b>       | —                         | —               | 32,075            | 366            | 32,442                     | (82,498)                                              | 44                           | (2,658)                                 | (85,111)                                     | 59                       | (52,602)         |
| <b>Balance at March 31, 2023</b>                  | \$120,287                 | \$99,805        | \$605,287         | \$(6,957)      | \$818,422                  | \$(50,557)                                            | \$46,978                     | \$(2,276)                               | \$ (5,856)                                   | \$1,939                  | \$814,506        |

# Consolidated Statements of Cash Flows

The Bank of Saga Ltd. and its consolidated subsidiaries  
Years ended March 31, 2023 and 2022

|                                                                                | Millions of yen |           | Thousands of<br>U.S. dollars |
|--------------------------------------------------------------------------------|-----------------|-----------|------------------------------|
|                                                                                | 2023            | 2022      | 2023                         |
| <b>Cash flows from operating activities:</b>                                   |                 |           |                              |
| Income before income taxes                                                     | ¥ 7,569         | ¥ 6,674   | \$ 56,683                    |
| Depreciation                                                                   | 842             | 990       | 6,305                        |
| Impairment losses                                                              | 129             | 228       | 966                          |
| Increase (decrease) in allowance for possible loan losses                      | (98)            | 1,724     | (733)                        |
| Increase (decrease) in allowance for investment loss                           | (0)             | (0)       | (0)                          |
| Increase (decrease) in provision for bonuses                                   | (16)            | (13)      | (119)                        |
| (Increase) decrease in net defined benefit asset                               | (1,804)         | (291)     | (13,510)                     |
| Increase (decrease) in net defined benefit liability                           | (353)           | (681)     | (2,643)                      |
| Increase (decrease) in reserve for directors' retirement benefits              | (8)             | 6         | (59)                         |
| Increase (decrease) in reserve for reimbursement of deposits                   | (50)            | (8)       | (374)                        |
| Interest income                                                                | (27,117)        | (24,502)  | (203,077)                    |
| Interest expenses                                                              | 2,468           | 392       | 18,482                       |
| (Gain) loss on securities transactions                                         | 2,086           | (65)      | 15,621                       |
| (Gain) loss on money held in trust                                             | (3)             | (11)      | (22)                         |
| Net exchange (gain) loss                                                       | 4               | (1)       | 29                           |
| (Gain) loss on disposal of properties                                          | (96)            | 1         | (718)                        |
| Net (increase) decrease in loans and bills discounted                          | (34,418)        | (129,892) | (257,754)                    |
| Net increase (decrease) in deposits                                            | (9,348)         | 88,361    | (70,006)                     |
| Net increase (decrease) in negotiable certificates of deposit                  | (114)           | (611)     | (853)                        |
| Net increase (decrease) in borrowed money (other than subordinated borrowings) | (147,712)       | 17,401    | (1,106,208)                  |
| Net (increase) decrease in due from banks (other than the Bank of Japan)       | (4,863)         | 5,046     | (36,418)                     |
| Net (increase) decrease in call loans                                          | (169)           | (21)      | (1,265)                      |
| Net increase (decrease) in call money                                          | (5,874)         | 782       | (43,990)                     |
| Net increase (decrease) in cash collateral received for securities lent        | 17,329          | 21,653    | 129,776                      |
| Net (increase) decrease in foreign exchange assets                             | 746             | (1,122)   | 5,586                        |
| Net increase (decrease) in foreign exchange liabilities                        | (68)            | (238)     | (509)                        |
| Net (increase) decrease in lease receivables and investment assets             | 185             | 223       | 1,385                        |
| Interest received                                                              | 26,487          | 24,607    | 198,359                      |
| Interest paid                                                                  | (2,363)         | (400)     | (17,696)                     |
| Other, net                                                                     | (9,592)         | (9,522)   | (71,834)                     |
| Subtotal                                                                       | (186,225)       | 710       | (1,394,630)                  |
| Payments of income taxes                                                       | (2,592)         | (2,697)   | (19,411)                     |
| Refund of income taxes                                                         | —               | 0         | —                            |
| Net cash provided by (used in) operating activities                            | (188,817)       | (1,987)   | (1,414,041)                  |
| <b>Cash flows from investing activities:</b>                                   |                 |           |                              |
| Purchase of securities                                                         | (307,650)       | (250,458) | (2,303,976)                  |
| Proceeds from sales of securities                                              | 177,868         | 118,797   | 1,332,045                    |
| Redemption of securities                                                       | 86,984          | 65,173    | 651,419                      |
| Decrease in money held in trust                                                | 3               | 11        | 22                           |
| Purchase of tangible fixed assets                                              | (1,132)         | (1,009)   | (8,477)                      |
| Purchase of intangible fixed assets                                            | (223)           | (157)     | (1,670)                      |
| Proceeds from sales of tangible fixed assets                                   | 427             | 195       | 3,197                        |
| Net cash provided by (used in) investing activities                            | (43,722)        | (67,446)  | (327,432)                    |
| <b>Cash flows from financing activities:</b>                                   |                 |           |                              |
| Payments of cash dividends                                                     | (1,173)         | (1,173)   | (8,784)                      |
| Purchase of treasury stock                                                     | (10)            | (9)       | (74)                         |
| Proceeds from exercise of stock options                                        | 0               | —         | 0                            |
| Net cash provided by (used in) financing activities                            | (1,184)         | (1,183)   | (8,866)                      |
| Translation adjustments of cash and cash equivalents                           | (4)             | 1         | (29)                         |
| Net increase (decrease) in cash and cash equivalents                           | (233,728)       | (70,615)  | (1,750,378)                  |
| Cash and cash equivalents at beginning of the year                             | 300,109         | 370,725   | 2,247,502                    |
| Cash and cash equivalents at end of the year                                   | ¥ 66,380        | ¥ 300,109 | \$ 497,116                   |

|                        |                                             |                               |                                                    |
|------------------------|---------------------------------------------|-------------------------------|----------------------------------------------------|
| Date of Establishment: | March 9, 1882                               | Number of Shareholders:       | 7,584                                              |
| Date of Incorporation: | July 11, 1955                               | Number of Branches:           | 103 (Saga: 61, Fukuoka: 38, Nagasaki: 3, Tokyo: 1) |
| Capital:               | ¥16,062 million                             | Number of Sales Branches:     | 72 (Saga: 42, Fukuoka: 26, Nagasaki: 3, Tokyo: 1)  |
| Head Office:           | 7-20, Tojin 2-chome, Saga City, Saga, Japan | Number of Out-of-Branch ATMs: | 65 (excluding one ATM currently out of operation)  |
| Number of Employees:   | 1,164                                       |                               |                                                    |

\* The number of sales branches states the number after the branch-in-branch method integration.

## Directors and Corporate Auditors

(as of June 30, 2023)

|                     |                                                                                                                                          |                   |                                                                                                                                                       |
|---------------------|------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| Yoshihiro Jinnouchi | Chairman                                                                                                                                 | Koji Kanagae      | Director (General Manager, Fukuoka Chuo Block; General Manager, Fukuoka Branch; General Manager, Watanabedori Branch; General Manager, Tenjin Branch) |
| Hideaki Sakai       | Representative Director and President                                                                                                    | Kentaro Tomiyoshi | Outside Director                                                                                                                                      |
| Shinzaburo Nakamura | Senior Managing Director (Representative Director) (General Manager, DI Headquarters)                                                    | Keiji Kono        | Outside Director                                                                                                                                      |
| Toru Unoike         | Senior Managing Director (Representative Director) (General Manager, Business Headquarters)                                              | Yoshiaki Jono     | Director; Standing Audit and Supervisory Committee Member                                                                                             |
| Shigeyuki Yamasaki  | Managing Director                                                                                                                        | Syuichi Idera     | Outside Director; Audit and Supervisory Committee Member                                                                                              |
| Hiroshi Koso        | Managing Director (General Manager, Business Headquarters)                                                                               | Toshiaki Tanaka   | Outside Director; Audit and Supervisory Committee Member                                                                                              |
| Yoichiro Kuchiishi  | Director (General Manager, Saga Minami Block; General Manager, Head Office Business Department; and General Manager, Gofukumachi Branch) | Takumi Ikeda      | Outside Director; Audit and Supervisory Committee Member                                                                                              |
| Makoto Noguchi      | Director (General Manager, Systems Department, Operations Headquarters; Deputy General Manager, DI Headquarters)                         |                   |                                                                                                                                                       |

Note: The following are Outside Directors as stipulated in Article 2, Paragraph 15 of the Companies Act: Directors Kentaro Tomiyoshi and Keiji Kono; and Directors serving as Audit and Supervisory Committee Members Syuichi Idera, Toshiaki Tanaka, and Takumi Ikeda.