

History

Steps Toward Enhancing the Corporate Value of the Shiga Bank Group

The Shiga Bank Group has long upheld the traditional spirit of the Omi Merchants, known as “Sampo yoshi” (bringing happiness to three sides: being good for the seller, the buyer, and society), and has walked hand in hand with its customers and regional communities in a spirit of coexistence and co-prosperity.

Holding dear the teachings of our predecessors, we shall continue to contribute to the happiness of the region founded on the belief that the growth of the Group is inextricably linked to the growth of the region and our customers.

1933 – Established a solid management foundation based on a spirit of “soundness” and “enterprise”

- **October 1933** Established the Shiga Bank, Ltd.
- **October 1938** Opened Kyoto Branch
- **March 1941** Opened Osaka Branch
- **July 1946** Opened Tokyo Branch
- **May 1951** Commenced foreign exchange business



since **1933**

Spirit inherited from Omi Merchants

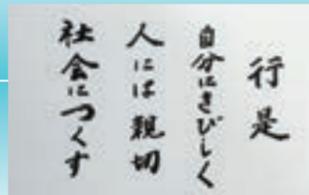
“Sampo yoshi,” (bringing happiness to three sides: being good for the seller, the buyer, and society) also known as a Japanese version of the SDGs. The Bank’s motto of “Be tough on ourselves, kind to others and serve society” carries on “Sampo yoshi” philosophy, a traditional management philosophy embraced by the Omi Merchants. Every member of the Shiga Bank Group deeply understands that the growth of the Group is inextricably linked to the growth of regions and our customers. We are also very proud of our roots in the Omi Merchants.

The Omi Merchants were known for their enterprising spirit and were involved in a wide range of businesses. Shouldering a trademark carrying pole, they expanded their businesses all over Japan and are considered one of Japan’s three great merchants along with the Osaka Merchants and Ise Merchants, and founded many influential companies.

With the frontier spirit of the Omi Merchants, the Shiga Bank Group 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.” Just as Omi Merchants conducted business in various regions and contributed to the economic revitalization of Shiga Prefecture, the home of their main offices, our Group is also taking advantage of its extensive network of stores to drive the revitalization of regional communities. This spirit has led to forward-looking “environmental management” and “sustainability management.”

1960 – Strengthened management systems that embody the Bank’s motto

- **January 1966** Announced the Bank’s motto
- **October 1977** Listed stocks on the Osaka Securities Exchange (the Second Section) and the Kyoto Stock Exchange
- **August 1984** Established the “Shigagin Welfare Fund,” a social welfare corporation
- **October 1987** Listed stocks on the Tokyo Stock Exchange (the First Section)
- **March 1988** Opened the New York Representative Office (promoted to New York Branch in 1991 and closed down in 1998)
- **July 1988** Completed the current Head Office building
- **May 1989** Opened Hong Kong Representative Office (promoted to Hong Kong Branch in September, 1993)
- **December 1998** Commenced “In-house corporate credit ratings system”



Source: Archival Museum, Faculty of Economics, Shiga University

1999 – Put into practice its forward-looking “environmental management”

- **October 1999** Established the “Environmental Policy”
- **March 2000** Acquired ISO 14001 certification
- **July 2000** Opened “Saturday School for Entrepreneurship” (currently “Shigagin Entrepreneurship and Business Management School”)
- **October 2001** Signed the UNEP Statement by Financial Institutions
- **April 2003** Established “Shigagin Nonohana Prize” (currently “Shigagin Nonohana Prize for Innovation”)
- **December 2003** Opened Shanghai Representative Office
- **April 2004** Established “CSR Committee” and “CSR Office”
- **March 2007** Basel II’s Foundation Internal Ratings Based-Approach (FIRB) was approved by the Financial Services Agency
- **August 2007** Commenced “Shigagin Ratings Communication Service (Ratings CS)”
- **July 2008** Became the first financial institution to be certified as an “Eco-First Enterprise”
- **August 2010** Established the “Policies for biodiversity Preservation”
- **February 2012** Opened Bangkok Representative Office

2017 – Incorporated SDGs into business, evolving to sustainability management

- **November 2017** Announced the Shigagin SDGs Declaration
- **July 2018** Announced support for TCFD Recommendations
- **May 2019** Joined “TSUBASA Alliance”
- **February 2020** Signed the Principles for Responsible Banking (PRB)
- **April 2020** The Bank itself started offering trust services Established “Diversity Promotion Committee”
- **October 2020** Established the Sustainability Policy Established the “Sustainable Strategy Office” and “Digital Promotion Office”
- **June 2021** Established “Solution Sales Office” and “Finance Office”
- **November 2021** Implemented “ESG Assessment System”
- **April 2022** Listed stocks on the Prime Market of the Tokyo Stock Exchange The Bank itself started offering human resources placement service
- **January 2023** Established the “Investment and Financing Policies for Realizing a Sustainable Society”
- **January 2024** Announced adoption of TNFD Recommendations (TNFD Adopter)
- **April 2024** Established our “Purpose” Established Shigagin energy Co., Ltd.
- **October 2024** Established Shigagin capital partners Co., Ltd.
- **March 2025** Established the “Human Rights Policy”



100th anniversary
2033

A society where everyone can define their future and live happily

100th anniversary

Environmental awareness fostered by Lake Biwa –from environmental finance to sustainable 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.

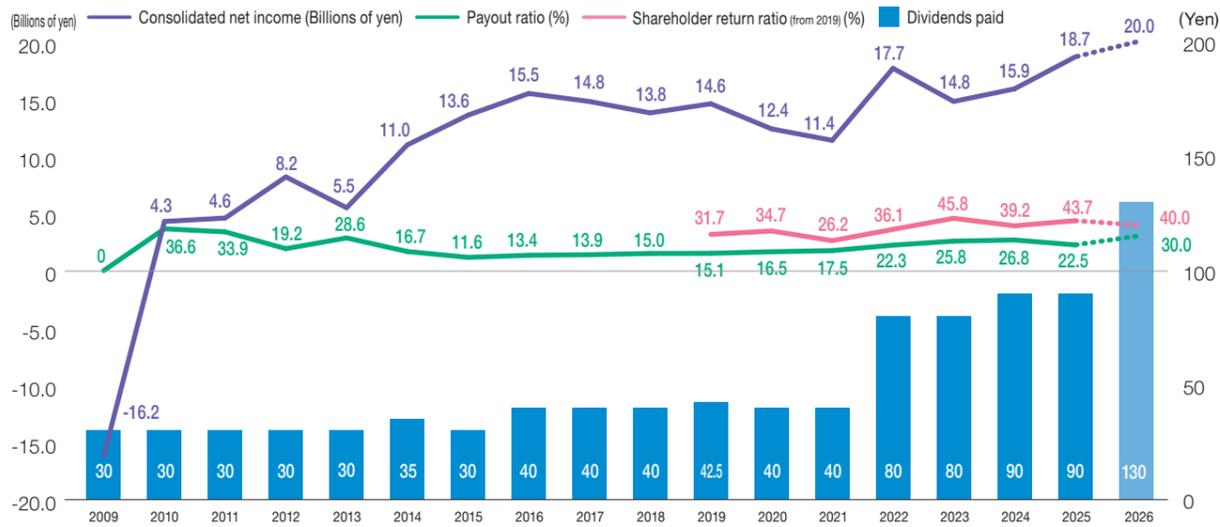
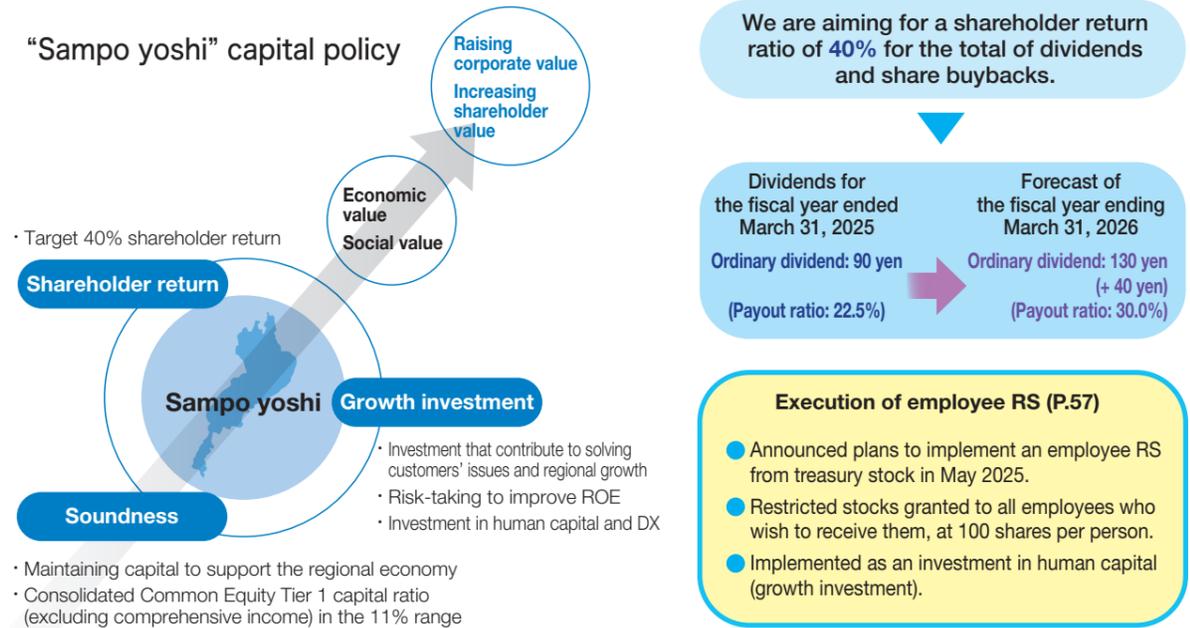
Headquartered next to Lake Biwa, which accounts for one-sixth of the total area of Shiga Prefecture, Shiga Bank has always been aware of its existence and appreciates the beauty and importance of a lifestyle that coexists with the environment.

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 sustainable finance products and services.

TOPICS

Approach to Capital Policy

We are striving to enhance both corporate and shareholder value by balancing soundness, shareholder return, and growth investment. As we strive to achieve a total shareholder return ratio of 40% for the total of dividends and share buyback, we are planning to increase dividends for the fiscal year ending March 31, 2026. In addition, in order to raise employee's consciousness of sharing in management, we will grant restricted stocks (RS) to employees.



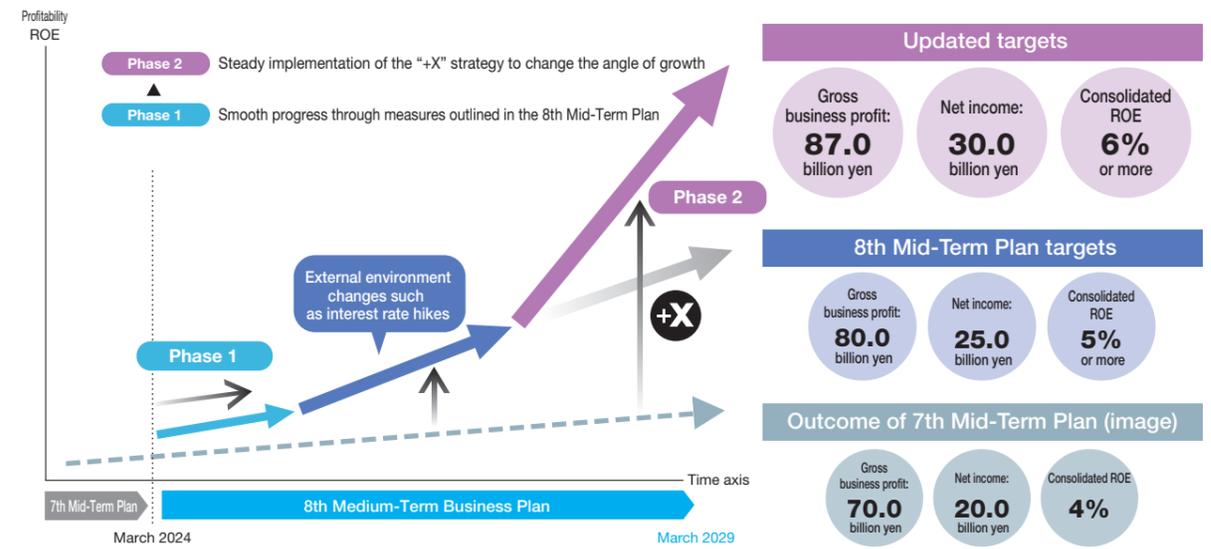
Efforts to Enhance Corporate Value

The 8th Medium-Term Business Plan, which started in April 2024, is steadily progressing toward its targets and the "+X Strategy" to change the angle of growth. In light of external changes such as rising interest rates, we have revised upward our target for ROE, a financial indicator.

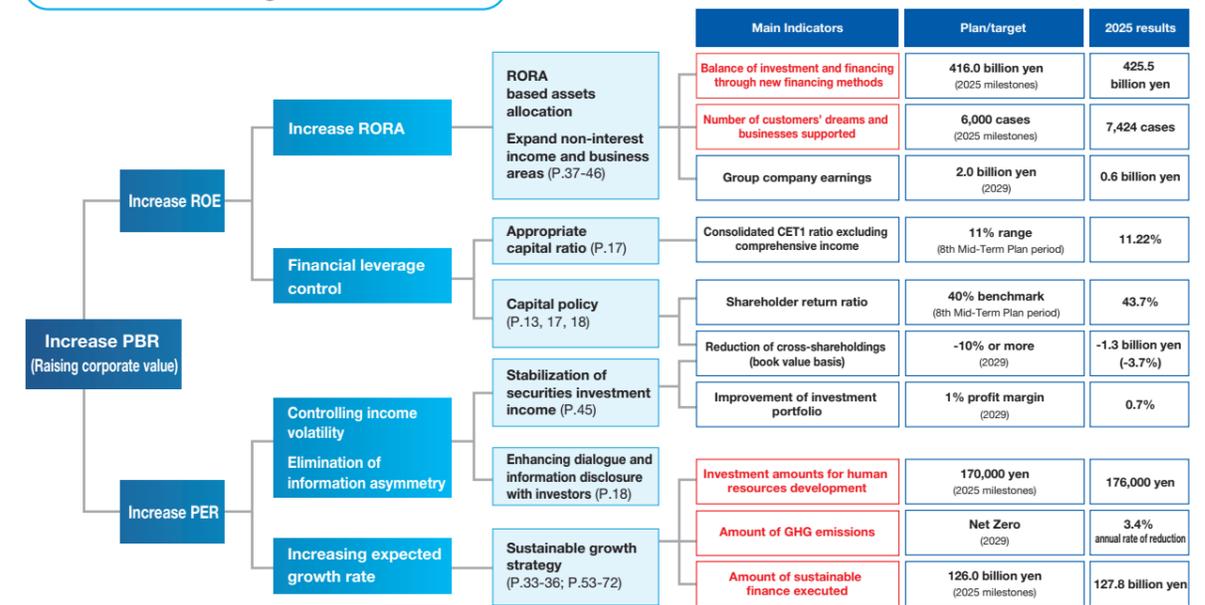
Based on the PBR logic tree, we are aiming to improve PBR (corporate value) by improving ROE and PER.

Review of financial indicators

Updating the 8th Mid-Term Plan targets in light of the implementation of the "+X" strategy and the effects of interest rate hikes



PBR logic tree



Message from the Officer Responsible for Finance



We aim to continuously enhance corporate value through a capital policy that balances growth investment, shareholder returns, and financial soundness, based on the principle of “Sampo yoshi.”

Yoshinori Endo Director and Managing Executive Officer

Current business environment and outlook for fiscal year 2025

I am pleased to report on the financial position and operating results for the fiscal year ended March 31, 2025, the first year of the 8th Medium-Term Business Plan (“8th Mid-Term Plan”), as well as the outlook for fiscal year 2025.

The fiscal year ended March 31, 2025 saw increased revenue and profits.

With the advent of a “world of interest rates” and a major shift in the business environment, net interest income increased significantly. However, net other ordinary income decreased significantly due to the sale of low-yielding Japanese government bonds as part of a strategic bond portfolio replacement, resulting in a decrease in gross business profit.

In addition to a decrease in expenses, primarily system costs, the recording of settlement proceeds associated with the cancellation of a next-generation core system project was a positive factor for earnings. On the other hand, there were also negative factors such

as a decrease in non-recurring gains (losses) due to a decline in gains on sales of stocks and an increase in credit costs associated with the downgrading of major customers.

As a result, net income for the current fiscal year was 18.8 billion yen, achieving record profits.

For the fiscal year ending March 31, 2026, we are anticipating an increase in gross business profit due to an expansion in the spread between loans and deposit rates (including expenses), based on the expansion of deposit and loan transactions through deeper customer relationships and further strengthening of consulting services. While absorbing increased expenses related to growth investments in human capital, DX, systems, etc., we expect to see improvements in bond investment gains and a reduction in credit costs, which will contribute to increased earnings. As a result, we are aiming for net income of 20.0 billion yen, marking the second consecutive period of record profits.

Summary of results (non-consolidated) (Billions of yen)

	2024	2025	YoY	2026 forecast	Change
Gross business profit	61.8	58.2	(3.6)	67.1	↗
Net interest income	56.1	64.1	7.9	68.1	
Net fees and commissions	11.5	10.6	(0.8)	9.8	
Net other ordinary income	(5.8)	(16.5)	(10.7)	(10.9)	
Expenses (minus)	51.2	44.5	(6.6)	47.1	
Actual net business profit	10.6	13.6	3.0	20.0	↗
Net business profit	11.2	14.7	3.4	20.3	
Non-recurring gains (losses)	11.8	3.9	(7.9)	7.1	
Ordinary profit	23.1	18.6	(4.4)	27.4	
Extraordinary income (losses)	(0.2)	6.6	6.9	(0)	
Net income	15.7	18.8	3.0	20.0	↗
Credit costs (minus)	3.1	4.2	1.0	3.2	↘
Consolidated net income	15.9	18.7	2.7	20.0	↗

Forecast of results for fiscal year ending March 31, 2026 (Billions of yen)

Updates to the 8th Mid-Term Plan

Various measures based on the three basic strategies of “Impact Design,” “Base for Growth,” and “Human First” set forth in the 8th Mid-Term Plan are progressing smoothly, and we achieved record profits for both non-consolidated and consolidated results, representing a smooth start to the fiscal year. In particular, the transition to a world of interest rates has led to growth in interest income, and our efforts to improve our regionally-focused sales activities and revenue structure are steadily gaining traction.

In light of such circumstances, we have revised upward the consolidated ROE (fiscal year ending March 31, 2029) from 5% to 6% or more, which is the financial indicator for the 8th Mid-Term Plan.

The gross business profit target has been raised from 80.0 billion yen to 87.0 billion yen, and the net income target has been raised from 25.0 billion yen to 30.0 billion yen, setting specific numerical targets for enhancing corporate value.

The sustainability achievement indicators, which are mid-term KPIs, are progressing smoothly overall in comparison with the first-year milestones (P. 31-32). We will take measures such as reviewing product quality to turn around items performing below expectations. We are aiming to achieve our goals through flexible initiatives ready to respond to changes in the external environment (such as exchange rates, interest rates, and geopolitical

risks) and a “+X strategy” that focuses on changing the angle of growth rather than simply following the course of events.

Going forward, we will continue to respond to structural changes in the regional economy caused by factors such as a declining population, while also taking advantage of growth both in Japan and overseas to achieve sustainable improvement in corporate value.

Revision of 8th Mid-Term Plan and Financial Indicators (Billions of yen)

	Results 2025	Initial plan 2029	Upward revision 2029
Gross business profit	58.2	80.0	87.0
Net interest income	64.1	67.0	75.0
Interest on loans and discounts	49.4	58.0	84.0
Interest paid on deposits, etc.	5.7	5.0	27.0
Net fees and commissions	10.6	11.0	10.0
Fees and commissions income	17.0	18.0	18.0
Net income	18.8	25.0	30.0
Consolidated ROE	4.0%	5.0%	6.0%

Target figures for each year of 8th Mid-Term Plan (Billions of yen)

	Results 2025	Plan 2026	Plan 2027	Plan 2028	Plan 2029
Gross business profit	58.2	67.1	77.0	82.0	87.0
Net income	18.8	20.0	25.0	27.0	30.0
Consolidated ROE	4.0%	4.3%	5.2%	5.4%	6.0%

Business portfolio strategy

In order to achieve both capital efficiency and growth, we are re-evaluating our entire business portfolio and promoting selection and concentration. In the area of asset allocation, which is core to our business, we are strengthening our revenue base by prioritizing the allocation of management resources to key growth areas, while remaining mindful of capital efficiency (RORA) and cash efficiency.

Specifically, we are stepping up efforts in the following areas.

Domestic sales (P. 37-42)

We will expand deposit and loan transactions tailored to customer needs, with an emphasis on face-to-face problem-solving finance, and through the provision of consulting services, we will aim to improve the profitability of our core business while simultaneously expanding high-quality assets and non-interest income.

While continuing to invest and fund regional growth, we will select projects with high RORA and high interest margins in markets with significant growth potential, such as Osaka and Tokyo, and promote asset formation with an emphasis on balancing risk and return.

Direct consumer loan (P. 42)

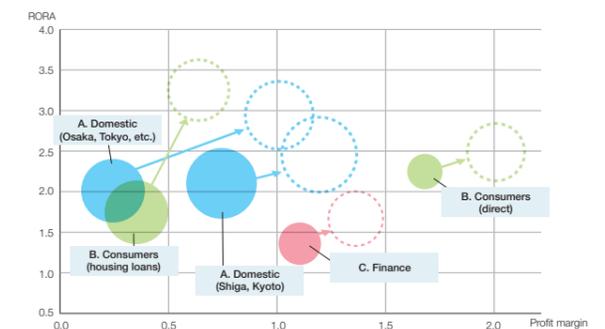
We are expanding our business by utilizing non-face-to-face channels and offering nationwide distribution of convenient and profitable products such as secured and unsecured loans.

Structured finance (P. 46)

We are boosting our investment and financing activities in areas that offer both growth potential and capital efficiency, such as structured finance for data centers, renewable energy projects in Japan and overseas, loans for overseas companies, and investments in buyout funds. Mindful of capital efficiency, we are aiming to raise profitability by amassing high RORA projects.

Our concentrated efforts in these areas are not simply aimed at expanding our assets, but also at building a high-quality portfolio with a focus on capital efficiency and growth potential. We will work to enhance sustainable corporate value through flexible asset allocation in line with future environmental changes.

RORA analysis by segment (%)



Capital allocation

We are maximizing capital efficiency by maintaining the soundness of capital required of financial institutions while keeping the consolidated CET1 ratio (consolidated common equity tier 1 ratio) excluding comprehensive income at around 11%. This is a guideline for capital policy to ensure responsiveness to changes in the external environment while achieving earnings commensurate with shareholders' equity costs.

In addition, the Bank was one of the first regional financial institutions to adopt the concept of a Risk Appetite Framework (RAF) (P. 85) in 2016, and has been working to advance 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 6% or more and the consolidated CET1 capital ratio (excluding comprehensive income) in the 11% range) and maximize earnings while also managing credit risk and interest rate risk amount.

When utilizing capital, we have adopted a capital policy (P. 13) based on the "Sampo yoshi" principle, which is to achieve the sustainable growth of the Bank, provide returns to shareholders, and ensure a financial soundness that supports the regional economy. Based on this idea, we allocate available capital strategically and flexibly.

Growth investment funded by reduction of cross-shareholdings

We are systematically reducing cross-shareholdings, which we have acquired through long-standing relationships with our customers.

The funds obtained from the sale will be allocated to growth investments, leading to improved future profitability and capital efficiency.

Strengthening shareholder returns

We recognize that it is an important management responsibility to return profits to shareholders at an appropriate level without bias toward capital accumulation. We are shifting to a dividend-focused return policy, targeting a 40% shareholder return ratio, and seeking to achieve both capital efficiency and total return on equity.

Strengthening the revenue base through expansion of assets while ensuring soundness

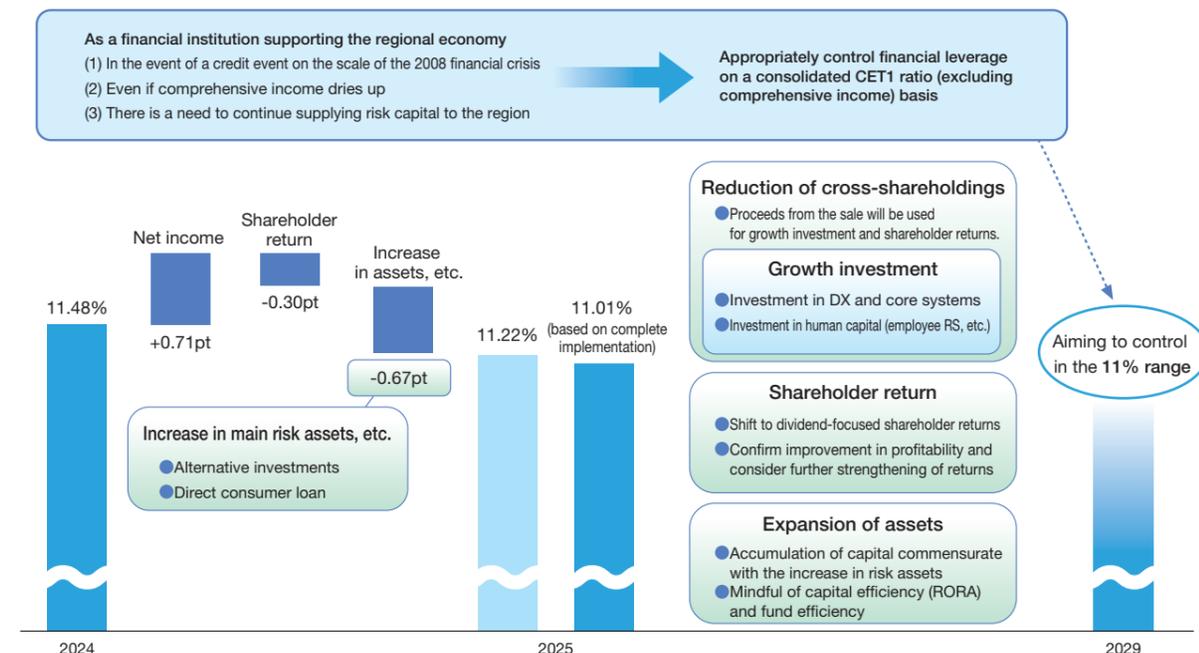
We are working to improve future profitability by expanding risk assets while remaining mindful of capital efficiency (RORA) and fund efficiency.

We will aim to strengthen profitability while ensuring adequate capital to cover risks. The ALM Committee (P. 75) and other committees are periodically reviewing risk management and financial targets, and operating with a PDCA cycle in mind.

In the 8th Mid-Term Plan, we are demonstrating capital management and risk management, which we have strengthened, in each strategy and are aiming to shift from "risk-taking" to "risk-challenging" based on "strategic RAF."

By working to increase non-financial value in conjunction with these policies, we are committed to the sustainable improvement of corporate value and shareholder value.

Capital allocation (consolidated CET1 ratio (excluding comprehensive income) basis)



Growth strategy utilizing gains from the sale of cross-shareholdings

With regard to cross-shareholdings, we have set a target of reducing them by 10% or more on a book value basis by the fiscal year ending March 31, 2029 and by 35% or more over a 10-year period. To this end, we are steadily proceeding with the sale of these shares (as of the end of March 2025, they were reduced to 185.2 billion yen in market value, representing 49.0% of net assets).

Gains from the sale of cross-shareholdings will be used for investments aimed at future sustainable growth, thereby contributing to the enhancement of long-term corporate value.

The main targets of growth investment are human capital and DX/systems, which are considered to be key elements of our management strategy.

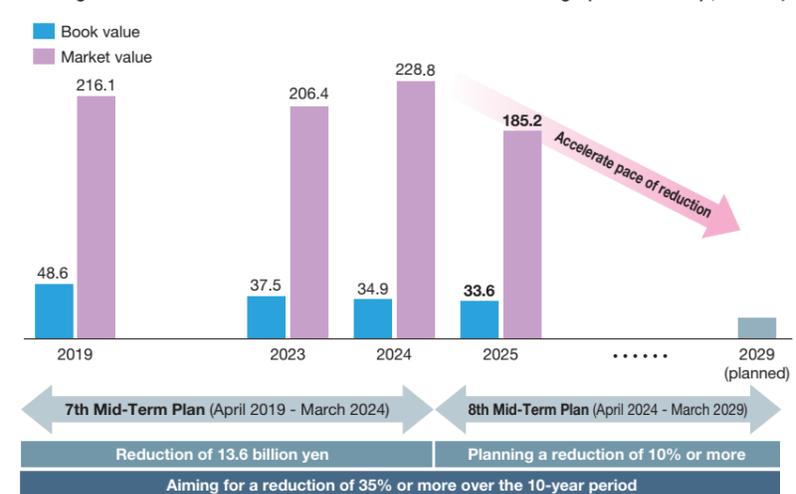
We believe that reinforcing our consulting capabilities and customer relationships through human capital investment, making proposals aligned with customer needs, and building even stronger relationships of trust will lead to higher lending yields and fee and

commission income. We will work to improve the quality and profitability of our transactions by solving customer issues and providing support underpinned by human capital.

Furthermore, through DX and system investments, we will upgrade our business infrastructure and expand non-face-to-face channels to further improve customer convenience and service quality. This will boost customer satisfaction and help us become a trusted local bank, with the aim of stabilizing our revenue base by maintaining and increasing our deposit share and deposit stickiness.

These measures, combined with improved interest margins resulting from the normalization of interest rates, will lead to an overall improvement in the Bank's profitability. This will also help improve capital efficiency, such as ROE and EPS, over the medium to long term, and we will actively pursue this while monitoring the investment effects.

Changes in market value and book value of cross-shareholdings (listed shares) (Billions of yen)



Dialogue with shareholders, investors, and other stakeholders (IR activities)

We are striving to improve the quality and frequency of our dialogue through individual meetings with institutional investors and analysts, holding financial results briefings, conducting IR briefings in regional areas, and enhancing our integrated reports and IR materials. We increased dialogue with shareholders by 15% compared to the previous fiscal year.

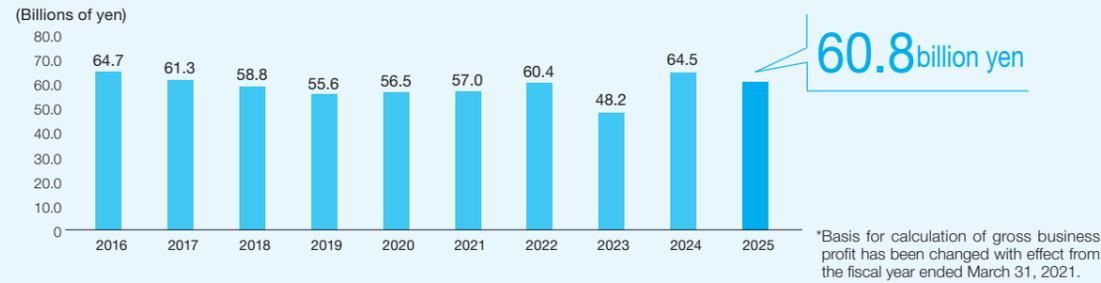
In addition, we place great importance on accountability by management, and the President and the officer in charge of finance attend and give presentations at financial results briefings. We will continue to pursue the sustainable enhancement of our corporate value through constructive dialogue with the capital markets. We will also create a "virtuous cycle of happiness brought to the region" and achieve co-existence and co-prosperity with our stakeholders.

<IR activities in fiscal year 2024>

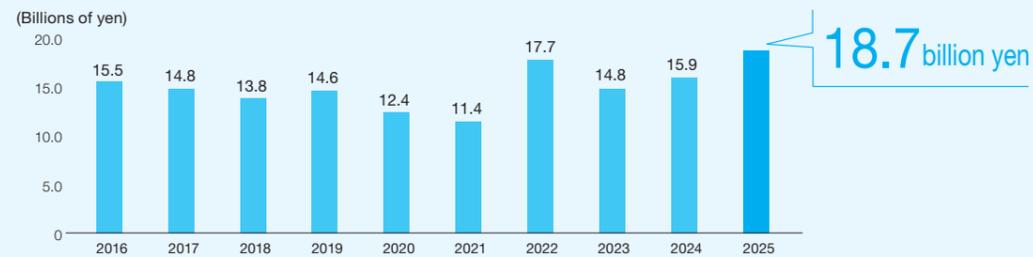
- Financial Results Briefing (June 2024)
 - Disclosure of Interim Financial Results (November 2024)
 - Conducted 41 individual interviews: Existing shareholders, sell-side analysts, buy-side analysts, etc.
 - Conducted 17 IR briefings in regional areas
 - Internal notification of IR activities
- In addition to sharing information with the Board of Directors through IR activity reports, we have created an environment where employees can view financial results briefings, thereby ensuring that information is communicated throughout the company.

Financial Highlights

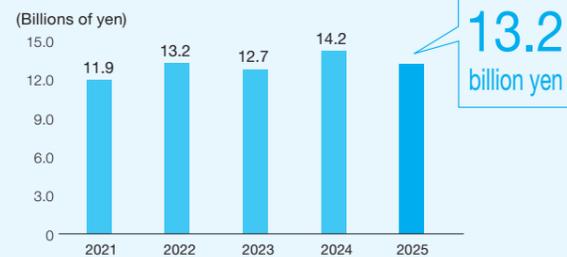
Gross business profit (consolidated)



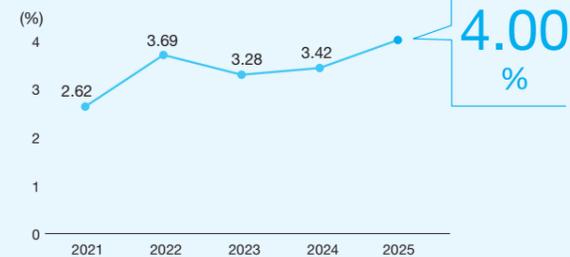
Net income attributable to owners of parent



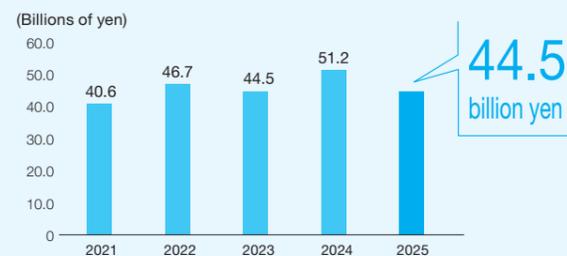
Net fees and commissions (consolidated)



ROE (consolidated)



Expenses (non-consolidated)

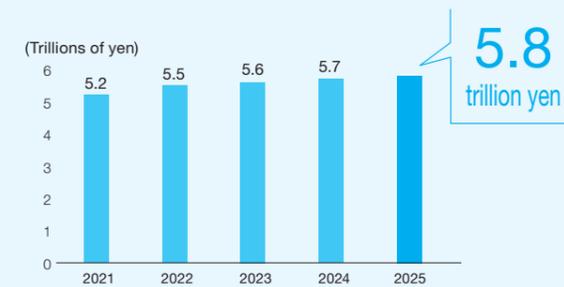


OHR (non-consolidated)

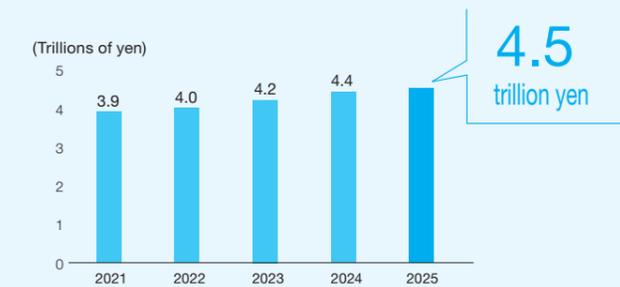


*Excluding expenses related to the next-generation core system, the ratio would be 60.39%.

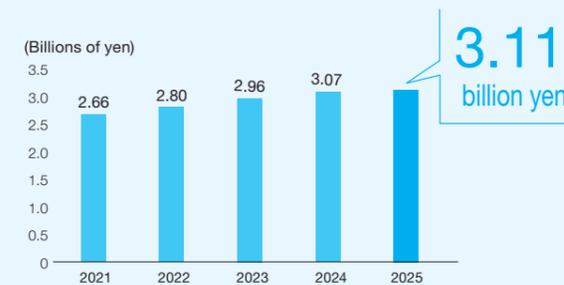
Average balance of deposits during the period (including negotiable certificates of deposits) (non-consolidated)



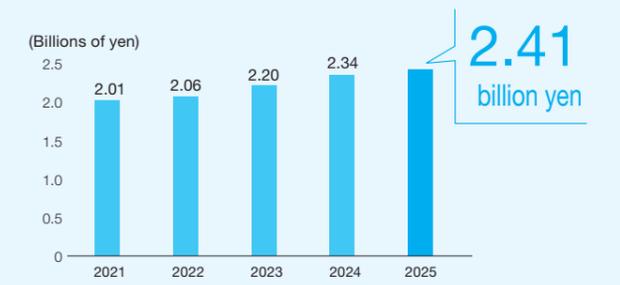
Average balance of loans and bills discounted during the period (non-consolidated)



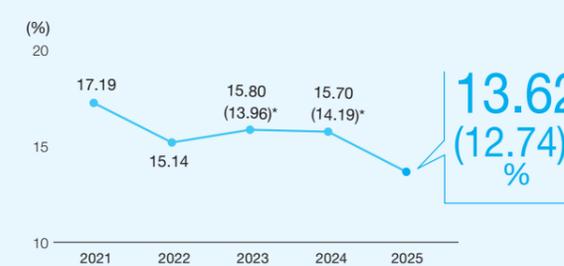
Deposits per employee (non-consolidated)



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

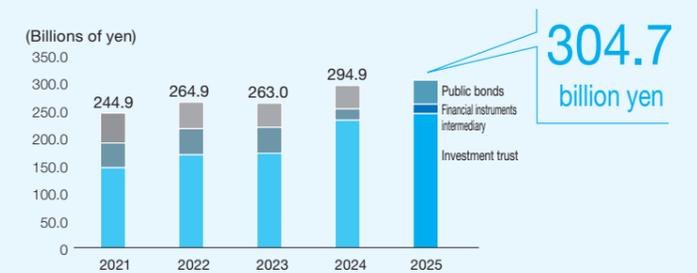


Total capital ratio (consolidated)

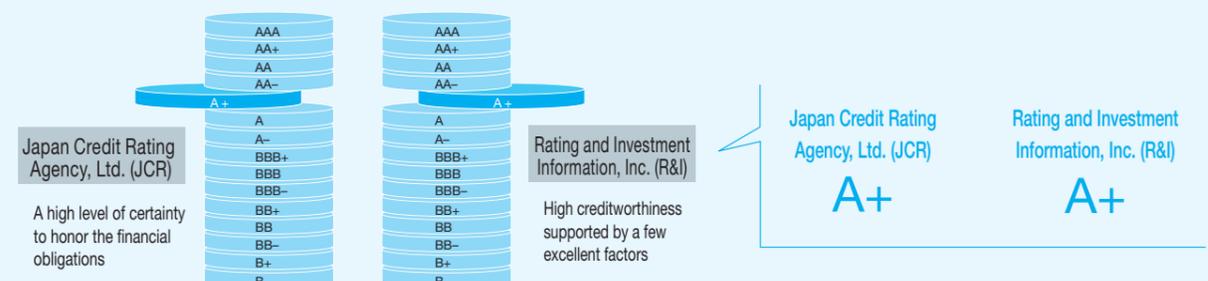


*Early application of Basel III finalization, and the figure in parentheses is based on complete implementation.

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



Rating



ESG Highlights (As of March 31, 2025)

By working to increase non-financial value, we are committed to the sustainable improvement of corporate value and shareholder value.

E (Environment) related items

Environment



Greenhouse gas emissions (CO₂ conversion)

Scope 1	Scope 2		Scope 3
	Market-based	Location-based	
670 tons	3,203 tons	5,556 tons	18,063,664 tons



Copy and OA paper consumption

48.4% decrease
from fiscal year 2018



Paper resource recycling rate

99.5%



CO₂ emissions reduction rate (compared to March 2024)

3.4%



Number of environmental volunteer participants per year

799 persons

S (Social) related items

Social



Percentage of female managers

18.6%



Average number of days of paid leave taken

17 days



Percentage of male employees taking childcare leave, etc.

94.0%



Employment of people with disabilities

2.347%



Participation rate in human rights training

First half
94.3%

Second half
94.3%



Shigagin Welfare Fund Results of subsidies awarded

Cumulative total cases

547 cases

Total amount of subsidies awarded

426.84 million yen

G (Governance) related items

Governance



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

97.4%



Percentage of female Directors

11.1%



Comprehension of compliance training

First half
99.3%

Second half
96.8%

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