

# Value Creation Story

## Long-term Strategy and 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 are working 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.

**Vision for regional communities**

"A society where everyone can envision their own future and live happily"

Based on the vision of the regional communities we should achieve, we formulated a five-year execution strategy through backcasting, which is our 8th Medium-Term Business Plan.

**Backcasting**  
(Identify issues that need to be done)

100th anniversary  
in fiscal year 2033

Medium-Term Business Plan

Business environment	Input (Capital to be Used)
<p><b>Politics</b></p> <ul style="list-style-type: none"> <li>Domestic and foreign monetary policies</li> <li>Deregulation of the banking industry</li> <li>Restructuring of regional banks</li> <li>Increasing geopolitical risk</li> </ul> <p><b>Economy</b></p> <ul style="list-style-type: none"> <li>Changes in industrial structure</li> <li>Lack of corporate successors</li> <li>Decrease in the number of business establishments</li> <li>Decrease in the working population</li> <li>Soaring prices of materials and energy</li> </ul> <p><b>Society and Environment</b></p> <ul style="list-style-type: none"> <li>Population decline and changes in population structure</li> <li>Increase in regional disparities</li> <li>Changes in lifestyle</li> <li>Diversification of work styles and sense of values</li> <li>Growing interest in SDGs and ESG</li> <li>Transition to a decarbonized society</li> </ul> <p><b>Technology</b></p> <ul style="list-style-type: none"> <li>Progress of digitization</li> <li>Technological innovation of AI and big data</li> <li>Participation from different industries</li> <li>Progress of fintech</li> <li>Diversifying cashless payment methods</li> </ul>	<p><b>Finance capital</b></p> <ul style="list-style-type: none"> <li>Diversified earnings structure</li> <li>Sound loan assets</li> <li>Appropriate equity capital</li> <li>Comprehensive income on securities</li> </ul> <p><b>Human capital</b></p> <ul style="list-style-type: none"> <li>Human resources who have advanced financial knowledge</li> <li>Number of employees with financial qualifications ranks high among regional banks</li> <li>Well-developed human resource development system</li> </ul> <p><b>Intellectual capital</b></p> <ul style="list-style-type: none"> <li>Diversified financial methods</li> <li>Fulfilling consulting functions</li> <li>Environmental management and measures for SDGs</li> <li>ESG finance structuring capabilities that are top class among regional banks</li> <li>Responding to digitalization</li> </ul> <p><b>Social relationship capital</b></p> <ul style="list-style-type: none"> <li>Network of branches rooted in the community</li> <li>High regional market share based on trust</li> <li>Asia network</li> <li>Region with a moderate rate of population decline</li> <li>Clusters of academic centers and corporate research institutes</li> <li>Regional community which carries on the "Sampo yoshi" philosophy</li> </ul> <p><b>Natural capital</b></p> <ul style="list-style-type: none"> <li>Lake Biwa, biodiversity, rich natural environment</li> <li>Regional resources including national treasures and important cultural assets</li> </ul>



**Impact**  
(Value to be provided)

**Customers**

- Improving earning power and productivity in the region
- Asset formation and asset expansion corresponding to the 100-year lifespan era
- Resolving management issues by providing a wide variety of solutions
- Improvement of customers' convenience

**Environment and society**

- Resolving social issues through our main business
- Increases in related population and exchange population
- Regional employment creation
- Environmental preservation for Lake Biwa
- Reduction in regional CO<sub>2</sub> emissions

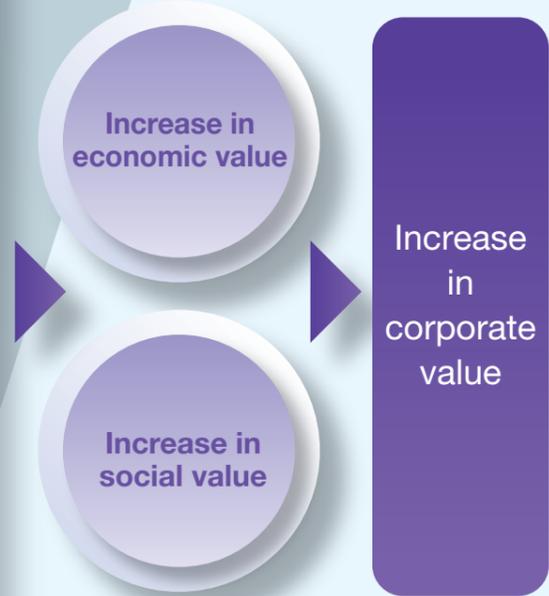
**Shareholders and investors**

- Creating mid-to-long-term shareholder value
- Highly transparent disclosure including non-financial information
- Promotion of engagement

**Employees**

- Improvement of employee engagement
- Organization that encourages self-fulfillment with dreams and a sense of fulfillment
- Realization of work-life integration
- Organization in which diverse human resources play an active role

**Maximize value provided**

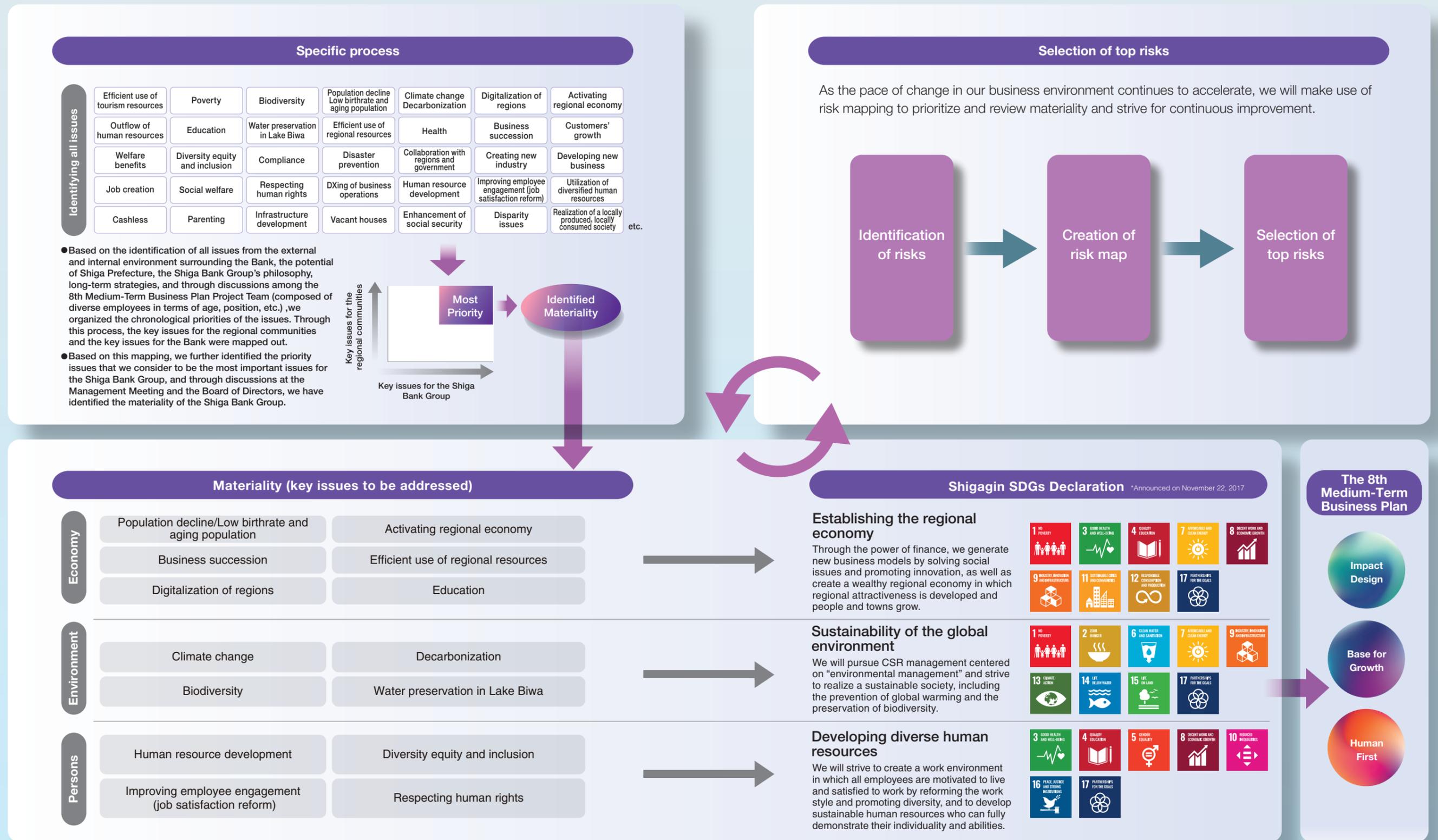


## The 8th Medium-Term Business Plan

# Materiality

## Materiality (key issues to be addressed)

When formulating the 8th Medium-Term Business Plan, we identified the materiality of the Bank Group based on the environment surrounding the Shiga Bank Group. This materiality is correlated with the three initiatives outlined in the “Shigagin SDGs Declaration,” which are “Establishing the regional economy,” “Sustainability of the global environment,” and “Developing diverse human resources,” and has been incorporated into various indicators in the 8th Medium-Term Business Plan.



# Strengths and Capital to be Used

## 1 Broad network Social relationship capital Strengths

We are based in Shiga Prefecture in Japan and, inspired by the pioneering spirit of the Omi Merchants, we established branches in Kyoto, Osaka, and Tokyo early on, and operate as a regional bank serving a wide area. In 1988, we expanded overseas with the opening of the New York Representative Office. Currently, we are the only regional bank headquartered in the Kansai region with overseas branches, and we are working to activate the local economy from a global perspective.

Shiga Prefecture	85 locations
Kyoto Prefecture	12 locations
Osaka Prefecture	5 locations
Mie Prefecture	2 locations
Gifu Prefecture	1 location
Aichi Prefecture	1 location
Tokyo	1 location
Hong Kong	1 location
Shanghai	1 office
Bangkok	1 office

## 2 Personnel with extensive knowledge Human capital Strengths

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 (P.55).  
We are striving to develop "Design personnel" by improving the ability and skills to design value creation for regions and customers, and link it to solutions.

Financial Planning Grade 1 <b>231 persons</b>	Number of Small and Medium Enterprise Management Consultants <b>39 persons</b>	IT passport <b>535 persons</b>	Carbon accounting advisor <b>414 persons</b>	Graduate School of Shiga University Graduate School of Data Science <b>2 persons</b> Master of Business Analytics program <b>1 person</b>
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(2025年3月31日現在)

## 3 Group's Integrated Strength Intellectual capital Strengths

The Shiga Bank Group consists of 10 companies, including banks and leasing companies, and provides a wide range of services to regional communities and customers. In fiscal year 2024, we established two new companies, Shigagin energy and Shigagin capital partners, to put in place a structure equipped to respond to a wide range of social issues. In addition, we have assigned specialists in various solutions to the Business Promotion Dept. and Financial Markets & International Dept. at our headquarters to handle more complex issues.

Integrated Strengths of the Shiga Bank Group		Shiga Bank Group Expertise	
Shiga Bank	Bank	Finance	Corporate customers
Shigagin Business Service	Various types of back office administration	Business succession, M&A	
Shigagin Economic & Cultural Center	Consulting	SDGs and ESG consulting	
Shiga DC Card	Credit cards	Organization and personnel affairs consulting	
Shigagin Lease	Lease	Recruiting	
Shigagin Agency	Bank agency	Business matching	
Shigagin JCB	Credit cards	IT business support	
Shiga Home Loan Guarantee Service	Credit guarantee	Risk management	Individual customers
Shigagin energy	Renewable energy	Overseas business	
Shigagin capital partners	Investment	Asset succession planning, inheritance planning	
		Asset management, effective utilization of real estate	
		Testamentary trusts, inheritance management	

## 4 Solid customer base Social relationship capital Strengths

Backed by trust built up with customers spanning more than 90 years, the Bank's deposit and loan share ranks among the top regional banks, and we enjoy strong support from customers in the community.

Share of loans in Shiga Prefecture <b>48.54%</b>	Share of deposits in Shiga Prefecture <b>47.59%</b>	Main bank ratio <b>58.31%</b>
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\*Source: Teikoku Databank survey of main banks of companies in Shiga Prefecture (2024)

## 5 Sound financial base Finance capital

Among regional financial institutions, we have maintained a high capital adequacy ratio in keeping with international standards. We are also striving to maximize profits by leveraging our sound financial base through the implementation of advanced risk management founded on our Risk Appetite Framework. We have also received high ratings from external rating agencies.

Net income attributable to owners of parent company(consolidated) <b>18.7 billion yen</b>	Total capital ratio (consolidated) <b>13.62%</b>	Net business profit per employee (consolidated) <b>7 million yen</b>	Japan Credit Rating Agency, Ltd. (JCR) <b>A+</b>	Rating and Investment Information, Inc. (R&I) <b>A+</b>
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## 6 Potential of Shiga Prefecture Social relationship capital and natural capital

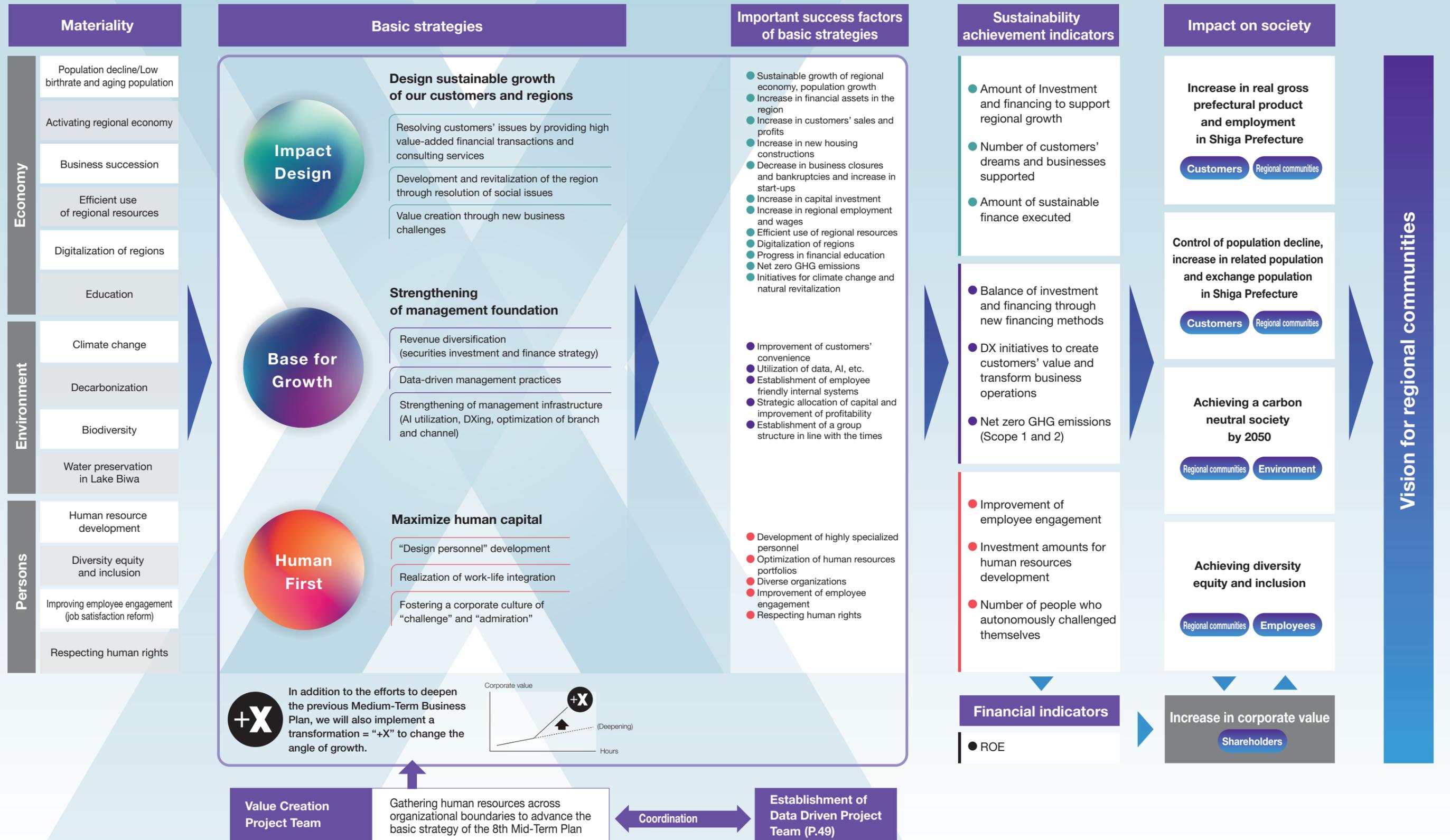
Shiga Prefecture is a key transportation hub located between the Kinki and Tokai regions, and has high potential for further development due to its rich natural environment centering on Lake Biwa as well as its abundance of historical sites and cultural heritage. It is also a region where the lease market is expected to grow. We aim to develop and grow together with the community while maximizing these regional characteristics and potential.

Abundant **nature**, stable **demographics**, vibrant **economy** | One of the few **growing** markets

<b>Moderate population decline</b> Population growth rate in the prefecture <b>Ranked 8th nationwide</b> 1.41 million in 2020 → 1.22 million in 2050	<b>Crossover point in the Kinki, Tokai, and Hokuriku regions</b> <b>Multiple international airports and ports within 100 km</b> International airports: Kansai International Airport, Chubu Central International Airport International ports: Osaka Port, Yokkaichi Port, Nagoya Port, Tsuruga Port	<b>Lease market with growth potential</b> Growth rate of the lease market from 2022 to 2030
<b>High percentage of young people</b> Percentage of young people <b>Ranked 2nd nationwide</b> Percentage of working-age population <b>Ranked 9th nationwide</b> Birth rate <b>Ranked 3rd nationwide</b>	<b>Developed transportation infrastructure</b> including Tokaido Shinkansen, Meishin Expressway, Shin-Meishin Expressway, and Hokuriku Expressway <b>A manufacturing prefecture</b> Ratio of secondary industry to gross prefectural product: <b>Ranked 1st nationwide</b>	
<b>Health and longevity</b> Average life expectancy for men <b>Ranked 1st nationwide</b> Average life expectancy for women <b>Ranked 2nd nationwide</b>	<b>Abundant nature and culture</b> Ratio of natural park area to total land area <b>Ranked 1st nationwide</b> Number of nationally designated important cultural landscapes <b>Ranked 2nd nationwide</b>	<p><small>*Source: Mitsubishi Research Institute, "How Should Regional Financial Institutions Change in an Era of Population Decline? Part 1: First Estimate of Lease Markets by Prefecture"</small></p>

# 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 and Progress of the 8th Medium-Term Business Plan

Steady progress is being made with the sustainability achievement indicators set forth in the 8th Medium-Term Business Plan.

The Shiga Bank Group revised our target for consolidated ROE, a financial indicator, from “5% or more” to “6% or more” with a view to further growth of the Group.

We will strive to achieve each indicator underpinned by our future initiatives and recognized issues.

The 8th Medium-Term Business Plan								
Indicators		Definition of indicators	Achievement Indicators	2025 milestones	2025 results	Achievement rate	Future initiatives and recognition of issues	
Sustainability achievement indicators	Impact Design	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 of 1,200.0 billion yen for the period	230.0 billion yen	208.6 billion yen	90.7% (down)	<ul style="list-style-type: none"> <li>Revision of housing loan products (implemented in April 2025)</li> <li>Acquisition of highly sticky deposits</li> </ul>
		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	6,000 cases	7,424 cases	123.7% (up)	<ul style="list-style-type: none"> <li>Development of consulting personnel and upgrading of services</li> <li>Providing one-on-one type solutions (accumulating and visualizing information related to customer issues, operating cross-functional meetings between branches and departments of Headquarters, etc.)</li> <li>Utilization of the “Kyoto-Shiga Small and Medium-sized Enterprise Support Fund” (established in March 2025)</li> </ul>
		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	126.0 billion yen	127.8 billion yen	101.5% (up)	<ul style="list-style-type: none"> <li>Cooperative efforts with local governments and relevant ministries and agencies</li> </ul>
	Base for Growth	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	416.0 billion yen	425.5 billion yen	102.3% (up)	<ul style="list-style-type: none"> <li>Upgraded risk-return analysis</li> <li>Securing stable earnings through diversified investments (strategy, region, time)</li> </ul>
		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	-	Generative AI “Copilot” introduced in all stores Establishment of Data Driven Project Team Expansion of stores introducing “remote counters”	-	<ul style="list-style-type: none"> <li>Data integration with other industries</li> <li>Improving customer experience in non-face-to-face channels</li> <li>Migration to the next-generation accounting system</li> </ul>
		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	-	GHG emissions: 3,873 t-CO <sub>2</sub> (3.4% reduction compared to the fiscal year ended March 31, 2024)	-	<ul style="list-style-type: none"> <li>Reduction of fossil fuel consumption (replacement with hybrid vehicles, electric vehicles, etc.)</li> <li>Increased utilization of renewable energy</li> </ul>
	Human First	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	-	Engagement survey “positive rate” increased by 2.8% year-on-year (86.9%)	(up)	<ul style="list-style-type: none"> <li>Stepping up efforts to transform into a corporate culture of challenge and admiration</li> <li>Visualization and restructuring of human resource portfolios</li> </ul>
		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)	170 thousand yen per person	176 thousand yen per person	103.5% (up)	<ul style="list-style-type: none"> <li>Increased number of employees seconded to outside companies in different industries</li> <li>Increase in participants in the “Design Capability Improvement Program”</li> <li>Improvement and early implementation of management training</li> </ul>
		Number of people who autonomously challenged themselves 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 of 2,000 persons for the period	400 persons	657 persons	164.3% (up)	<ul style="list-style-type: none"> <li>Increased voluntary participation in training and external dispatching</li> <li>Appropriate staffing that reflects the growth and desired work of employees</li> </ul>
Financial indicators	ROE	Consolidated ROE <span style="background-color: #e0e0e0; border-radius: 10px; padding: 2px;">Upward revision</span>	6% or more as of March 2029 (Initial plan: 5% or more)	-	4.00%	-	<ul style="list-style-type: none"> <li>Accelerated pace of reduction of cross-shareholdings</li> <li>Expansion of growth investment (human capital investment and DX investment)</li> </ul>	
Long-term benchmark challenges	ROE	Consolidated ROE	8% or more	-	4.00%	-	<ul style="list-style-type: none"> <li>Enhancement of shareholder returns (improvement of dividend payout ratio, flexible share buybacks)</li> </ul>	