Message from the Officer Responsible for Finance

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

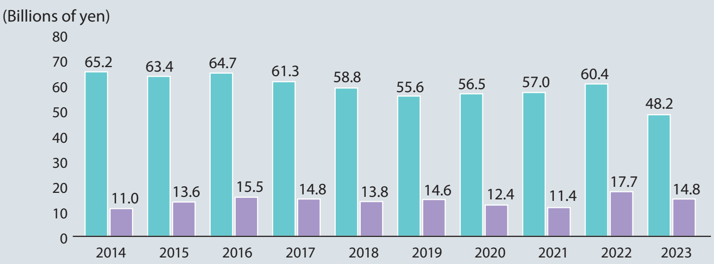
We believe that having solid equity capital enables us to conduct sound business. Accordingly, we strive to accumulate equity capital by securing internal reserves, and have continued to pay stable dividends based on a shareholder-centric approach.

In spring 2022 we selected listing on the Prime Market of the Tokyo Stock Exchange. Committed to further ensuring above-average governance and running the bank efficiently, we continue to be chosen by investors and therefore strive to enhance corporate and shareholder value.

Katsuyoshi Horiuchi, Managing Director

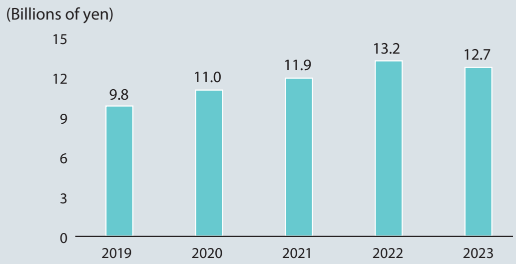
Gross operating income (consolidated)
48.2 billion yen

Net income attributable to owners of parent (consolidated)
14.8 billion yen



*Basis for calculation of gross operating income has been changed with effect from the fiscal year ended March 31, 2021.

Fees and commissions (consolidated)
12.7 billion yen



1. Results of the fiscal year ended March 31, 2023

The fiscal year ended March 31, 2023 saw a reduction in both gross operating income and net income in an economic environment balancing control of the spread of COVID-19 with economic activities despite the impact of high resource prices.

Interest on loans and discounts and interest and dividends on securities increased due to factors such as increase in overseas interest and share dividends. Loan yield continues on a downtrend, but it increased for the first time in 15 years, mainly due to a rise in interest rates of loans denominated in foreign currencies.

In addition, loss related to bonds decreased greatly due to selling foreign bonds that lost value resulting from the increase in overseas interest rates.

2. Forecast of the fiscal year ending March 31, 2024

Net income for the fiscal year ending March 31, 2024 is expected to increase by ¥0.5 billion year-on-year to ¥15.0 billion, and consolidated net income is expected to increase by ¥0.4 billion to ¥15.3 billion.

Gross operating income is expected to come to ¥60.1 billion due to providing support to customers and consulting services that meet diverse needs, and offering higher added value. Expenses are expected to decrease due to reduced investment related to the next-generation core system.

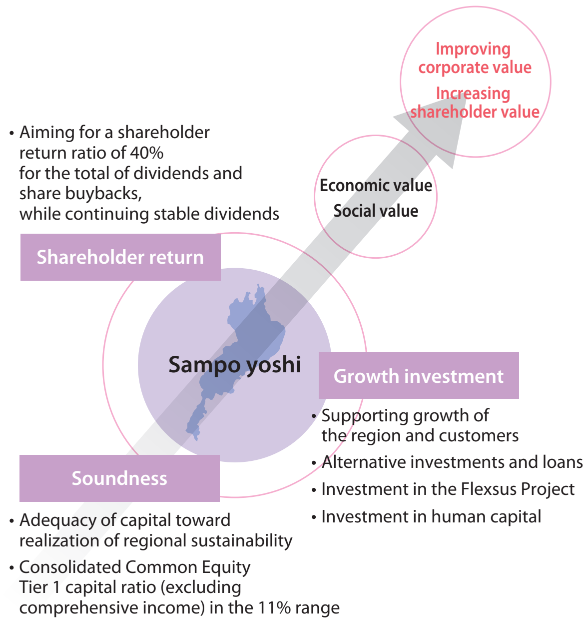
However, credit costs are expected to increase. Restrictions on economic activities have been relaxed due to COVID-19 being reclassified as a Class V Infectious Disease, but we will continue providing support keeping an eye on the extent of the impact of "zero-zero loan" repayments going into full swing.

3. 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 "Sampo yoshi" spirit.

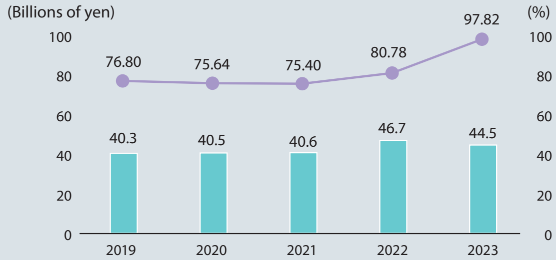
We will invest in growth for the future, which includes investing in human capital and IT systems, premised on securing soundness to ensure customers can do business with us without worry.

Furthermore, we will proactively return profits to shareholders through dividends and share buyback to enhance shareholder value.



Expenses (non-consolidated) — OHR (non-consolidated)

44.5 billion yen **97.82*%**



*63.16% (estimate) if excluding costs related to the next-generation core system and loss from selling foreign bonds.

Forecast of non-consolidated results

(Millions of yen)

	2023 results	2024 forecast	Year-on-year
Ordinary profit	18,841	22,500	3,659
Net income	14,411	15,000	589

Forecast of consolidated results

(Millions of yen)

	2023 results	2024 forecast	Year-on-year
Ordinary profit	20,041	23,500	3,459
Net income*	14,858	15,300	442

*Net income attributable to owners of parent

4. Shareholder return policy

The Bank strives to ensure transparency and soundness of corporate management with “mutual prosperity with the regional communities” as the pillar. Furthermore, our basic policy is to continuously pay stable dividends to shareholders twice in a fiscal year and make every effort to provide as much shareholder return as possible by making preparations to address an ever-increasing adverse environment and invest for the future, enhancing internal reserves, and strengthening financial health.

In May 2022, we changed our dividend policy for the period covered by the 7th Medium-Term Business Plan, increasing the shareholder return ratio target from 30% to 40% for the total of dividends and share buybacks, while continuing stable dividends. In the fiscal year ended March 31, 2023, shareholder return ratio came to 45.8% thanks to paying dividends of ¥80 per share and buying back ¥2.9 billion in shares. A shareholder special benefit plan also commenced last year.

We plan to make annual dividends for the fiscal year ending March 31, 2024 ¥90 by adding commemorative dividends of ¥10 for our 90th anniversary to ordinary dividends of ¥80. In addition, we are considering aiming for 40% shareholder return ratio for share buyback as well.

Changes in consolidated net income and shareholder return ratio

	2019	2020	2021	2022	2023
Consolidated net income (Millions of yen)	14,681	12,412	11,448	17,715	14,858
Annual dividend per share (Yen)	42.5	40.0	40.0	80.0	80.0
Total dividends paid (Millions of yen)	2,191	2,024	1,998	3,898	3,813
Payout ratio (consolidated) (%)	15.1	16.5	17.5	22.3	25.8
Share buyback (Millions of yen)	2,462	2,283	999	2,499	2,999
Total return ratio (consolidated) (%)	31.7	34.7	26.2	36.1	45.8

5. Cross-shareholdings

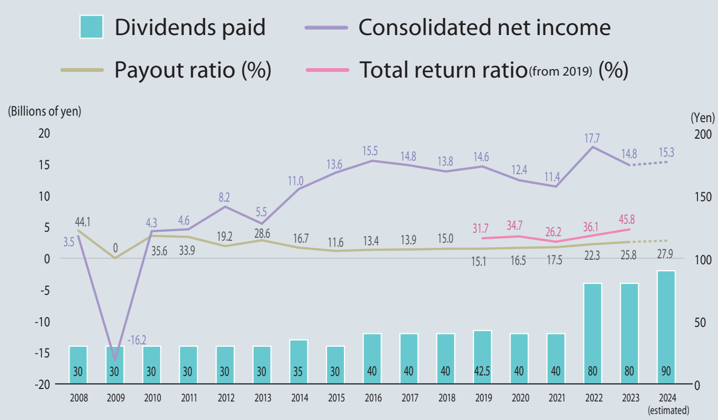
<Policy on reduction of cross-shareholdings>
We will determine whether to continue any cross-shareholdings in comprehensive consideration of the economic rationality and the relevance of regional economy as well as the capital policy of the Bank, and strive to reduce cross-shareholdings. We will proceed with selling any cross-held shares after thorough discussion with our customers.

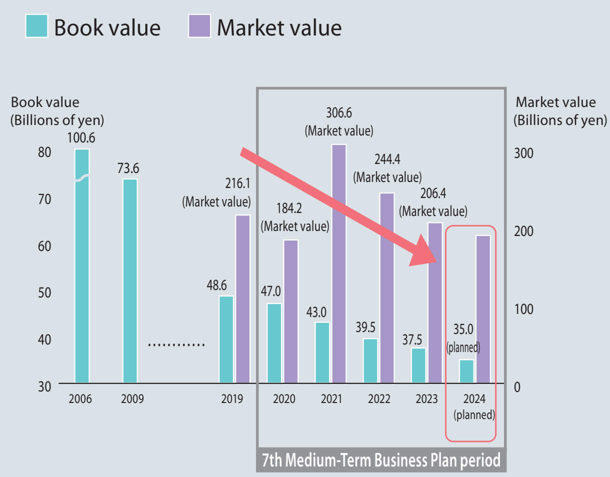
The purpose of cross-shareholdings is to gain profit through share fluctuations and share dividends. The main purposes of holding them include expanding overall transactions with the other company, and their associated companies and employees, and sustainably developing the regional economy.

The economic rationality is verified by calculating the risk-based capitalization rate of each business partner, based on the ROE target (5%) which one of the Bank’s long-term benchmark challenges. 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.

The balance of cross-shareholdings exceeded ¥100.0 billion on a book-value basis in 2006, but fell to ¥37.5 billion in the fiscal year ended March 31, 2023.

Over the course of the five year period of the 7th Medium-Term Business Plan, we plan to reduce it by approximately ¥13.6 billion (around 30%) on a book-value basis. Progress is going smoothly: as of the end of March 2023 it decreased by approximately ¥11.0 billion.





6. Capital management

Total consolidated capital ratio for the fiscal year ended March 31, 2023 was 15.80%, and the consolidated Common Equity Tier 1 capital ratio (excluding comprehensive income) was 11.86%.

The reason capital ratio has greatly improved is early application of Basel III. When transitioning from Basel I to II, changes were made such as eliminating the scaling factor — a measure to alleviate sudden changes to prevent capital ratio from dramatically increasing — and refining the risk asset calculation method. This resulted in a reduction of risk assets and increase of capital ratio.

Based on complete implementation of Basel III, total consolidated capital ratio comes to 13.96%. Based on Common Equity Tier 1 excluding comprehensive income, it comes to 11.65%.

Capital needs to be enhanced for regional sustainability. Even if the stock market worsens and credit risks increase at the same time due to factors such as changes in the economic environment, we must continue to take on risks as a regional financial institution and support the regional community. Therefore, we need to enhance equity capital and keep Common Equity Tier 1 capital ratio excluding comprehensive income in the 11% range.

The increase in capital ratio based on finalization of Basel III means that we have more leeway to take risks. 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.

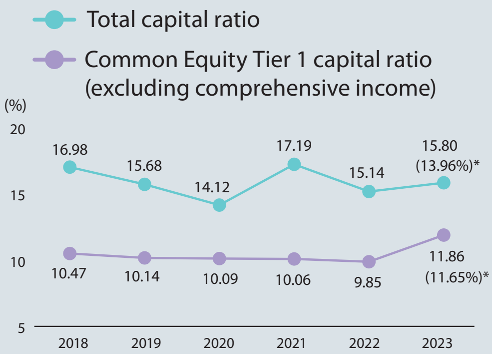
7. Cost of shareholders' equity and capital efficiency

Return on equity (ROE) came to 3.28%, a decrease from last year due to a decrease in net income and increase in equity capital. We recognize achieving an ROE of at least 5% — a long-term benchmark challenge — as a management issue.

Cost of shareholders' equity is estimated based on CAPM.* Keeping cost of equity in mind — return expected of a company listed on the Prime Market — we will work to improve ROE by developing a growth strategy and increasing capital efficiency.

Price Book-Value Ratio (PBR) is the result of multiplying ROE and Price-Earnings Ratio (PER). ROE can be improved with our own efforts and sales activities, and we will strive to achieve the ROE long-term benchmark challenge target through various sales measures. We consider PER as market expectations. The Bank will strive to ensure others can identify with our initiatives by enhancing disclosure of non-financial information and engaging in dialogue with investors, and work to improve growth expectations.

*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.



*2023 figure is based on early application of Basel III, and the figure in parentheses is based on finalization of Basel III.