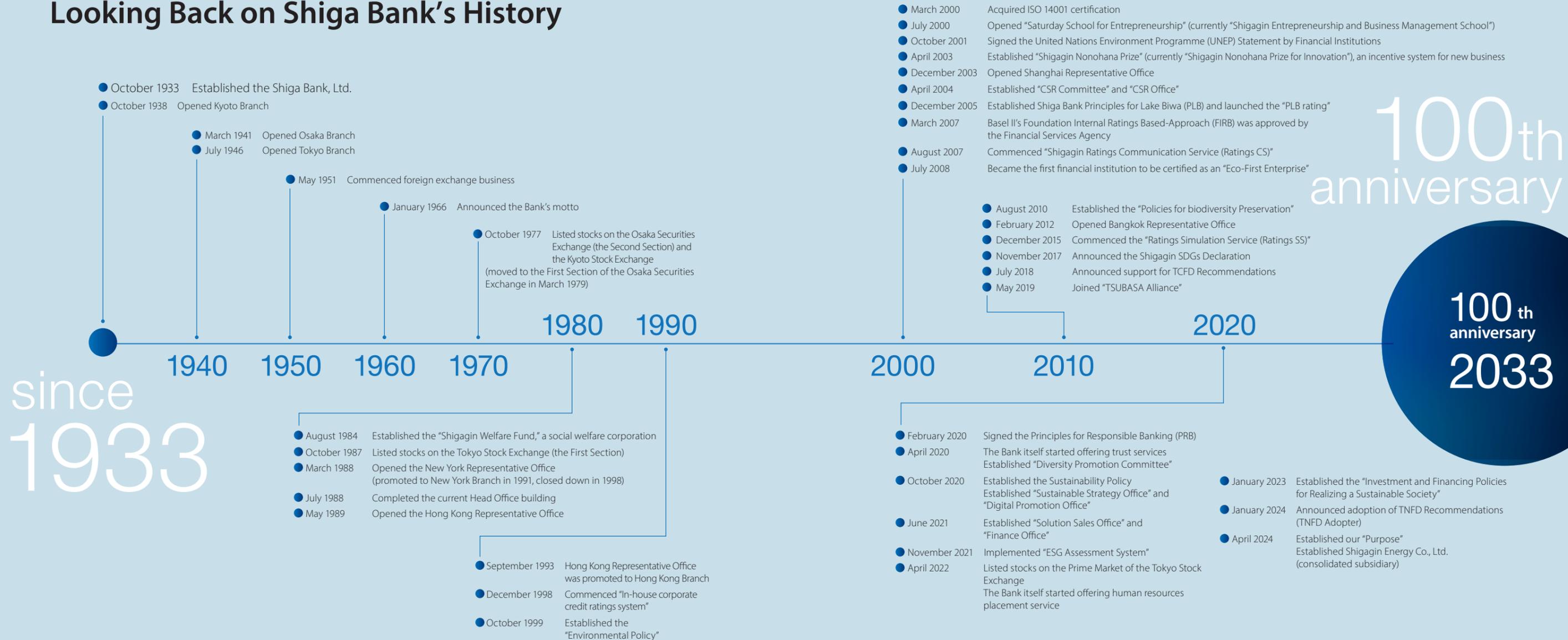


Shiga Bank History

Looking Back on Shiga Bank's History



Enterprising spirit passed down from the Omi Merchants

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

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

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

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

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

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

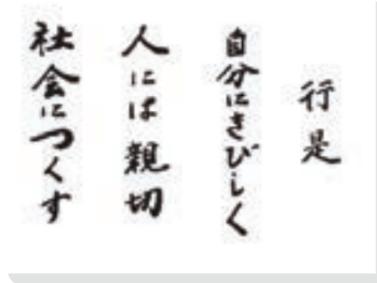
It is one of the world's oldest lakes with a history of more than four million years and is reported to be home to over 1,700 species of aquatic plants and animals, around 60 of which are unique to the lake. It is a treasure trove of biodiversity registered under the Ramsar Convention and invaluable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

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

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

Spirit inherited from Omi Merchants

The Bank's motto of "Be tough on ourselves, kind to others and serve society" carries on "Sampo yoshi" philosophy, a management philosophy embraced by Omi Merchants, which means to bring happiness to three sides: being good for the seller, the buyer, and society. The Bank can only grow if the community and customers grow. We make sure all employees recognize this and pursue problem-solving-oriented businesses that address and solve issues faced by the region and our customers.



Pioneering ESG regional financing

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

Broad network

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

Advanced risk management system

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

Transparent engagement with customers

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

Shiga Bank Strong Point Strengths of Shiga Bank

Personnel with extensive financial knowledge

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

Number of employees with Financial Planning Grade 1 certification

231 persons

Number of employees certified as Small and Medium Enterprise Management Consultant

40 persons

(As of March 31, 2024)

Dominant market share

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

Share of loans in Shiga Prefecture

48.83%

Share of deposits in Shiga Prefecture

47.51%

(As of March 31, 2024)

Potential of Shiga Prefecture

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

Moderate population decline

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

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

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

SDGs advanced prefecture

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

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

Key transportation hub

Located between the Kansai and Tokai regions, with a well-developed transportation network of major roads, railroads, etc.

including Meishin Expressway, Shin-Meishin Expressway, National Highway No.1, and Tokaido Shinkansen

One of the leading manufacturing prefectures in Japan

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

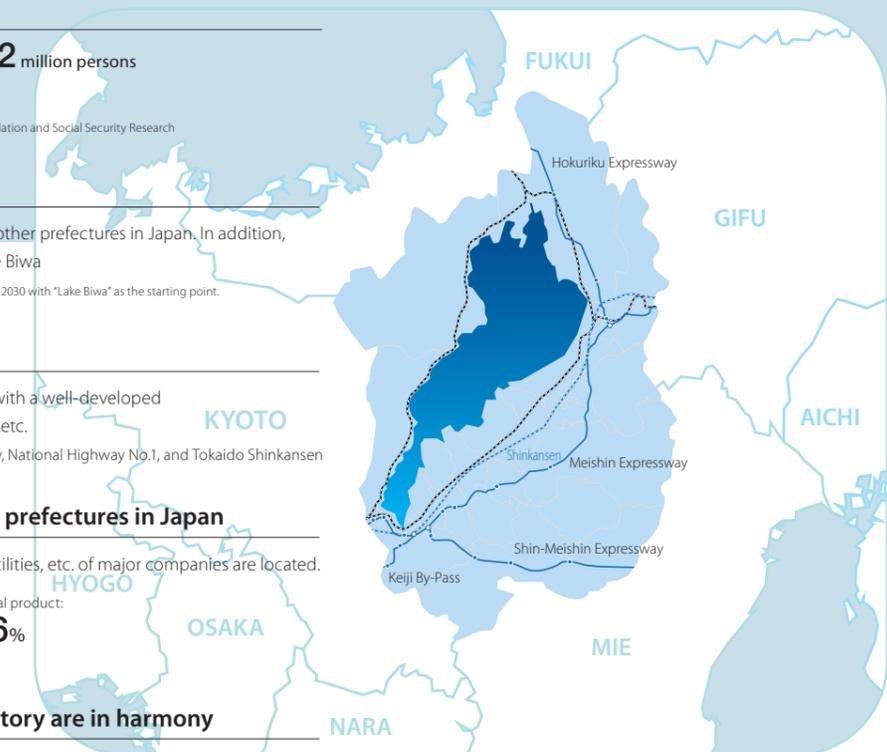
Ranked **1st** in ratio of secondary industry to gross prefectural product:

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

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

A prefecture where nature and history are in harmony

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



Message from the Officer Responsible for Finance



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

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

Yoshinori Endo, Managing Director

Promoting the "Sampo yoshi" capital policy and strategic RAF

—From risk-taking to risk-challenging—

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

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

The points are the following four.

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

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

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

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

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

■ Expenses such as system-related costs increased.

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

■ Income from services for customers

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

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

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

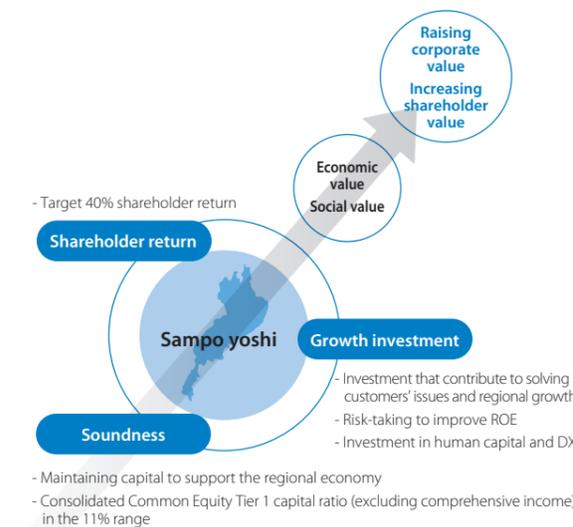
For the fiscal year ending March 31, 2025, the first year of the 8th Mid-Term Plan, we expect consolidated net income of 16.0 billion yen.

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

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

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

Capital policy



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

■ Soundness

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

■ Shareholder return

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

■ Growth investment

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

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

Cross-shareholdings

<Policy on reduction of cross-shareholdings>

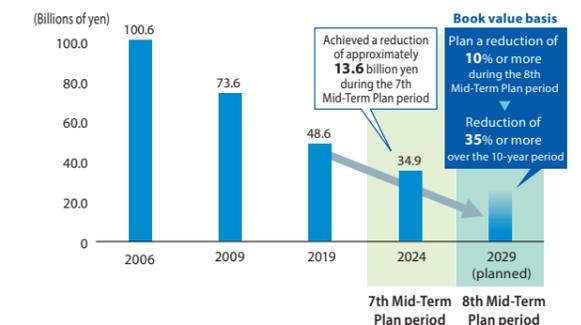
We will determine whether to continue any cross-shareholdings in comprehensive consideration of the economic rationality and the relevance of regional economy as well as the capital policy of the Bank, and strive to reduce cross-shareholdings.

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

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

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

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



Shareholder return policy

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

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

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

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

Changes in consolidated net income and shareholder return

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

Capital management

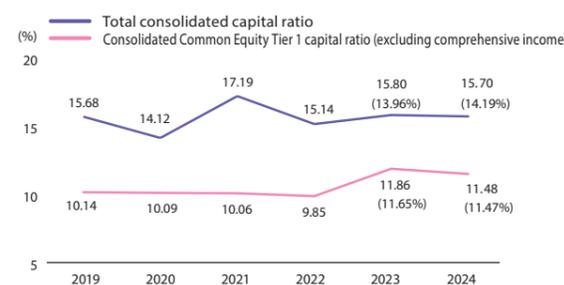
Total consolidated capital ratio for the fiscal year ended March 31, 2024 was 15.70%, and the consolidated Common Equity Tier 1 capital ratio (excluding comprehensive income) was 11.48% due to an increase in risk assets such as loans and bills discounted.

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

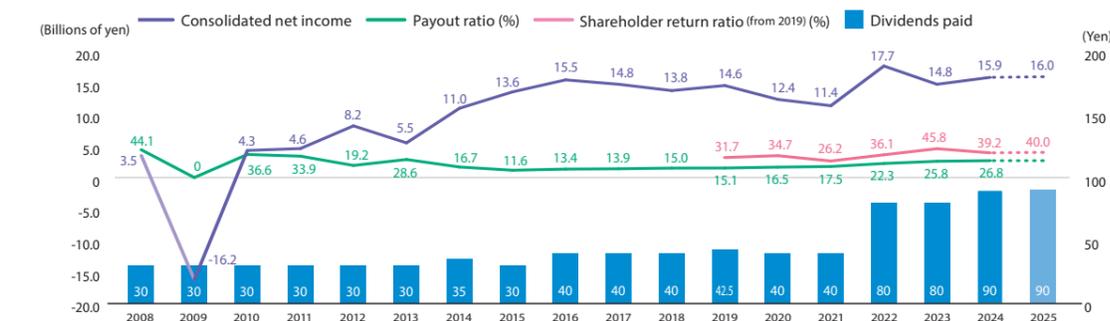
Capital needs to be enhanced for regional sustainability. Even if the market worsens and credit risks increase at the same time due to factors such as changes in the economic environment, we have a social responsibility to take on risks as a regional financial institution and support the regional economy.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

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

Changes in total consolidated capital ratio



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



Capital efficiency and strategic RAF

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

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

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

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

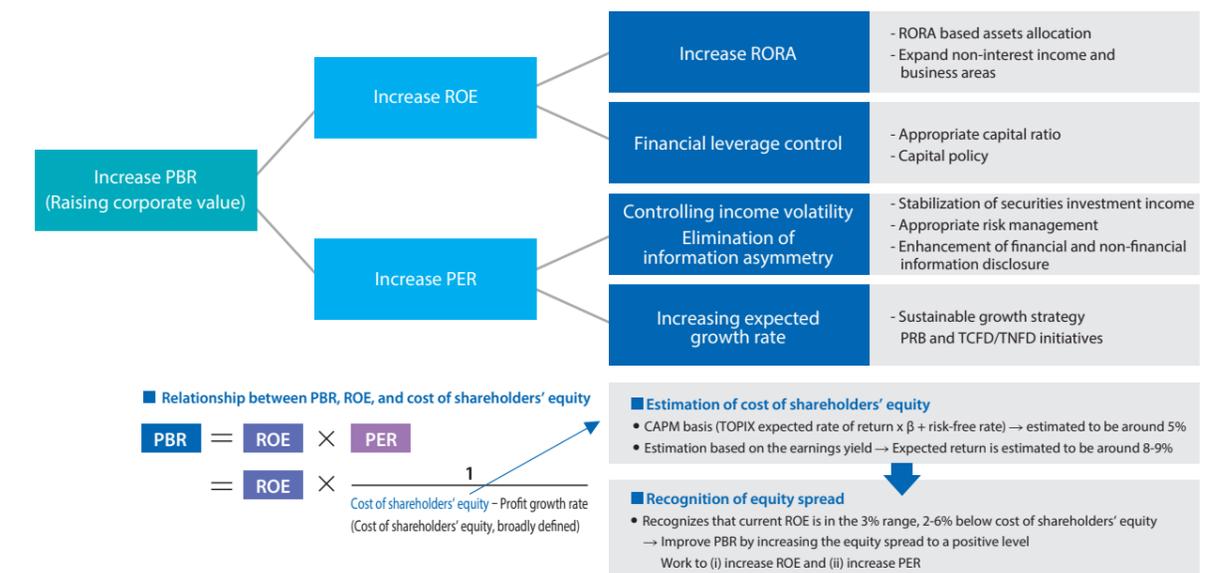
The Bank was one of the first regional financial institutions to adopt the concept of RAF (Risk Appetite Framework) (P.101) in 2016, and has been working to advance the risk management. In the 8th Mid-Term Plan, as a “strategic RAF,” we will expand risk-taking areas by backcasting from the targeted levels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

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

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

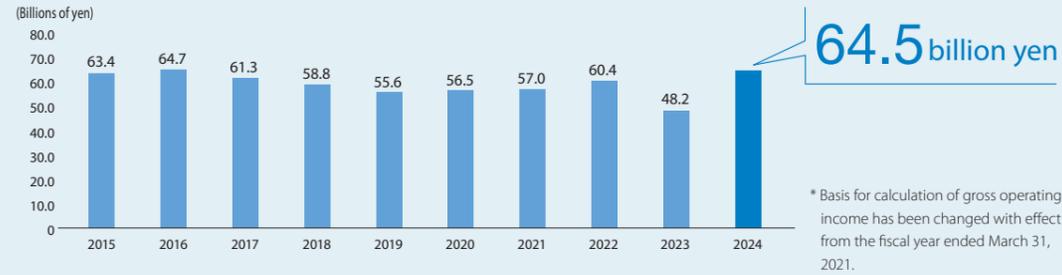
Through these efforts, we will create a “virtuous cycle of happiness brought to the region” and achieve co-existence and co-prosperity with our stakeholders.

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

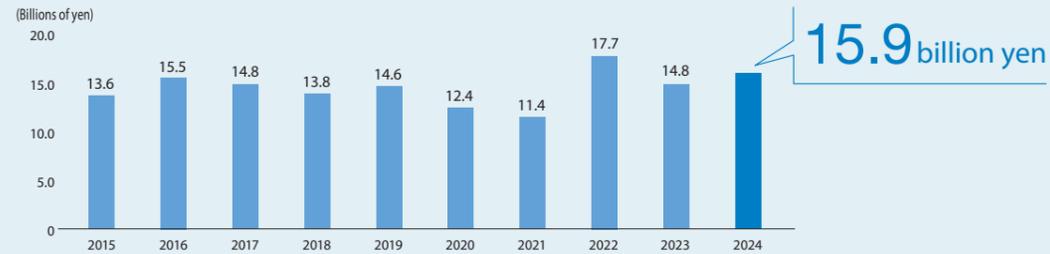


Financial Highlights

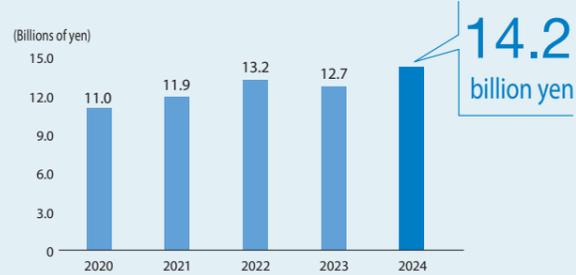
Gross operating income (consolidated)



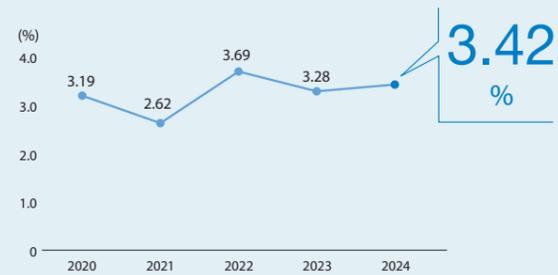
Net income attributable to owners of parent



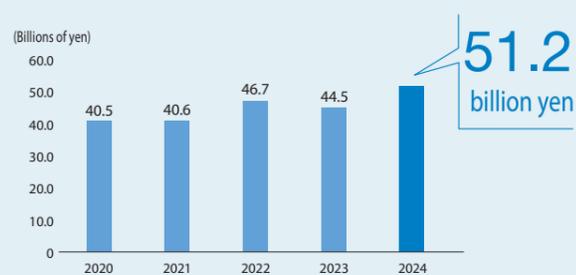
Net Fees and commissions (consolidated)



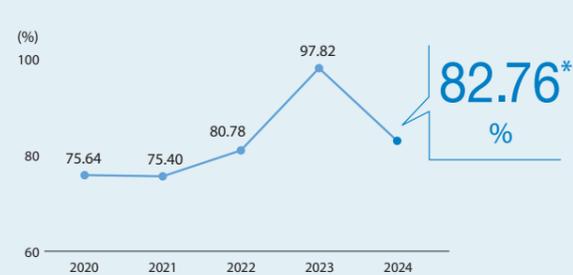
ROE (consolidated)



Expenses (non-consolidated)

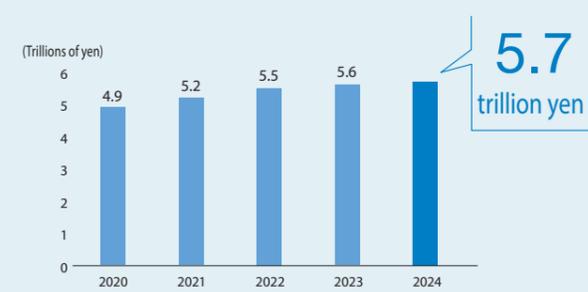


OHR (non-consolidated)

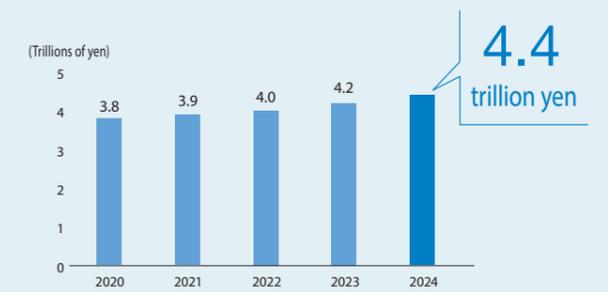


* Excluding expenses related to the next-generation core system, the ratio would be 64.19%.

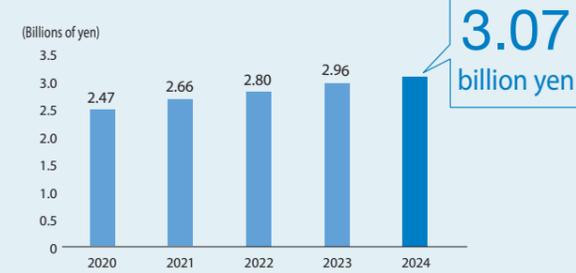
Average balance of deposits during the period (including negotiable certificates of deposits) (non-consolidated)



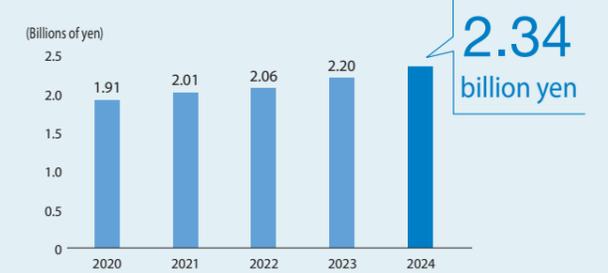
Average balance of loans and bills discounted during the period (non-consolidated)



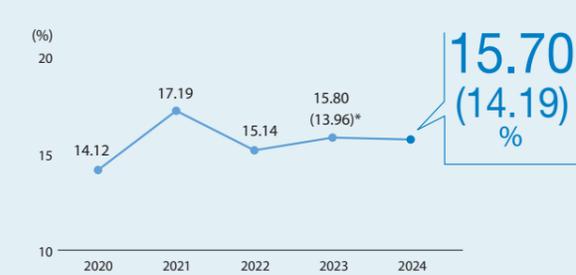
Deposits per employee (non-consolidated)



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

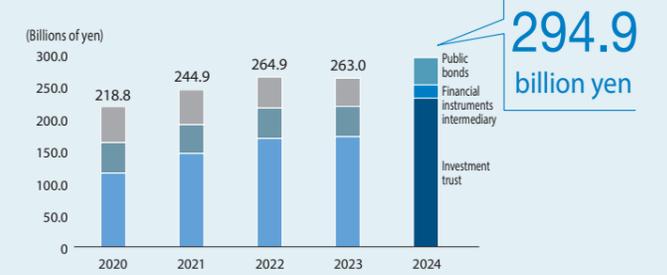


Total capital ratio (consolidated)

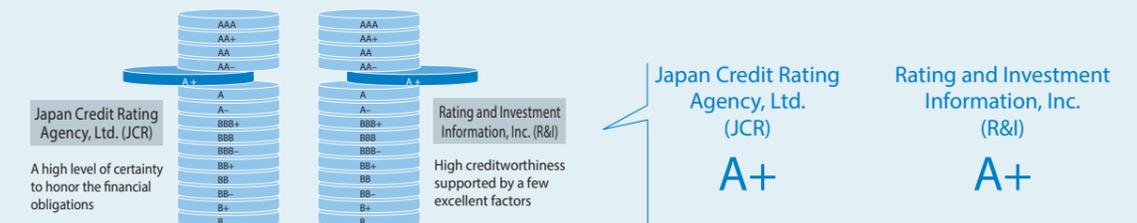


* Early application of Basel III finalization, and the figure in parentheses is based on complete implementation.

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



Rating



E

Environment

E (Environment) related items



Greenhouse gas emissions (CO₂ conversion)*

Scope 1	Scope 2 market-based	Scope 2 location-based	Scope 3
620 tons	3,389 tons	5,871 tons	16,480,774 tons



Copy and OA paper consumption

44.3% decrease
from fiscal year 2018



Number of environmental volunteer participants per year

912 persons



Paper resource recycling rate

99.6%



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

58.9%

S (Social) related items

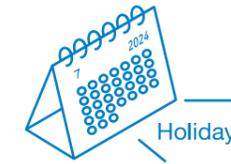
S

Social



Percentage of female managers

17.6%



Average number of days of paid leave taken

17 days



Percentage of male employees taking childcare leave

95.4%



Employment of people with disabilities

2.348%



Participation rate in human rights training

First half
92.4%
Second half
92.6%



Shigagin Welfare Fund Results of subsidies awarded

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

G (Governance) related items

G

Governance



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

100.0%



Percentage of female Directors

11.1%



Comprehension of compliance training

First half
97.4%
Second half
98.6%

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

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

External Evaluation

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

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



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

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



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



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



FTSE Blossom Japan Sector Relative Index component stock



CDP Climate Change Questionnaire Rank B



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



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



Acquired JQA-EMO777 ISO14001 certification

Endorsement and membership in initiatives, etc.



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



Signed the United Nations Principles for Responsible Banking (PRB)



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



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



Participated in GX League



Signed the Principles for Financial Action based on the Declaration of the 21st Century



Supports the Initiative based on the Declaration of Biodiversity by Keidanren



Joined the Japan Climate Initiative (JCI)



Supports the "Shiga CO₂ Net Zero" movement

History of "External Evaluation"

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

<p>2003</p> <p>2004</p> <p>2007</p> <p>2008</p> <p>2014</p> <p>2015</p> <p>2018</p>	<ul style="list-style-type: none"> Received the Environmental Administrative Award for Pearl at the "1st Japanese Environmental Administrative Awards" Received the FUJISANKEI COMMUNICATIONS GROUP Prize at the "13th Grand Prize for the Global Environment Award" Received the Minister of the Environment Award at the "9th Green Purchasing Award" Received the Chairman of New Energy Foundation Prize at the "12th New Energy Award" Certified as an "Eco-First Enterprise" by the Ministry of the Environment Received double awards at the "17th Environmental Communication Awards" Environmental Reporting Division: Environmental Reporting Award (the Minister of the Environment Award) TV Environmental Commercial Division: Excellence Award (President of the Global Environmental Forum Prize) Received the Most Excellent Award at the "Excellent Enterprise Award for Environmental Human Resource Development 2014" Received the Special Award (SDGs Partnership Award) at the "2nd Japan SDGs Award" 	<p>2019</p> <p>2020</p> <p>2021</p> <p>2022</p> <p>2023</p> <p>2024</p>	<ul style="list-style-type: none"> Received the "Judging Committee's Special Excellence Award" in the Environmental Report Category of the "22nd Environmental Communication Award" Received Silver Prize (Minister of the Environment Award) in the finance category of the 1st ESG Finance Awards Japan Received the "Prize for Excellence" in the Environmental Report Category of the "24th Environmental Communication Award" Received Gold Prize (Minister of the Environment Award) in the indirect finance category (regional category) of the 2nd ESG Finance Awards Japan Received Bronze Prize in the indirect finance category of the 3rd ESG Finance Awards Japan Selected as an examples of "Distinctive Efforts by Financial Institutions contributing to Regional Revitalization for Fiscal Year 2021" by Cabinet Office Received Silver Prize (Minister of the Environment Award) in the indirect finance category of the 4th ESG Finance Awards Japan Selected as an examples of "Distinctive Efforts by Financial Institutions contributing to Regional Revitalization for Fiscal Year 2022" by Cabinet Office Received Silver Prize (Minister of the Environment Award) in the indirect finance category of the 5th ESG Finance Awards Japan
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