

Status of Initiatives for Implementing the Principles for Responsible Banking

September 2026

In February 2020, we became the first regional bank in Japan to sign the Principles for Responsible Banking (PRB), which was drafted by the United Nations Environment Programme Finance Initiative (UNEP FI*) and launched in September 2019. Together with more than 350 other signatory banks, we have been practicing finance with sustainability at the core of business. The PRB provides a framework for a bank to take a leading role and responsibility as a financial intermediary and voluntarily set out business strategies that are aligned with the Sustainable Development Goals (SDGs) and the Paris Agreement based on the recognition that sustainable social prosperity is key to development of the banking industry. In accordance with the six principles of the PRB, signatory banks are required to set their own strategies and targets and engage and partner with stakeholders, including customers so as to increase the positive impacts, as well as reduce the negative impacts of their business activities on the environment and regional communities.

*The UNEP FI was established in 1992 by the United Nations Environment Programme, a UN auxiliary organization that was formed in 1972. It is a partnership of financial institutions around the world that is working to transform into financial systems integrating economic development with ESG (environmental, social, and governance) considerations. We signed the UNEP FI in 2001, the first for a commercial bank in Japan.

Principle 1: Alignment



We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

Response

The Bank, as a regional bank in Japan, has locations and operates business mainly in Shiga Prefecture, as well as in Kyoto, Osaka, Gifu, Aichi, Mie Prefectures, Tokyo, and Hong Kong. We provide products and services, with financial intermediary through deposits and loans

Links and references

See the Integrated Report for FY2026; and the Explanatory Material on the

at the core, to customers in the region, including individuals, SMEs, and local governments. As of the end of March 2026, the individual balance of deposits totalled about 6.0 trillion yen (about 5.3 trillion yen of which were in Shiga Prefecture), and loans outstanding totalled about 4.6 trillion yen (about 2.7 trillion yen of which were in Shiga Prefecture). Of the balance of deposits, individual deposits account for approximately 71%. Of the loans outstanding, consumers account for approximately 29% and corporate customers and local governments comprise the remaining 71%. See 2.1 b) for a breakdown of loans outstanding by industry.	Consolidated Financial Results for the Year Ended March 31, 2026 for reference data as of March 31, 2026. <Integrated Report> https://www.shigagin.com/investor/file/disclosure.html <Financial Results Reference Data> https://www.shigagin.com/pdf/investor_kessan_reference_2026.pdf
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Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

- ☒ Yes
☐ No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

- ☐ UN Guiding Principles on Business and Human Rights
☐ International Labour Organization fundamental conventions
☐ UN Global Compact
☐ UN Declaration on the Rights of Indigenous Peoples
☒ Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: Request for disclosure of TCFD recommendations in the Annual Securities Report
☐ Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: -----
☐ None of the above

Response

The Bank's purpose is to "Making the region happy with 'Sampo yoshi' philosophy" In its long-term strategy, the Bank is committed to creating "a society where everyone can define their future and live happily" as a vision for regional communities. The following shows what it means to achieve this vision for regional communities.

Links and references

<8th Medium-Term Business Plan>
<https://www.shigagin.com/about/mmp.html>

Achievement of the Vision for Regional Communities

- Increase real gross prefectural product and employment in Shiga Prefecture
- Curb the population decline, and increase the related population(*1) and the exchange population(*2) in Shiga Prefecture
- Realize a carbon neutral society by 2050
- Realize diversity, equity, and inclusion

**1 People who maintain continuous and diverse relationships with a region without permanently relocating.*

**2 People who visit a region for work, study, tourism, leisure, shopping, sports and other purposes.*

The vision for regional communities, while addressing regional challenges, also is aligned with the goals expressed in SDGs for “a society that is sustainable, diverse, and inclusive and where ‘no one is left behind.’” In addition, we have formulated the “Sustainability Policy,” which sets out our basic policies in realizing a sustainable society, to improve our organizational structure.

We are also aware that climate change is a priority issue (Materiality) that potentially has a material impact on regional communities. We have taken climate change measures, such as setting greenhouse gas (GHG) emissions reduction targets in line with the Paris Agreement and measuring and setting targets for portfolio emissions. In July 2018, we became the first regional bank in Japan to declare our support for the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) and have since taken measures to meet these recommendations. In January 2024, we became an adopter of the Task Force on Nature-related Financial Disclosure (TNFD) and have since taken measures for this.

Principle 2: Impact and Target Setting



We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly¹ and fulfil the following requirements/elements (a-d)²:

a) Scope: What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

Response

In defining the scope of our impact analysis, we identified the Bank's main business areas and geography attributes.

The Bank's business areas encompass retail, business/corporate banking, and investment banking. Investment banking businesses include mergers and acquisitions of existing local corporate customers, but are not included in corporate banking. We identified these main areas taking into account the attribute distribution of loans outstanding, based on the attributes for interest income in relation to business areas and geographies. See the table below for the attribute distribution of business areas and geographies in interest income and outstanding loans.

Interest income	Consumer Banking	Business Banking	Corporate Banking	Investment
Total	20%	40%	10%	30%
Japan	100%	100%	80%	—
Shiga	80%	60%	20%	—
Elsewhere	20%	40%	80%	—
Overseas	—	—	20%	—
Loan outstanding	Consumer Banking	Business Banking	Corporate Banking	Investment
Total	30%	50%	20%	—
Japan	100%	100%	100%	—
Shiga	90%	60%	10%	—
Elsewhere	10%	40%	80%	—
Overseas	—	—	0%	—

Links and references

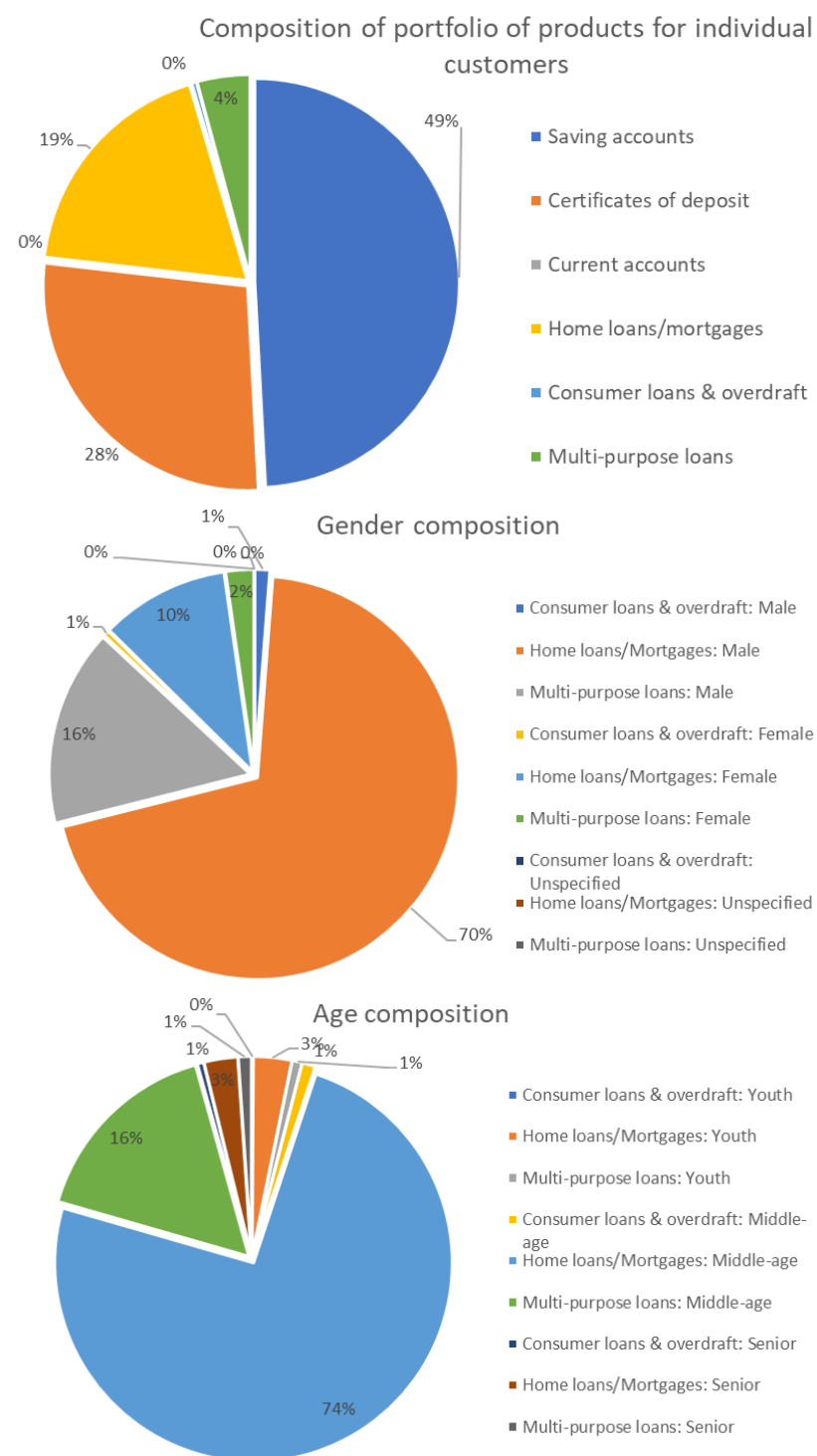
¹ That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.

² Further guidance can be found in the [Interactive Guidance on impact analysis and target setting](#).

Considering qualitative data, such as the Bank's role as a regional bank, and quantitative data like loan yield, we established areas that we prioritize for impact assessment. Judging from the interest income distribution, we can determine that the Bank's main areas are retail banking and business banking in Shiga Prefecture. It is also clear from the perspective of loans outstanding that the Bank's main area is in Shiga Prefecture. However, when geography alone is the focus, approximately 40% of loans outstanding are outside Shiga Prefecture. In addition, considering that almost 100% of loans outstanding are to borrowers in Japan, to enhance the granularity of the analysis, the Bank has set the scope of the impact assessment to include <u>"retail banking, business banking, and corporate banking in Japan."</u>	
b) <u>Portfolio composition:</u> Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope i) by sectors & industries³ for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or ii) by products & services and by types of customers for consumer and retail banking portfolios. If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.	
Response As shown in a), the impact analysis scope encompasses retail banking, business banking, and corporate banking in Japan, considering interest income and loans outstanding from the perspectives of business areas and geographies. The analysis also considers the portfolio composition in the targeted areas and businesses as displayed in the graphs below. Compared to the previous assessment, there have been no significant changes in the portfolio structure.	Links and references

³ 'Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

Retail banking: Breakdown of deposit and loan amounts and loan composition by gender and age



Breakdown of loan amounts by industry

Industry	Percentage
REAL ESTATE AGENCIES	22%
LOCAL GOVERNMENT SERVICES	18%
FINANCE AND INSURANCE	17%
TRANSPORT AND POSTAL SERVICES	13%
CONSTRUCTION	7%
MISCELLANEOUS BUSINESS SERVICES	7%
LIVING-RELATED AND PERSONAL SERVICES AND AMUSEMENT SERVICES	5%
EATING AND DRINKING PLACES	5%
SCIENTIFIC RESEARCH, PROFESSIONAL AND TECHNICAL SERVICES	5%
MINING AND QUARRYING OF STONE	5%
MANUFACTURING	4%
WHOLESALE TRADE, GENERAL MERCHANDISE	3%
RETAIL TRADE, GENERAL MERCHANDISE	2%
ELECTRICITY, GAS, HEAT SUPPLY AND WATER	2%
GOODS RENTAL AND LEASING	2%
MEDICAL, HEALTH CARE AND WELFARE	2%
INFORMATION AND COMMUNICATIONS	1%
ACCOMMODATIONS	1%
EDUCATION, LEARNING SUPPORT	1%
AGRICULTURE AND FORESTRY	0%

c) Context: What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate?⁴ Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

This step aims to put your bank's portfolio impacts into the context of society's needs.

Response

In analyzing the Bank's priority business areas as in a), we assessed the challenges and priorities related to sustainable development in Japan and Shiga Prefecture, in line with SDGs, international agreements, such as the Paris Agreement, and local policies in Japan and Shiga Prefecture. In addition, we employed unique statistics and other data.

We used the UNEP FI Impact Analysis Tool for Banks Context Module (Context Module) in our assessment. This tool accommodates international and country-specific impact needs. We used it by additionally inputting information related to impact needs for Japan and Shiga Prefecture. For the input data, we referred to Japan's SDGs Voluntary National Review 2025 (VNR) and Shiga Prefecture SDGs Future City Plan and Basic Policy Plan of Shiga Prefecture. The VNR and SDGs Future City Plan were used to understand the challenges present in both Japan and Shiga Prefecture. The Context Module results are as follows.



The three environmental impact areas of "circularity," "biodiversity & healthy ecosystems," and "climate stability" demonstrate need and priority, which is consistent with our understanding of the challenges present in Japan and Shiga Prefecture. These impact areas remain insufficiently addressed by Japan's efforts, and therefore, they are positioned as important

Links and references

⁴ Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

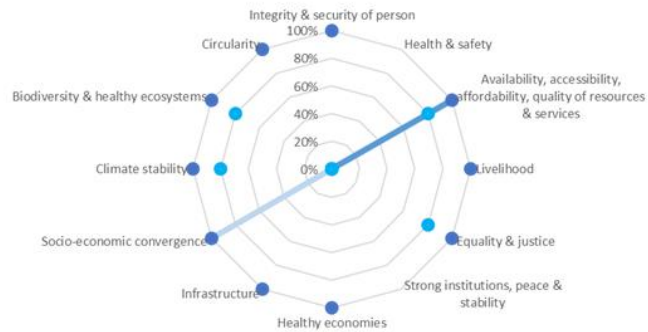
impact areas. “Availability, accessibility, affordability, quality of resources & services” includes “culture & heritage” as the highest needs subcategory, then “water,” “information,” and “housing,” and finally “food,” which is on a deteriorating trend but has low priority currently. These are recognized as challenges related to regional sustainability. We also took into consideration impact areas that demonstrate need and priority introduced in the Japanese government’s VNR and Shiga Prefecture’s policy documents. Japan and Shiga Prefecture indicate priority needs in areas other than those with recognized needs based on statistical data sets. Areas where it is necessary to increase citizen awareness of the challenges and take continuous measures include “equality & justice.” Based on the above, we assessed our priority needs in Japan and Shiga Prefecture as follows. ● Availability, accessibility, affordability, quality of resources & services ● Equality & justice ● Climate stability ● Biodiversity & healthy ecosystems ● Circularity	
Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)⁵ Please disclose.	
<i>Response</i> After assessing targeted business areas using portfolio composition and country/local context analysis data, we prioritized significant impact areas for the Bank, which are as follows.	<i>Links and references</i>

⁵ To prioritize the areas of most significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, e.g. through stakeholder engagement and further geographic contextualisation.

Retail Banking (Loans)

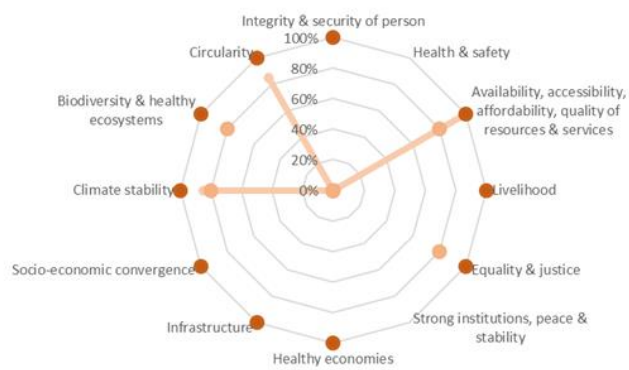
POSITIVE IMPACTS (CREDIT)

ALL ASSOCIATIONS (credit) KEY ASSOCIATIONS (credit) COUNTRY PRIORITIES LOCAL PRIORITIES

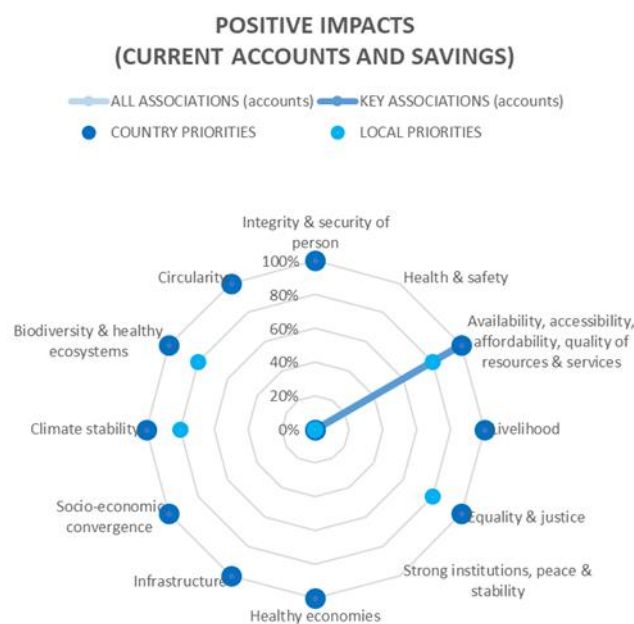


NEGATIVE IMPACTS (CREDIT)

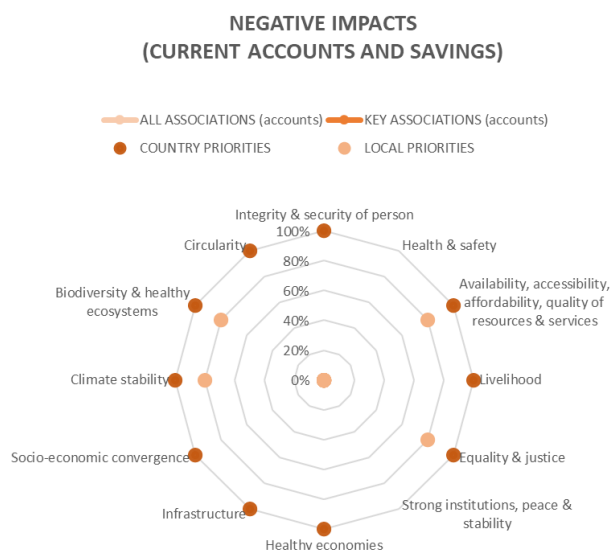
ALL ASSOCIATIONS (credit) KEY ASSOCIATIONS (credit) COUNTRY PRIORITIES LOCAL PRIORITIES



Retail Banking (Deposits)



*the dots do not represent a value. They only show if an impact area is a priority in the countries/locations (based on data in the Context Module).



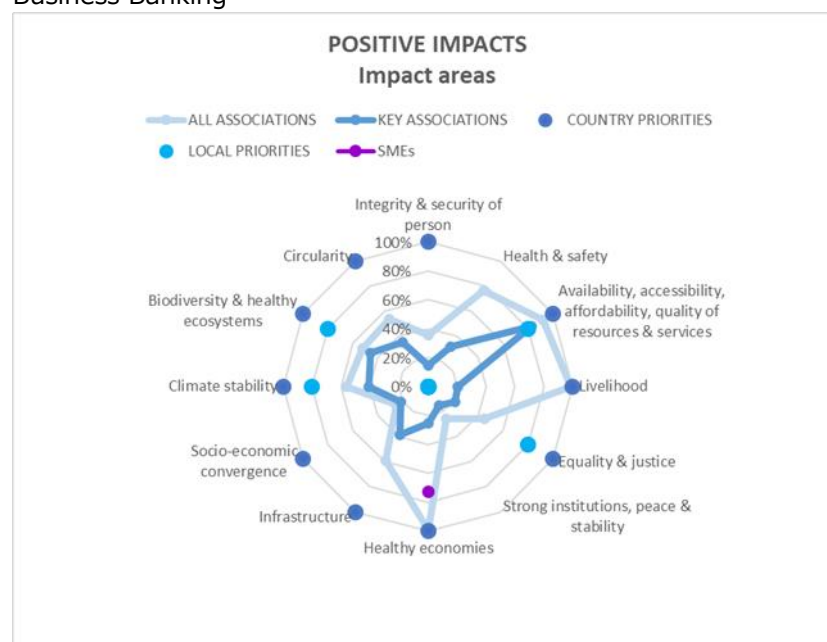
*the dots do not represent a value. They only show if an impact area is a priority in the countries/locations (based on data in the Context Module).

In retail banking, we needed to organize effective customer approaches, and in this analysis, we assessed the balance distribution of each product type. In the retail banking area, our deposits and loans both have shown a positive impact on “finance,” a subcategory under “availability, accessibility, affordability, quality of resources & services.” This demonstrates our character as a regional financial institution that provides accessibility to finance in the region. Meanwhile, they have shown negative impacts on “climate stability” and “circularity.” This stems from the fact that

housing loans account for the bulk of our loans. Negative elements are also present in the “finance” subcategory due to concerns over excessive lending and accessibility for customers with certain attributes in terms of individual loans. Products for individual customers provide equal access to finance. With the exception of mandatory personal identification, the Bank’s deposit offerings are not limited to particular customers and are not services that impede financial inclusivity. Likewise, we do not tailor our loan services to target particular customers. Much like our deposit products, there are no limits on financial accessibility.

Despite imbalances in the breakdown of loans by age and gender, the Bank’s services are the same regardless of customer attributes, there are no account management fees, and individual loans are used in conjunction with lifetime events. Therefore, we believe that these derive from structural issues in Japan as a whole. We believe that the Bank’s provision of services does not promote this structure. In the retail banking area, we believe that “finance” and “climate stability” are significant impact areas.

Business Banking



NEGATIVE IMPACTS Impact areas  <i>*the dots do not represent a value. They only show if an impact area is a priority in the countries/locations (based on data in the Context Module).</i>	In terms of the impact areas of the business banking portfolio overall, “livelihood” and “healthy economies” show positivity of varying strength in all industries. These are followed by “availability, accessibility, affordability, quality of resources & services.” On the negative side, all industries are impacted to varying degrees by “health & safety,” “livelihood,” “equality & justice,” and “circularity,” followed by “climate stability.” “Livelihood,” which showed both negative and positive impact, consists of the subcategories of “employment,” “wages,” and “social protection.” This impact involves many industries, particularly the manufacturing industry which employs many people. The Japanese government has identified ‘Establishing sustainable economic and social systems’ as one of its key priorities. We recognize that employment is a closely related and critical issue in the context of achieving this priority. “Livelihood” also is relevant to other challenge areas, such as “equality & justice,” “modern slavery,” and “child labor.” As a regional financial institution, the Bank believes that “employment” is one area where it has a wide influence over customers. We believe that “climate stability” will remain an important topic until it is solved, and that one of the Bank’s roles as a regional financial institution is to act as a driver in the region. In sum, in our assessment, the Bank’s significant impact areas in business banking are “employment” and “climate stability.” From the three impact areas specified for each business area, namely, “climate change,” “finance,” and “employment,” we assessed our most significant impact areas as “climate stability” and “employment.” This assessment considered the Bank’s portfolio composition, impact direction, and our understanding of the challenges present in both Japan and Shiga Prefecture.
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d) For these (min. two prioritized impact areas): Performance measurement: Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health & inclusion as your most significant impact areas, please also refer to the applicable indicators in the [Annex](#).

If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.

The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.

Response

The main industries financed in business banking include real estate, manufacturing, local governments, wholesale trade, finance and insurance, retail trade, and transport and postal services. Manufacturing and transport and postal services serve as examples of industries adversely affected that incur negative impact, primarily by climate change. More than 30% of the portfolio consists of SMEs in Shiga Prefecture, which support the regional economy and contribute to the healthy development of the region. To judge their impact on climate change in detail, data in Category 15 of Scope 3 was calculated based on PCAF Standard. We targeted three of the seven asset classes in the PCAF Standard: "listed equity and corporate bonds", "business loans and unlisted equity" and "home loans/mortgages." The Bank's financed emissions were calculated as 16 million tCO₂, representing a decrease of 2 million tCO₂ compared with the previous reporting period. This change primarily reflects enhanced primary data coverage and updates to emission factors used in the calculation. GHG emissions from industries classified as carbon-related assets defined in TCFD accounted for 80% of the total. However, our sustainable finance initiative, GHG emissions measurement tools, and decarbonization consulting exemplify our commitment to reducing negative impacts while enhancing positive ones. We provide products and services with a strong focus on decarbonization, covering various social aspects as well.

In addition, we develop and provide our Shigagin Super Housing Loan Mirai-Yoshi to encourage individual decarbonization. Unlike traditional housing loans, this is a housing loan that waives the interest on amounts (limited) used for installations of equipment such as solar panels and storage batteries that contribute to decarbonization. As a newly launched product in FY2025, The Biwako(Lake Biwa) Blue Deposit is a deposit product through which

Links and references

<8th Medium-Term Business Plan>

<https://www.shigagin.com/about/mmp.html>

<TCFD/TNFD Report>

https://www.shigagin.com/pdf/ESG_TCFD-TNFDreport_2026.pdf

the Bank contributes an amount equivalent to 0.005% of the deposit balance received and donates it to organizations conducting research and activities related to water and environmental conservation. The product enables customers to support the conservation of Lake Biwa through their banking activities and contribute to the protection of its natural environment.

The Bank's basic approach emphasizes engagement. Engagement with customers can be categorized into three channels. First, we engage through daily public relations activities regarding a wide range of impacts, such as how business activities ideally lead to financial education and revitalization of regional economies, and initiatives in sustainability and ESG. Second, by providing specific finance-related services, we communicate the Bank's sustainability approach by explaining our assessments of customer credit strength and ESG activities. At the same time, we listen to customers' ideas, understand that each of us is a stakeholder in the same region, and engage toward sustainable initiatives. In ESG finance and SDGs consulting, we create impacts by providing one-on-one support for customer ESG initiatives and our sustainability management. In particular, we focus on pursuing initiatives relating to decarbonization. Third, we engage with customers, shareholders, and local residents through Investor Relations activities, as well as with regional economic and other organizations. We pursue mutual understanding of regional sustainability and economic revitalization by explaining and exchanging opinions on the Bank's sustainability approach and the status of its activities. The Bank alone cannot achieve regional sustainability and regional social/economic revitalization, but must work together with regional stakeholders, which we do through engagement.

We assess the impact of the two most significant impact areas, climate stability and employment, using the following indicators for each. Target-setting in the current impact assessment aimed to assess based on targets in the 8th Medium-Term Business Plan, and indicators also were assessed with key performance indicators (KPI) in mind for targets.

For climate stability, we used the Shiga Bank Group's GHG emissions reduction rate as an indicator. The Bank is of the view that it has made a positive impact to regional decarbonization by taking a leading role in decarbonization efforts and expanding the community of supporters through results-based engagement. The Bank achieved its target of reducing Scope 1 and Scope 2 greenhouse gas emissions to net zero by the end of fiscal 2025, three years ahead of its original target of the end of fiscal 2028. For further details, please refer to the Greenhouse Gas Emissions Inventory and Carbon Offset Report (FY2025). As financed emissions account for almost all GHG emissions from Scope 1 to 3,

we will consider setting indicators and targets for financed emissions.

Employment is directly linked to the sustainability of our regional society. The Bank places a strong emphasis on the significance of engagement in advancing the cause of regional sustainability. We recognize that the sustainability of regional companies cannot solely rely on stable funding. Therefore, we believe that combining financial support with active engagement encourages positive impacts in this area. To evaluate progress, we have adopted the 'cumulative amount of investment and financing to support regional growth' set forth in the 8th Medium-Term Business Plan as the key performance indicator, as we believe this is a more appropriate metric. For the actual results of the 'amount of investment and financing to support regional growth' for fiscal year 2025, please refer to the Integrated Report 2026. The amount of investment and financing to support regional growth is defined as the total amount of investment in the region through commercial capital expenditures, increased working capital, housing loans, and funds. Funds include Shigagin Energy, established in April 2024, and Shigagin Capital Partners, an investment-specialized subsidiary established in October 2024. Capital expenditures and increased working capital go hand in hand with corporate growth, and housing loans lead to an increase in regional population and an increase in the population employed at companies in the region. We believe that regional investment will contribute to an energy circular economy in the region if related to Shigagin Energy and will help to solve issues such as the business succession of companies in the region if related to the investment specialist subsidiary. Instead of decreasing, employment in the region will be maintained or increase through sustainable corporate growth. Indicators that measure the employment impact category may include the jobs-to-applicants ratio and unemployment rate obtained from regional employment statistics. However, even though there is no question that Shiga Bank has a positive impact on regional employment, we need to do further research on the extent thereof and the correlation between indicators. The indicators set here show output. Going forward, we intend to set indicators based on detailed data including the results achieved in each finance type and the impact on sustainable finance with directly measurable impacts.

Self-assessment summary:

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?⁶

Scope:	☒ Yes	☐ In progress	☐ No
Portfolio composition:	☒ Yes	☐ In progress	☐ No
Context:	☒ Yes	☐ In progress	☐ No
Performance measurement:	☒ Yes	☐ In progress	☐ No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

Climate stability, employment

How recent is the data used for and disclosed in the impact analysis?

- ☒ Up to 6 months prior to publication
- ☐ Up to 12 months prior to publication
- ☐ Up to 18 months prior to publication
- ☐ Longer than 18 months prior to publication

Open text field to describe potential challenges, aspects not covered by the above etc.: (optional)

With regard to climate change mitigation policies, results in line with the UNEP FI indicator package are shown in 2.2 b) as a reference. Many initiatives are currently underway, and the Bank is in the midst of working on Scope 3 calculations; therefore, we are not finished calculating greenhouse gas reduction emissions for entities in which we have invested or provided financing. Going forward, with the completion of Scope 3 measurement, we intend to conduct a detailed assessment based on the series of indicators shown in UNEP FI.

⁶ You can respond "Yes" to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.

2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

a) Alignment: which international, regional or national policy frameworks to align your bank's portfolio with⁷ have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

You can build upon the context items under 2.1.

Response

Regarding target-setting in this impact assessment, we assessed targets from among the achievement targets outlined in the 8th Medium-Term Business Plan, aligning them with our specific priority impact areas.

Climate stability:

Financed emissions from industries classified as TCFD carbon-related assets account for over 80% of the analyzed portfolio. Therefore, addressing the reduction of GHG emissions aligns with the Bank's portfolio.

Based on the analysis of the country and local context, climate change measures in Japan and Shiga Prefecture pose a particular challenge, especially regarding climate change mitigation measures. These challenges are linked to the international framework outlined in the Paris Agreement.

We will set targets for GHG emissions from the investment and financing portfolio after further expanding the calculation of financed emissions. The target is to achieve net zero direct and indirect GHG emissions from the Shiga Bank Group by FY2028. This target level signifies a significant contribution to climate change.

Employment:

Activities where the indicator is the amount of investment and financing to support regional growth help to address the materialities identified by the Bank. Initiatives for the Materiality are categorized into the three priority issues of the Shigagin SDGs Declaration, which are establishing the regional economy, sustainability of the global environment, and training a diversified workforce, each of which is related to SDGs. These efforts mainly bolster the sustainability of regional communities and economies while also contributing broadly to decarbonization and the development of regional enterprises. Assessing the exact level of

Links and references

contribution is challenging since there are no global indicators for this target. However, we believe that achieving total cumulative new investment and financing of 1.2 trillion yen is significant, particularly in comparison to loans outstanding. Therefore, in our assessment, this contributes greatly to the achievement of SDGs.

b) Baseline: Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.

A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the [Annex](#) of this template.

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes:

Impact area	Indicator code	Response
Climate change mitigation	A.1.1	In progress
	A.2.1	Yes The targeted customers are SMEs, primarily in manufacturing
	A.1.2	In progress
	A.2.2	FY2025: 16 million tCO ₂ e Calculated for "listed equity and corporate bonds", "business loans and unlisted equity" and "home loans/mortgages"
	A.1.3	In progress
	A.2.3	Energy: 13.1 tCO ₂ e/million yen of investment Transport: 24.4 tCO ₂ e/million yen of investment Materials, buildings: 4.0 tCO ₂ e/million yen of investment Agriculture, food, forest products: 4.1 tCO ₂ e/million yen of investment
	A.1.4	Calculated for "listed equity and corporate bonds", "business loans and unlisted equity" and "home loans/mortgages"
	A.2.4	Calculating
	A.1.5	Yes Decarbonization-related Green loans, cumulative: 23,960 million yen Green bonds, cumulative: 420 million yen

⁷ Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

		(both FY2018-FY2025)
<i>Impact area</i>	<i>Indicator code</i>	<i>Response</i>
<i>Financial health & inclusion</i>	...	
	...	
	...	
In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.		
Response Climate stability: We are implementing initiatives to expand our positive impact, which includes engaging with customers and setting up financing to assist them in decarbonization. The Bank places great importance on spreading decarbonization activities through engagement and will lead in these efforts when introducing them to customers. Our baseline for decarbonization efforts is the FY2023 GHG emissions which are third-party assured. Employment: Indicators related to employment in communities where we conduct business activities, such as the jobs-to-applicants ratio and unemployment rate, are considered impact indicators. However, they do not solely measure the impact of our business activities. Therefore, we do not currently regard them as baselines. We contribute to the sustainability of regional communities and economies through our investment and financing to support regional growth. The total cumulative amount of this new investment and financing has been set as our output indicator. In these efforts, we place importance on engagement with customers. Engagement channels, including the Ratings Communication Service, ESG assessment, and various types of ESG financing, have been established and are actively being used. In our assessment, the total cumulative amount of new investment and financing to support regional growth serves as an appropriate and consistent indicator that shows the extent of their use. The total cumulative amount of new investment and financing is an indicator. Therefore, the FY2024 actual figure will be the baseline.		Links and references <Integrated Report> https://www.shigagin.com/investor/file/disclosure.html

c) <i>SMART targets</i> (incl. key performance indicators (KPIs)⁸): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.	
<i>Response</i> Climate stability: Sustainability of the global environment: Achieve carbon neutrality by the end of FY2028 for GHG emitted by the Bank Employment: Establishing the regional economy: New investment and financing to support regional growth for a cumulative total of 1.2 trillion yen by FY2028 (from FY2024) Both of these indicators are specific, measurable, achievable, relevant, and time-bound targets, which meet SMART requirements.	<i>Links and references</i>
d) <i>Action plan:</i> which actions including milestones have you defined to meet the set targets? Please describe. Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.	
<i>Response</i> Climate stability: We set achievement targets through FY2028. Therefore, we have not set a milestone. In addition to consolidating our locations through efficient business operations and branch measures, we are working to introduce CO₂-free electricity. Employment: We set achievement targets through FY2028. Therefore, we have not set a milestone. We are working on various sustainable finance efforts, including dialogue with business partners and sustainability-linked loans. The respective action plans are outlined in the 8th Medium-Term Business Plan. The effect of each on the other impact areas and our responses are as follows: Climate stability:	<i>Links and references</i> <8th Medium-Term Business Plan> https://www.shigagin.com/about/mmp.html

⁸ Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

The negative impacts that could arise from setting this target include a potential decline in the motivation of our officers and employees if decarbonization activities hinder their work, as well as indiscriminate development in pursuit of decarbonization. However, we will mitigate the former by informing officers and employees and deepening their understanding of the importance of our efforts. As for the latter concern, we will address it by implementing initiatives such as the introduction of renewable energy using the Bank's assets. Employment: Excessive emphasis on achieving targets may result in lending beyond the borrowers' ability to repay or reduce engagement to a mere formality. To address these negative impacts, we have established a basic banking governance system that separates promotion divisions and management divisions. We have also made efforts to require product selection after customer engagement rather than setting targets for specific products in ESG finance.	
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Self-assessment summary			
Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...			
	... first area of most significant impact: ... (Climate stability)	... second area of most significant impact: ... (Employment)	(If you are setting targets in more impact areas) ...your third (and subsequent) area(s) of impact: ... (please name it)
Alignment	☒ Yes ☐ In progress ☐ No	☒ Yes ☐ In progress ☐ No	☐ Yes ☐ In progress ☐ No
Baseline	☒ Yes ☐ In progress ☐ No	☒ Yes ☐ In progress ☐ No	☐ Yes ☐ In progress ☐ No
SMART targets	☒ Yes ☐ In progress ☐ No	☒ Yes ☐ In progress ☐ No	☐ Yes ☐ In progress ☐ No
Action plan	☒ Yes ☐ In progress ☐ No	☒ Yes ☐ In progress ☐ No	☐ Yes ☐ In progress ☐ No

2.3 Target implementation and monitoring (Key Step 2)

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

Response Progress toward targets through the last fiscal year

Climate stability: Shiga Bank Group aims to achieve net-zero GHG emissions(Scope 1 and Scope 2) by the end of FY2028

The Bank's approach centered on maximizing the use of the environmental attributes associated with renewable energy generated by its subsidiary, Shigagin Energy Co., Ltd., enabling the Group to achieve zero market-based Scope 2 emissions. The remaining greenhouse gas emissions that could not be reduced through energy-efficiency and other mitigation measures were offset through the appropriate use of J-Credits. As a result, the Shiga Bank Group achieved net-zero Scope 1 and Scope 2 greenhouse gas emissions by the end of fiscal 2025, ahead of its original target year.

Employment: Amount of investment and financing to support regional growth

Performance is generally aligned with the target. (see the Integrated Report 2026 for actual figures)

The definition is the total amount of investment in the region through business-related capital expenditures, increased working capital, housing loans, and funds.

Links and references

<Integrated Report>

<https://www.shigagin.com/investor/file/disclosure.html>

<TCFD/TNFD Report>

https://www.shigagin.com/pdf/ESG_TCFD-TNFDreport_2026.pdf

< Integrated Report>

<https://www.shigagin.com/investor/file/annual.html>

Principle 3: Clients and Customers



We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers⁹ in place to encourage sustainable practices?

☒ Yes ☐ In progress ☐ No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

☐ Yes ☒ In progress ☐ No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities¹⁰). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).

Response

We uphold our purpose, the Bank's motto and Management Principles representing our unchanging spirit, and established the Sustainability Policy.

To promote responsible relationships with customers, we have focused on constructive dialogues (engagement) with them through a range of programs, such as Ratings Communication Service. In November 2021, we developed an ESG assessment system as a tool for dialogue with our customers, through which we seek to understand customers' management issues, including on ESG, in addition to financial issues, and work to bring initiatives for improving corporate value out of such issues.

Based on our "Policy for customer-first business operation," we have sought to provide customer-centric goal-based support.

The Bank's basic approach emphasizes engagement. Engagement with customers can be categorized into three channels. First, we engage through daily public relations activities regarding a wide range of impacts, such as how business activities ideally lead to financial education and revitalization of regional economies, and initiatives in sustainability and ESG. Second, by providing specific finance-related services, we communicate the Bank's sustainability approach by explaining our assessments of customer credit strength

Links and references

and ESG activities. At the same time, we listen to customers' ideas, understand that each of us is a stakeholder in the same region, and engage toward sustainable initiatives. In ESG finance and SDGs consulting, we create impacts by providing one-on-one support for customer ESG initiatives and our sustainability management. In particular, we focus on pursuing initiatives relating to decarbonization. The bank has published its approach to transition finance initiatives. We believe that the appropriate transition of high-emission businesses must evolve in line with technological advancements, and that engagement is critically important. Third, we engage with customers, shareholders, and local residents through Investor Relations activities, as well as with regional economic and other organizations. We pursue mutual understanding of regional sustainability and economic revitalization by explaining and exchanging opinions on the Bank's sustainability approach and the status of its activities. The Bank alone cannot achieve regional sustainability and regional social/economic revitalization, but must work together with regional stakeholders, which we do through engagement.	
3.2 Business opportunities Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).	
<i>Response</i> We are supporting our customers in enhancing their corporate value through sustainability-oriented management, primarily through the dedicated ESG finance team established within the Business Promotion Department and Shigagin Energy. The corresponding relationships between each type of finance and impact categories are as follows. • SDGs consulting: climate change, employment, human rights, and SDGs in general • Green loans/bonds: climate change and natural environment • Social loans/bonds: health and safety, social protection, human rights, etc. • Sustainability-linked loans/bonds: climate change, natural environment, health and safety, and SDGs in general • Sustainability-linked loans (Shiga CO₂ Net Zero Plan): climate change	<i>Links and references</i>

⁹ A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

¹⁰ Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

• Transition Finance: climate change • Positive impact finance: SDGs in general • Shigagin Sustainable Assessment Loan: SDGs in general • Shiga Try Link Loan: climate change, nature positive, circular economy • Support for Obtaining SBTi Validation for SMEs: climate change • Mirai-Yoshi step: SDGs in general • Carbon Neutral Loan, Mirai-Yoshi: climate change • Super Housing Loan, Mirai-Yoshi: climate change	
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Principle 4: Stakeholders



We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups¹¹) you have identified as relevant in relation to the impact analysis and target setting process?

☐ Yes ☒ In progress ☐ No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

<i>Response</i>	<i>Links and references</i>
Our Management Principles state that we are committed to ensuring mutual prosperity with regional communities, all employees, and the environment and have emphasized co-creation with all our stakeholders. Our long-term strategy reflects not only opinions from inside the Bank, but also the opinions of multiple outside experts obtained through stakeholder dialogues.	

¹¹ Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations

Principle 5: Governance & Culture



We will implement our commitment to these Principles through effective governance and a culture of responsible banking

5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

☐ Yes ☒ In progress ☐ No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

Response

In our Sustainability Policy, we state our commitment to strategically enhancing positive impacts while mitigating negative impacts resulting from our business activities.

Within the governance structure of the Bank, the Group Sustainability Committee, chaired by the President and CEO, reviews medium- to long-term ESG issues and monitors the status of their responses. The Sustainability Committee deliberates on sustainability strategy and targets through interdepartmental discussions, which are subsequently approved by the Executive Committee. This same governance structure is also used for monitoring.

The Sustainability Committee meets four times per year. An annual report on the PRB implementation status is submitted, which the Committee acknowledges and the chairperson supervises. If the targets are not achieved or expected to be missed, the Executive Committee reviews the timely report by the Sustainability Committee and takes necessary corrective actions. Corrective actions are considered by the department in charge in accordance with their targets, with immediate actions executed to the extent possible and continuous efforts monitored by the General Planning Department.

At Shiga Bank, eligible employees set challenging targets for themselves every six months, contributing to their performance and personal growth. Employees decide on specific targets and values by talking with their supervisors, with the recommendation that targets aim to achieve the Bank's purpose of " Making the region happy with

Links and references

'Sampo yoshi' philosophy" Target achievement is assessed every six months and impacts individual compensation.	
5.2 Promoting a culture of responsible banking: Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).	
<i>Response</i> To foster the corporate culture of a responsible bank, we have provided opportunities to learn about sustainability through job rank-based seminars, and also have held seminars related to the environment based on ISO14001, as well as semiannual seminars aimed at raising awareness of human rights, for all employees of the Group. Further, to encourage self-study, we recommend our employees participate in courses to learn about ESG finance and take relevant examinations. We also established the Diversity Promotion Committee to create a work environment in which diverse opinions are respected and everyone can unleash their abilities authentically. We are also transforming our performance evaluation system into one that assesses efforts made from a long-term perspective to address social issues in the regional communities.	<i>Links and references</i>
5.3 Policies and due diligence processes Does your bank have policies in place that address environmental and social risks within your portfolio?¹² Please describe. Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.	
<i>Response</i> In terms of policies that address environmental and social risks within our portfolio, we have established the Sustainability Policy, Environmental Policy, Policies for Biodiversity Preservation, and investment and financing policy to realize a sustainable society. We also established a new Human Rights Policy in 2025. From the Sustainability Policy to the Policies for Biodiversity Preservation, these were established as guidelines for ideas and actions to reduce the negative impacts of our business activities and continuously create positive impacts. The investment and financing policy to realize a sustainable society identifies specific impacts and has been established to increase the positive impacts of our core investment and financing business, and	<i>Links and references</i>

¹² Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.

to control and reduce negative impacts. By operating in accordance with predetermined procedures, we identify significant/salient risks and reduce risks.

Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

☒ Yes ☐ No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

☒ Yes ☐ No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

☒ Yes ☐ In progress ☐ No

Principle 6: Transparency & Accountability



We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

☐ Yes ☒ Partially ☐ No

If applicable, please include the link or description of the assurance statement.

Response The Greenhouse Gas Emissions Calculation Results and Carbon Offset Report (FY2025) referenced in this report has been assured by Socotec Certification Japan Co., Ltd.	Links and references <Greenhouse Gas Emissions Calculation Report(FY2025)> https://www.shigagin.com/pdf/ESG_GHG_missions_report_2025.pdf <APPENDIX to Independent Assurance Report> https://www.shigagin.com/pdf/ESG_GHG_VER_IAR.pdf
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6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

- ☐ GRI
☐ SASB
☒ CDP
☐ IFRS Sustainability Disclosure Standards (to be published)
☒ TCFD
☐ Other:

Response The Bank has implemented the responses to CDP since FY2015 and scored Rank B for its responses in FY2025. In addition, we declared our support of the recommendations of TCFD in July 2018 and have publicly disclosed information since FY2019. For details, see "Sustainability	Links and references <Annual Securities Report> https://www.shigagin.com/pdf/investor_yuuka_139_yuuka.pdf
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approaches and initiatives” in our Annual Securities Report, or visit our website.	
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6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis¹³, target setting¹⁴ and governance structure for implementing the PRB)? Please describe briefly.

<i>Response</i> In target setting, we will improve our financed emissions measurement results and our existing management targets and consider target setting based on our impact analysis.	<i>Links and references</i>
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6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

- | | |
|--|---|
| ☐ Embedding PRB oversight into governance | ☐ Customer engagement |
| ☒ Gaining or maintaining momentum in the bank | ☐ Stakeholder engagement |
| ☐ Getting started: where to start and what to focus on in the beginning | ☒ Data availability |
| ☐ Conducting an impact analysis | ☐ Data quality |
| ☐ Assessing negative environmental and social impacts | ☐ Access to resources |
| ☐ Choosing the right performance measurement methodology/ies | ☐ Reporting |
| ☐ Setting targets | ☐ Assurance |
| | ☒ Prioritizing actions internally |

¹³ For example outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement

¹⁴ For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

☐ Other: ...

If desired, you can elaborate on challenges and how you are tackling these: