

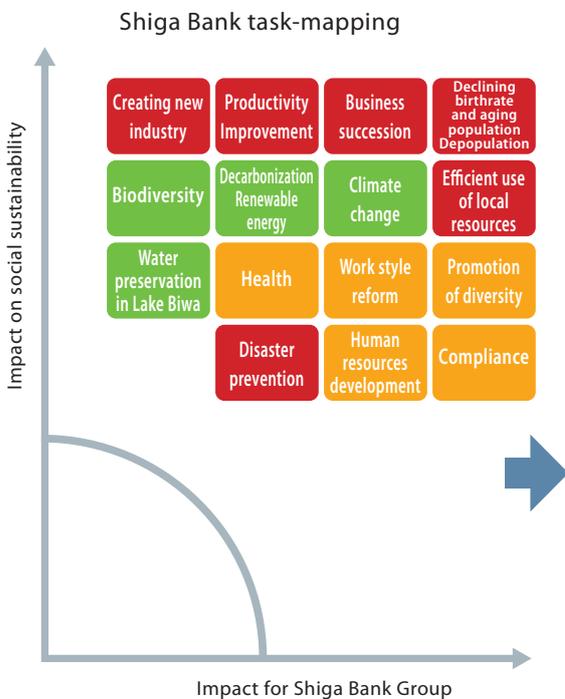
Aim for a sustainable society with a virtuous circle propelling the economy, environment and society

At the CSR Committee headed by the President, we identified priority issues to be tackled by the Bank. In November 2017, the Bank published internally and externally the Shigagin SDGs Declaration, the first for a Japanese regional bank. By connecting the Sustainable Development Goals (SDGs) proposed by the United Nations to our corporate behavior and working to resolve social issues, we will achieve a virtuous circle propelling the economy, environment and society, thereby aiming to realize a sustainable society.



Priority issues (Materiality)

After repeated discussions at the CSR Committee, we have identified priority issues.



Areas for priority action

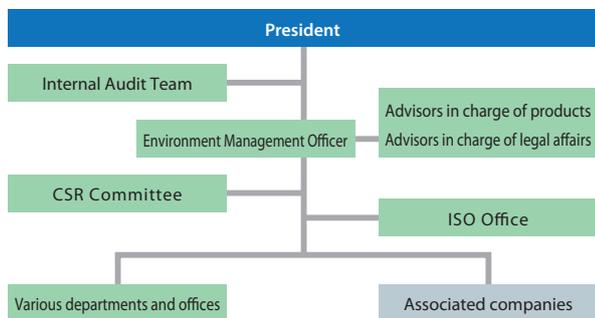
| Establishing the regional economy | Sustainability of the global environment | Training a diversified workforce |
|--|---|--|
| Creating new industry 8 DECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | Actions for climate change 1 NO POVERTY, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 13 CLIMATE ACTION | Promotion of diversity 5 GENDER EQUALITY, 10 REDUCED INEQUALITIES, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS |
| Declining birthrate and aging population / Depopulation 3 GOOD HEALTH AND WELL-BEING, 4 QUALITY EDUCATION, 8 DECENT WORK AND ECONOMIC GROWTH | Decarbonization / Renewable energy 7 AFFORDABLE AND CLEAN ENERGY, 13 CLIMATE ACTION | Work style reform 3 GOOD HEALTH AND WELL-BEING, 8 DECENT WORK AND ECONOMIC GROWTH |
| Business succession 8 DECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | Water preservation in Lake Biwa 6 CLEAN WATER AND SANITATION, 14 LIFE BELOW WATER, 15 LIFE ON LAND | Health 1 NO POVERTY, 2 ZERO HUNGER, 3 GOOD HEALTH AND WELL-BEING |
| Efficient use of local resources 7 AFFORDABLE AND CLEAN ENERGY, 8 DECENT WORK AND ECONOMIC GROWTH, 11 SUSTAINABLE CITIES AND COMMUNITIES | Protecting biodiversity 6 CLEAN WATER AND SANITATION, 14 LIFE BELOW WATER, 15 LIFE ON LAND | Compliance 5 GENDER EQUALITY, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS |
| Productivity Improvement 3 GOOD HEALTH AND WELL-BEING, 8 DECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | | Human resources development 4 QUALITY EDUCATION, 5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH |
| Disaster prevention (Creation of a resilient society) 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 11 SUSTAINABLE CITIES AND COMMUNITIES | | |



The Bank's CSR foundations

We established a CSR Committee headed by the President of the Bank for cross-organizational discussion of longer-term planning and annual initiatives in CSR.

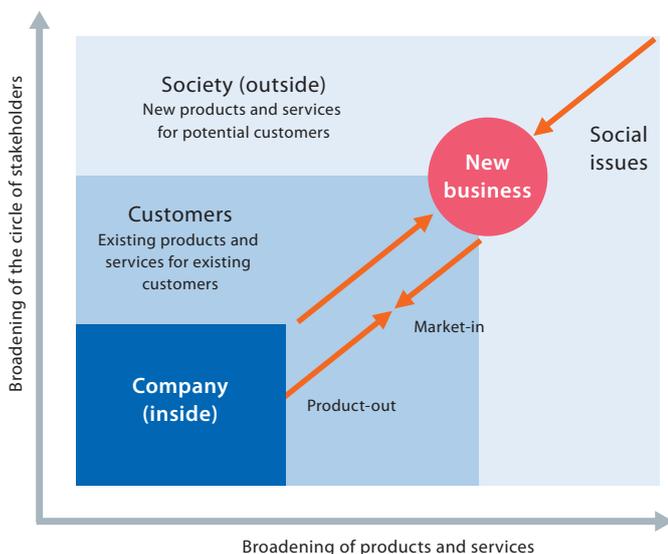
Organization Chart of Environmental Management



- Environmental policy (established in October 1999 and revised in April 2010)
<https://www.shigagin.com/csr/policy/index.html>
- Policies for biodiversity preservation (established in August 2010)
<https://www.shigagin.com/csr/policy/hozen.html>

Turning SDGs into business

The Shiga Bank believes that turning SDGs into business will drive sustainable development of regional communities. As a problem-solution type financial information services provider, the Bank will take measures to create a new, social issue-oriented business model (outside-in).



Declared support for UNEP initiative

The Shiga Bank is the only regional bank in Japan that signed the United Nations Environment Programme Finance Initiative (UNEP FI). Declaring its support for various initiatives that integrate and promote economic development and ESG (environment, society and governance), the Bank is propelling activities in line with these initiatives.



TOPICS

Land-based blowfish-farming utilizing water purification technology

The Shiga Bank provided its New Business Support Loan (SDGs Plan) to Willstage Co., Ltd. (Kusatsu City, Shiga Prefecture) as the first recipient, which has a technology utilized for purification of the Aji Pond at the Phoenix Hall of Byodoin Temple (Uji City, Kyoto Prefecture) and the Myokochi Pond at Enkakuji Temple (Kamakura City, Kanagawa Prefecture). The company also adapted this water purification technology to the challenges of the land-based blowfish-farming business, to which the Bank has provided financial support through the Shiga Sixth-Sector Industrialization Fund. This initiative contributes to the creation of a sustainable society in the form of water pollution prevention and stable supply of food, as well as job creation in the region.



Before

After

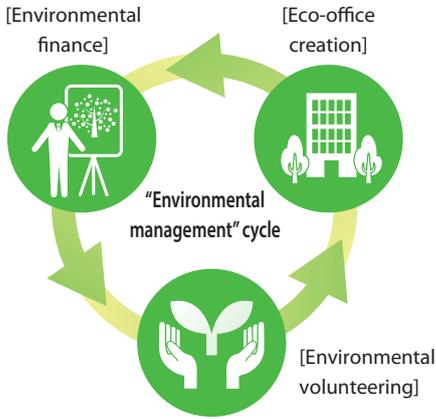


Protecting the global environment through the circulation of money —Environmental management—

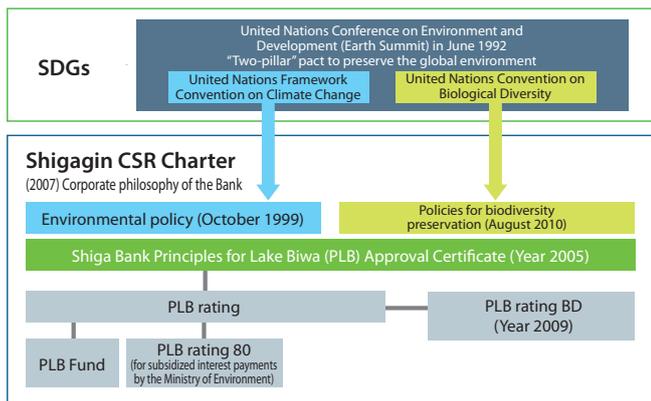
The social mission of our company, which is headquartered by Lake Biwa, is to pursue CSR based around “environmental management” which incorporates the environment in management. We are also committed to prevention of global warming and biodiversity preservation as well as building of a sustainable society.

Example of “environmental management” cycle

The Bank operates “environmental management” as a cycle in story-telling.



“Environmental finance”

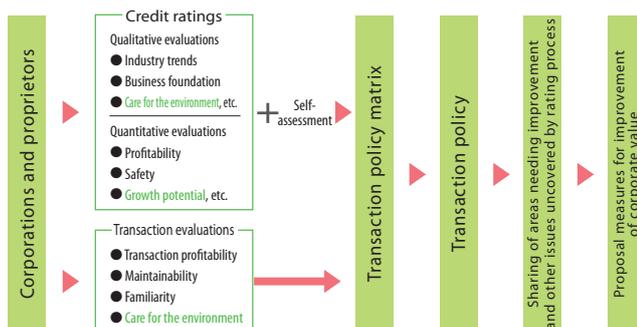


We are helping create a sustainable society through our role as a financial institution, such as development and provision of environmentally-responsive financial products and services.

Corporate credit ratings that take account of customer environmental awareness

Environmental awareness has been established as a “screening criterion” in the Bank’s “corporate credit ratings.” Customers’ environmental protection measures are reflected in these ratings.

Corporate credit ratings system



The Bank’s original environmental rating (PLB)

The Bank has established its own unique “Shiga Bank Principles for Lake Biwa (PLB)” to protect Lake Biwa and the global environment, and is enlisting support for these principles.

In addition, the Bank rates customers who have agreed with the principles of the PLB, using the “environmental rating (PLB rating)” based on the Bank’s unique evaluation standards. This is used as a tool for raising awareness of environmental management.

Customers who develop products or services that are practically useful in preserving the environment or introduce energy-saving facilities, etc. are eligible for funding under the “Principles for Lake Biwa support fund (PLB Fund).” The Bank offers a discount of up to 0.5% on annual interest rates on loans depending on degree of environmental commitment shown in the rating.

Three principles in Shigagin Principles for Lake Biwa (PLB)

- 1) We compile standards for production, marketing and services that are useful for environmental protection.
- 2) We aim to ensure environmentally-friendly corporate conduct without missing business opportunities.
- 3) We reduce environmental risk and realize a sustainable regional society.

ESG investment

With the “investment and financing to promote Sustainable Development” as a benchmark challenge under the 7th Medium-Term Business Plan, we are working to realize a sustainable society through our business operations. Proactively taking measures for ESG investment and financing, which is an investment and financing methodology focused on ESG (environment, society and governance), the Bank is promoting sustainable finance (green finance and social finance).

Looking ahead, we shall continue to engage in investment and financing that takes into account ESG considerations and SDGs while striving to enhance the profitability of assets under management, based on appropriate risk management.

Investment examples

- JICA (Japan International Cooperation Agency) bonds
- Japan Student Services Organization Bonds
- Low Carbon Japanese Equity Fund
- Private placement type green bonds
- Sustainability loans

SDGs Approval Certificate

As part of its measures to publicize and promote SDGs, the Bank redesigned CSR private placement bonds as SDGs private placement bonds in September 2018.

Having in place a mechanism under which a company wishing to issue SDGs private placement bonds is required to submit to the Bank an “SDGs Approval Certificate,” we publicize and promote SDGs and encourage customers’ efforts to resolve social issues.

Eco-office creation

The Bank is actively promoting resource and energy usage reduction in accordance with the “Shigagin environmental policy.”

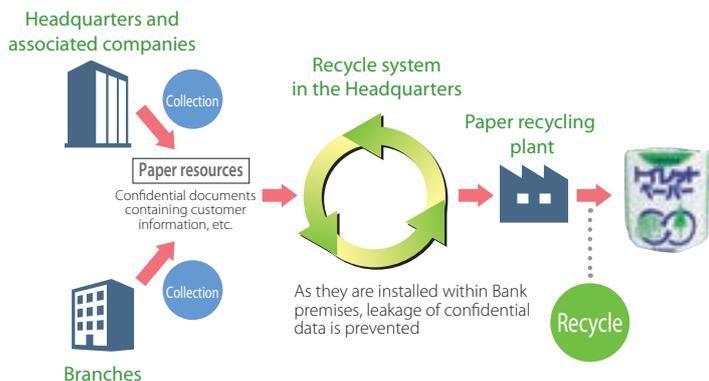
Power-saving measures

The “Shigagin Eco Style” summer campaign between May and October and winter campaign between December and March are implemented, while lighting is reduced and overtime is discouraged.

In fiscal 2016, we conducted repair works of the Headquarter administrative center installing the latest energy-saving facility and realized significant power usage reduction.

Recycle system in the Bank

We have established recycling systems within Bank premises and are taking measures to promote paper recycling and prevent data leakage.



Recommending eco-commuting

In 2011, the Bank was certified for excellence in eco-commuting. The Bank aims to raise awareness of eco-commuting in every employee, and encourages them to shift to commutation modes of low environmental impact such as trains, buses, bicycles, and walking.

Development of environment-conscious branches

We are committed to environmental protection and reduction of greenhouse-gas emission volumes through inclusion at new branches of “solar panels,” “solar street-lights,” “LED lighting,” “rainwater-harvesting equipment,” “rooftop-greening” and other measures.

Ritto Branch was opened in 2015 as a “carbon-neutral store,” which realize practically zero CO₂ emissions. We aim to raise environmental awareness among employees at our branches and the customers who use them.

Environmental volunteering

We are committed to protection of the environment and biodiversity so as to pass on to future generations the bountiful blessings that the global environment brings to us.

“Ikimonogatari” (Tales of Life) activities with a story

The Bank’s “Ikimonogatari” activities, unique to Shiga Prefecture, are all about protecting the quality of water in Lake Biwa and protecting and developing spawning grounds and reed beds to protect, nurture and release Nigorobuna fish (*carassius auratus grandoculis*) and Wataka fish (*ischikauia*), endangered species unique to the Lake, and to eliminate invading alien fish species.

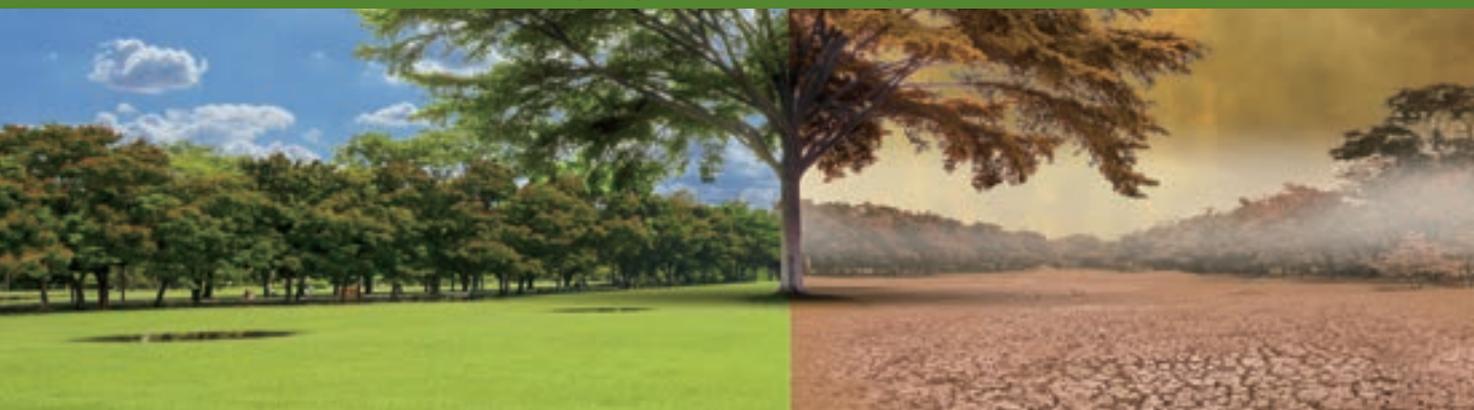


Initiatives rooted in the community

We are proactively involved in regional activities to improve the environmental awareness of employees, promote exchange among different areas and strengthen our links with the community.



Measures for climate change/global warming



Positioning “environmental management,” which incorporates the environment in management, as the essence of banking management, the Shiga Bank has engaged in “environmental finance” which involves the environment in finance, “eco-office creation” for conservation of resources and energy, and “environmental volunteering” which aims for biodiversity preservation. The Bank has also taken pioneering measures in formulating its own Environmental Policy and Environmental Targets to achieve harmonious coexistence with the environment as set out in the CSR Charter (Management Principles).

Affecting not only our economic activities but also daily life, recent climate change and other changes in the global environment have

already become a common, pressing issue to humanity. Recognizing climate change as one of the most important management issues, the Bank will contribute to the creation of a sustainable society by establishing a “virtuous circle propelling the economy, environment and society” through fulfilling its role as a financial institution. In addition, as the Bank supports the purpose of the TCFD* Proposal, it will take measures to sophisticate its information disclosure to meet recommendations by the TCFD.

* An abbreviation for Task Force on Climate-related Financial Disclosures, which was established by the Financial Stability Board (FSB) in April 2015. It calls for companies’ climate-related impact disclosures on a voluntary basis upon providing financial reporting.

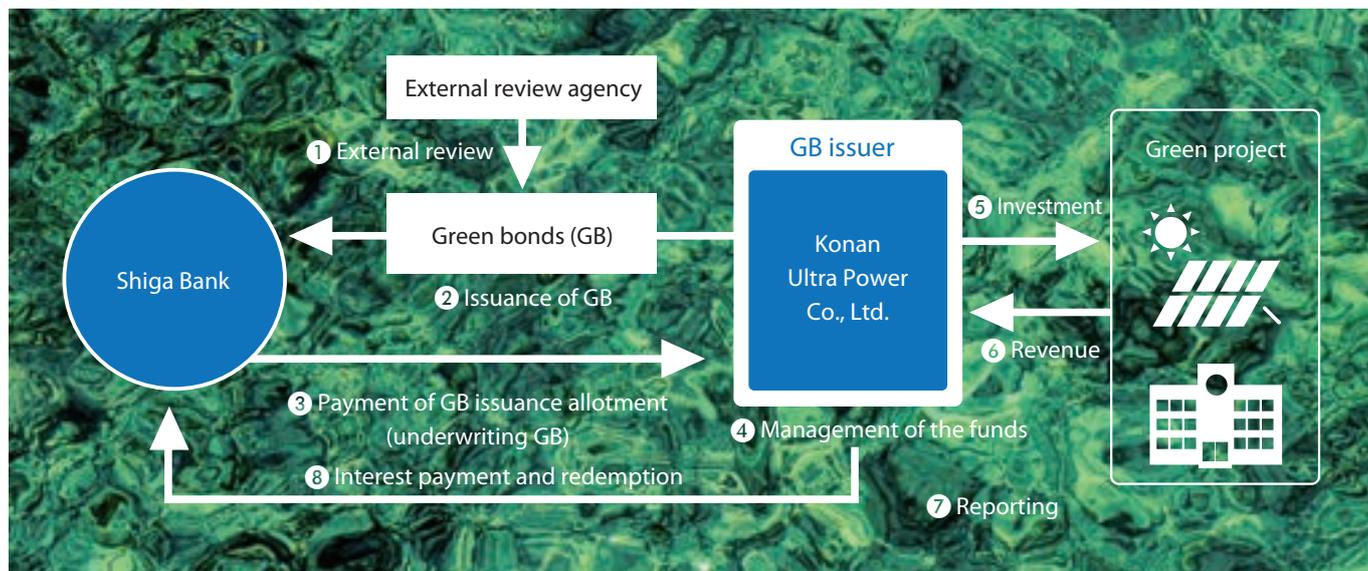
Initiatives for Task Force on Climate-related Financial Disclosures (TCFD)

| | |
|-------------------------------|--|
| Governance | <p>The Shiga Bank established a CSR Committee chaired by the President, which meets three times a year with Management Meeting members, General Managers of each department and office, and presidents of associated companies as Committee members. The Committee deliberates and decides on priority issues related to CSR of the Group, and conducts investigations and research on climate change and other environment-related issues.</p> <p>Specific activities of the Committee include determination of the Shigagin SDGs Declaration and its Materiality, formulation of the Sustainability Vision under the 7th Medium-term Business Plan, and discussion on how to respond to the TCFD.</p> <p>Looking ahead, as a response to climate change, the Bank will consider regular reporting on measures and response concerning climate change to the Management Meeting and the Board of Directors.</p> |
| Strategy | <p>While designating priority issues to be tackled by the Bank (Materiality), we formulated the Sustainability Vision (long-term vision) aiming for a sustainable society. Based on the Sustainability Vision, the 7th Medium-term Business Plan that started in April 2019 set forth “Sustainability Design Company” as our new vision and “Define a future and realize a dream” as our main theme. We uphold evolving into a problem-solution type financial information services provider that turns SDGs into business and transforms society through its businesses.</p> <p>Specifically, through promoting environmental finance and establishing a regionally recycling-oriented society (circular economy), the Bank strives for realization of a low carbon society with low greenhouse gas emissions, and ultimately a transition to a decarbonized society. In addition, we will support businesses that contribute to mitigating climate change such as renewable energy and green projects, corporate investments toward enhancing energy efficiency and infrastructure development, as well as creation of climate change-resilient regions and establishment of sustainable lifestyles.</p> <p>Going forward, we will also analyze multiple scenarios concerning risks and opportunities in climate change.</p> |
| Risk management | <p>The Bank recognizes that physical risks and transition risks stemming from climate change will deeply affect the Bank’s operation, strategy and financial planning. We will therefore establish systems for managing such risks in a framework of comprehensive risk management.</p> |
| Indicators and targets | <p>The Bank has stipulated environmental impact reduction goals as follows. (Scope 1 and Scope 2 standards)</p> <ul style="list-style-type: none"> ● Long-term indicator (by March 31, 2030): Reduce CO₂ emissions by at least 30% (compared to fiscal 2013) ● Medium-term indicator (by March 31, 2024): Reduce CO₂ emissions by 25% (compared to fiscal 2013) |

Underwriting private placement type green bonds (GB)

The Bank has underwritten private placement type green bonds worth ¥110 million issued by Konan Ultra Power Co., Ltd., an electric power company in the region. The funds raised by the bonds were allocated

to the installation of photovoltaic facilities and to the switchover to LED lighting at four local elementary schools, helping promote production and utilization of renewable energy in the region.

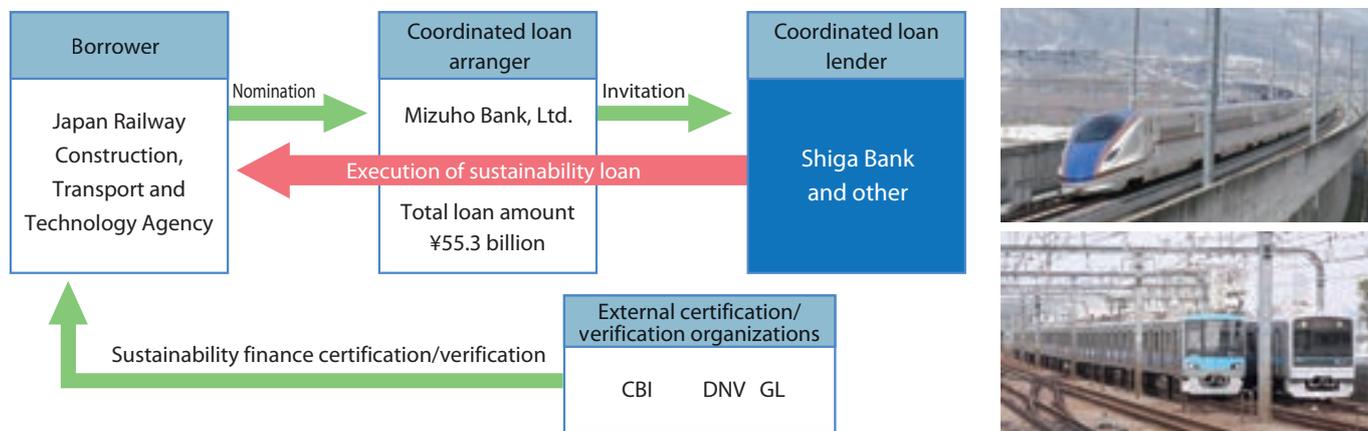


Offered financing of ¥10.0 billion as a sustainability loan

As a response to climate change, the Bank offered financing of ¥10.0 billion as a sustainability loan to Japan Railway Construction, Transport and Technology Agency (JRJT). This is an underwriting of a large-scale coordinated loan (total loan amount: ¥55.3 billion) structured by Mizuho Bank, Ltd. as an arranger. The eligibility of the loan has been verified by an international third-party evaluation agency, DNV GL,*2 and in regard

to the environmental improvement effect, the sustainability loan was the first in Japan to receive a program certification of CBI*3 known for its stringent criteria. The funds are being used for construction and maintenance of railways, which is a mass transit system with low CO₂ emissions.

Scheme diagram



Source: JRJT

*2. A third-party evaluation agency headquartered in Oslo, Norway established in 1864.

*3. An international non-governmental organization promoting large-scale investments for a low carbon society. It stipulates eligibility criteria for exhaust gas reduction, etc., with detailed numerical targets, which is said to be the most stringent criteria among related certifications.