



TOP MESSAGE



SPECIAL FEATURE



ABOUT SHIGA BANK



CHALLENGES FOR
VALUE CREATION



CHALLENGES FOR
FUTURE INNOVATION



POWER THAT SUPPORTS
VALUE CREATION

CHALLENGES FOR VALUE CREATION

CHALLENGES FOR VALUE CREATION

- 24 Value Creation Story
- 26 Risks and Opportunities
- 28 Sustainability Vision (Long-term Vision)
- 30 The 7th Medium-Term Business Plan
- 32 Dialogue - Domestic and International Conditions and
the Role of Finance on Decarbonization
Thinking about co-creation with local communities toward a
carbon-neutral society
Interlocutor: Ms. Yukari Takamura, Professor, The University
of Tokyo Institute for Future Initiatives
- 36 Measures for Climate Change/Global Warming
- 38 Principles for Responsible Banking



Value Creation Story

INPUT

(Capital to be Used)

Finance capital

- Diversified earnings structure
- Sound loan assets (fiscal year ended March 31, 2021)
Average balance of loans and bills discounted during the period ¥3,994.7 billion
Ratio of loans based on the Financial Reconstruction Act 1.75%
- Adequate Bank capital (as of March 31, 2021)
Total capital ratio (consolidated) 17.19%
- Unrealized gain on securities ranks No. 5 among regional banks in Japan (as of March 31, 2021, source: Nikkin Report)

Human capital

- Human resources who have advanced financial knowledge
- Number of employees with financial qualifications ranks high among regional banks (fiscal year ended March 31, 2021)
Number of employees with Financial Planning Grade 1 certification 212 persons
Number of employees with Financial Planning Grade 2 certification 1,257 persons
Number of Small and Medium Enterprise Management Consultants 38 persons
- Corporate culture that emphasizes regional contribution and motivation
Women managers ratio 30.42% (as of March 31, 2021)

Intellectual capital

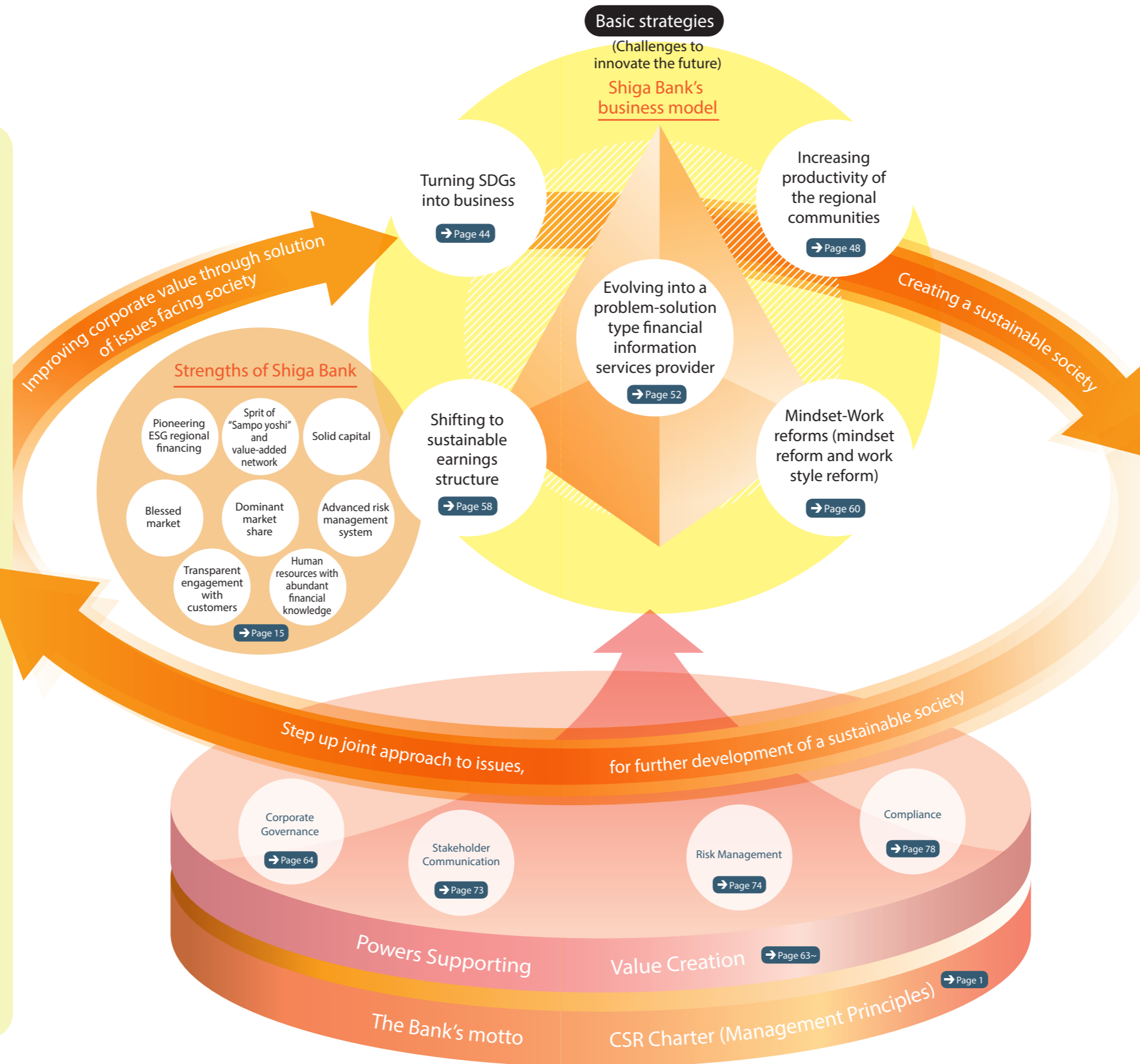
- Diversified financial methods
- Fulfilling consulting functions
Number of Ratings Communication Service clients 4,892
- Environmental management and measures for SDGs
- Responding to digitalization

Social relationship capital

- Network of branches rooted in the community
- Asia network 3 bases
- Region with a moderate rate of population decline
- Clusters of academic centers and corporate research institutes
- Regional community which carries on the "Sampo yoshi" philosophy

Natural capital

- Natural environment with rich biodiversity represented by Lake Biwa
- Concentration of National Treasures and Important Cultural Assets



OUTCOME

(Value to be provided)



Customers

- Improving profitability and productivity in the region
- Formation of assets through practical banking operations centered on the customer
- Helping businesses through a wide range of diversified solutions
- Improving convenience



Environment and society

- Creation of shared values (reconciliation of economic value and social value)
- Resolving issues facing society through our main business
- Realization of social impact
- Reduction in CO₂ emissions



Shareholders and investors

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



Employees

- Vigorous corporate Group
- Organization that helps ambitious, motivated people realize their dreams
- Ensuring a diversified approach to work and a good work-life balance
- Organization with diversity

Risks and Opportunities

Business environment Risks and Opportunities Materiality Basic strategies

Economy

- Regional economic downturn due to depopulation
- Prolonged ultra-low interest rate environment
- Economic slowdown due to COVID-19
- Expansion of ESG investment and financing
- Tightening requirements for supply chains to address climate change
- Changes in existing businesses and industrial structure
- Increase in renewable energy-related businesses

Society

- Further depopulation, low birthrate and aging population
- Accelerating rural flight and widening regional disparities
- Changes in sense of values and lifestyle
- Great leap forward made by the post-COVID generation such as the Generation Z
- Advancement in work style reform
- Prevalence of new lifestyle to adapt to COVID-19
- Responding to an unknown virus
- Tightening regulations for human rights protection
- Expanding conflict zones and widening rich-poor gap
- Rise of protectionism and populism

Environment

- Rapid social change toward achieving a decarbonized society
- Tightening regulations to meet the Paris Agreement and address climate change (implementation of carbon pricing, TCFD disclosure, revision to the CG Code, etc.)
- Regulations on waste plastics
- Escalation of natural disasters (wind and flood damage)
- Tightening regulations to protect natural capital
- Increasing social demand for caring for the environment

Technology

- Progress in digital innovation
- Diversifying cashless payment methods
- Advancements in FinTech
- Increasing penetration of 5G and 6G
- Increasing use of big data and AI
- Advancements in renewable energy-related technologies such as virtual power plant (VPP), wind power, hydrogen and ammonia

| Risks | Opportunities |
|---|---|
| <h3>Economy</h3> <ul style="list-style-type: none"> Decline in the prefectural GDP and decrease in capital needs due to an increase in discontinuance of business caused by absence of successors and other reasons Increase in outflow of deposits to other prefectures due to inheritance and other reasons as the migration of the youth from the prefecture increases Continued decrease in interest income due to ultra-low interest rate environment Increase in bad loans caused by such reasons as economic slowdown due to COVID-19 Changes in existing businesses and industrial structure | <h3>Economy</h3> <ul style="list-style-type: none"> Increase in capital needs from new business domains such as circular economy Increase in needs for new businesses and relaunching Capturing capital needs by using new financing methodologies such as sustainable finance Expansion of businesses that are related to business succession such as M&A Consulting for improving regional productivity |
| <h3>Society</h3> <ul style="list-style-type: none"> Intensifying competition for acquiring young and specialized human resources Increase in reputation risk, driven by human rights and other issues Increasing impact of geopolitical risk, conflict escalation, etc. on client companies Providing new services to meet social demands | <h3>Society</h3> <ul style="list-style-type: none"> Increase in fee business such as consulting on needs for resolving social issues Expansion of businesses that create social impact Rise of new generation as part of mainstream society; Diversifying customer needs attributable to changes in sense of values and lifestyle Development of businesses for the elderly Expansion of the human resources placement business at an associated company Offering products and services tailored to lifestyle Support for organizational management such as decent work and health and productivity management |
| <h3>Environment</h3> <ul style="list-style-type: none"> Increase in costs for achieving a decarbonized society such as those incurred for meeting the Paris Agreement and addressing climate change Increase in transition risks that cause a decrease in asset value of customers due to, among other things, regulations for greenhouse gas emissions and market trends Increase in physical risks borne by customers such as typhoons and floods Loss of economic base due to deterioration in natural capital | <h3>Environment</h3> <ul style="list-style-type: none"> Expansion of opportunities for environment-related businesses such as introduction of renewable energy, new materials and new technologies Providing solutions for environmental regulations, etc. Consulting for business transformation Providing solutions for addressing physical risks such as typhoons and floods |
| <h3>Technology</h3> <ul style="list-style-type: none"> Loss of existing business domains due to digital transformation Responding to diversifying settlement methods, such as cashless payment Intensifying competition with different industry players such as FinTech providers Homogenization of services due to intensified competition | <h3>Technology</h3> <ul style="list-style-type: none"> Providing new products with the use of digital technologies Providing diversifying settlement methods Expanding new business domains through collaboration with different industry players Streamlining business operations and implementing work style reform |

Establishing the regional economy

- Creating new industry
- Productivity improvement
- Business succession
- Efficient use of local resources
- Low birthrate and aging population/ depopulation
- Disaster prevention
- Digital

Sustainability of the global environment

- Decarbonization/ renewable energy
- Climate change
- Water preservation in Lake Biwa
- Biodiversity

Training a diversified workforce

- Developing human resources
- Compliance
- Health
- Promotion of diversity
- Work style reform

- Turning SDGs into business [→ Page 44](#)
- Increasing productivity of the regional communities [→ Page 48](#)
- Evolving into a problem-solution type financial information services provider [→ Page 52](#)
- Shifting to sustainable earnings structure [→ Page 58](#)
- Mindset-Work reforms (mindset reform and work style reform) [→ Page 60](#)

Sustainability vision (Long-term Vision)

The long-term vision of the Bank which serves as a guidepost for its business plans is based on the "vision for regional communities the Bank should aim to materialize." The reason "an ideal bank" was not used as the basis for the long-term vision is that we aimed to shift our perspective from the Bank's point of view to the point of view of society and customers. We have the following aspirations under our long-term vision.

Work first from the sustainable prosperity for the regional community

As a community-based regional financial institution, we believe that our development is predicated on the sustainability and sound prosperity of the regional community in which we operate. Based on the recognition that the Bank's development is unattainable without the development of the region, we believe that the Bank can only be sustainable if we are working towards sustainable prosperity for the regional community.

Attach importance to social impact produced by ESG finance

With growing awareness of the SDGs and the Paris Agreement, there has been increasing interest in the importance of the social impact of finance on the environment and society. The Bank started off by indicating the "vision for regional communities the Bank should aim to materialize," clarified the social impact we should create, and then took a backcasting approach to formulate our medium-term business plan.

Aim to achieve the long-term vision through three milestones

To achieve our long-term vision, we have set the Milestones for 2030 from three perspectives: economic, environmental, and people. Through initiatives to achieve these milestones, we will create a social impact and realize a society where everyone can define their future and live happily.

Take on the challenge of achieving more ambitious targets

Of the three items of the Milestones for 2030, we revised two items, for which we had already achieved SD targets set forth in the 7th Medium-Term Business Plan (see Page 31), i.e., interim performance indicators, in June 2021. By setting ambitious, more difficult-to-achieve targets, the Shiga Bank Group will make all-out efforts to achieve its long-term vision.

| Item | Before revision | After revision |
|---|-----------------------|--|
| Reduction in greenhouse gas emissions (compared to fiscal 2013) | Reduce by 30% or more | Reduce by 75% or more Achieve "Shiga CO ₂ Net Zero**" by 2050 |
| Activities for promotion and improvement of SDGs and financial literacy; training of next-generation workforce (total number of participants) | 10,000 persons | 30,000 persons |

* An initiative to reduce CO₂ emissions in Shiga Prefecture to virtually zero. Shiga Prefecture plays a central role in promoting this initiative in cooperation with various entities, including prefectural residents and businesses.

● Linking the economy, environment and people (integrated development)

Milestones for 2030 (Target 2030)

Establishing the regional economy



Investment and financing to promote Sustainable Development
New investment and financing for a cumulative total of **¥1 trillion**

Sustainability of the global environment



Reduction in greenhouse gas emissions by **75% or more** (compared to fiscal 2013)
Achieve "Shiga CO₂ Net Zero**" by 2050

Training a diversified workforce



Activities for promotion and improvement of SDGs and financial literacy; training of next-generation workforce
Aim to target at **30,000 persons**

We create and reconcile the twin imperatives of economic value and social value through the three benchmark challenges, and achieve sustainable development of regional communities.

Sustainability vision (Long-term Vision)

Unchanging spirit

The Bank's motto: Be tough on ourselves, kind to others and serve society
CSR Charter: Mutual prosperity with the regional communities, all employees, and environment

Vision for regional communities that the Bank should aim to materialize

A society where everyone can define their future and live happily

—Realization of sustainable society through co-creation with the community—

Backcasting (Examining issues that need to be addressed)

MTBP

MTBP

7th MTBP

The Bank The 7th Medium-Term Business Plan Next business term and thereafter



The 7th Medium-Term Business Plan

Outline of the plan and progress in year two

Our vision is to plan and create sustainable development of the region and customers. Two years have passed since we launched our 7th Medium-Term Business Plan to achieve this vision. We have taken up the challenge of achieving five Sustainable Development targets ("SD targets") over a period of five years. The implementation status of such initiatives is outlined below.

In reduction in greenhouse gas emissions, we reduced emissions by 42.07% compared to levels in fiscal 2013 and achieved this SD target ahead of schedule. This was made possible by the reduction of energy consumption through large-scale renovations, consolidation of branches through the branch initiatives and the reduction of the workload through productivity improvement measures including operation reforms.

In addition, in activities for promotion and improvement of SDGs and financial literacy and the training of next-generation workforce, we exceeded our SD targets by proactively developing human resources and implementing lecture activities both inside and outside of the Bank through web-based online distribution with behavioral constraints due to the coronavirus outbreak.

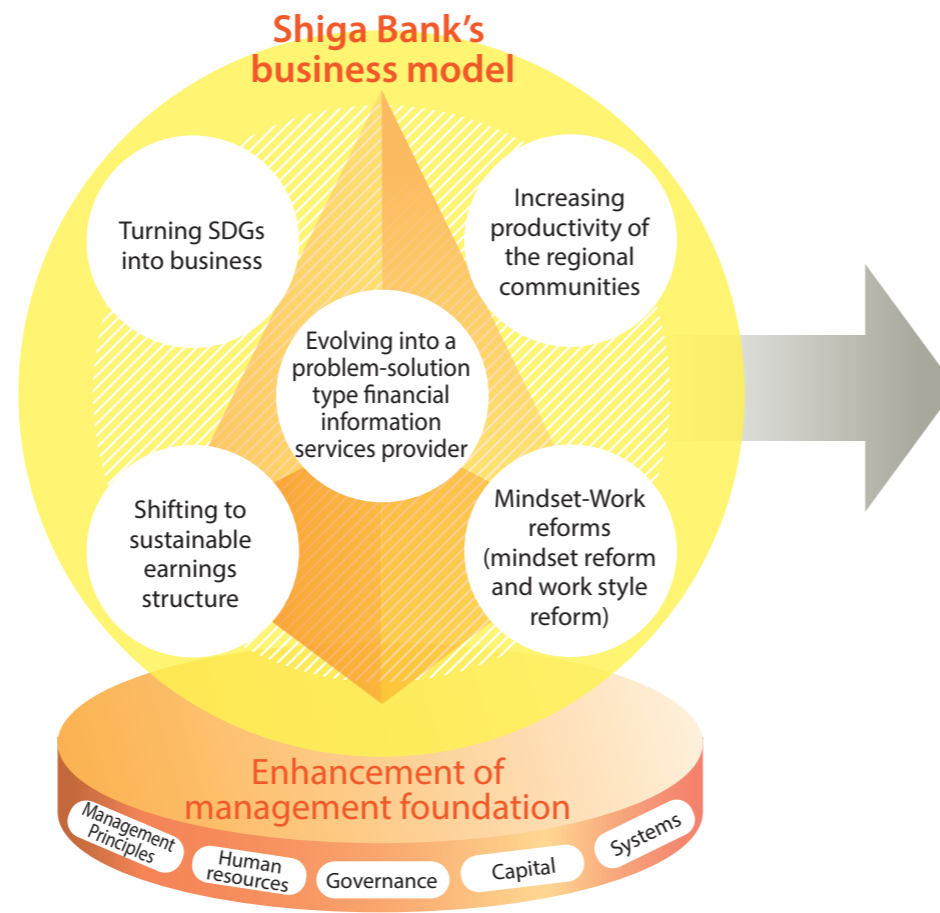
In investment and financing to promote Sustainable Development, support for value improvement of regional customers and support for asset formation of regional customers, we moved forward with initiatives by providing support through caring and detailed dialogue with customers that only regional financial institutions can provide using digital tools, such as a membership web service for business operators Shigagin Big Advance, while being affected by the coronavirus outbreak. As a result, we have generally made good progress overall.

Upward revision of SD targets

In June 2021, we revised four benchmark challenges, investment and financing to promote Sustainable Development; support for value improvement of regional customers; reduction in greenhouse gas emissions; and activities for promotion and improvement of SDGs and financial literacy; training of next-generation workforce, to further deepen our initiatives.

While continuing to pursue higher targets, we will move step by step to achieve our vision, becoming a Sustainability Design Company.

| Item | Before revision | After revision |
|--|--|--|
| Investment and financing to promote Sustainable Development | 500.0 billion yen | 700.0 billion yen |
| Support for value improvement of regional customers | 2022: 850 requests 2024: 1,000 requests | 2022: 1,500 requests 2024: 2,000 requests |
| Reduction in greenhouse gas emissions (compared to fiscal 2013) | 25% reduction | 50% reduction |
| Activities for promotion and improvement of SDGs and financial literacy; training of next-generation workforce | 5,000 persons | 15,000 persons |



Progress in benchmark challenges

| | Results by year two | Comments | |
|------------|---|--|--|
| SD targets | Investment and financing to promote Sustainable Development (cumulative total of new investment and financing) New target: 700.0 billion yen Result: 337.3 billion yen (Cumulative total) | We successfully achieved steady results as a result of the launch of Shigagin Sustainability Linked Loan as well as our efforts such as engaging in dialogue with customers through the Ratings Communication Service. | |
| | Support for value improvement of regional customers (number of requests for consultation per year) New target: 2022: 1,500 requests 2024: 2,000 requests Result: 1,275 requests | As a result of our efforts to implement our goal-based support based on a customer-oriented perspective (market-in), we increased the number of consultations on trust business launched by the Bank itself, human resources placement, and IT consulting. | |
| | Support for asset formation of regional customers (balance of assets under custody "investment trust + financial instruments intermediary") Target: 2022: 220.0 billion yen 2024: 300.0 billion yen Result: 190.7 billion yen | We provided customers with meticulous support even during the stock market downturn caused by the coronavirus outbreak by restructuring our system for promoting assets under custody. Such efforts led to an increase in assets under custody during the phase of market recovery. | |
| | Reduction in greenhouse gas emissions (compared to fiscal 2013) New target: 50% reduction Result: 42.07% reduction | Energy consumption reduced through the renovation of the entire administrative center within the Head Office undertaken in the past and consolidation of branches by implementing the branch initiatives. The reduction was substantial, partly due to a reduction in the emission factor for electricity. | |
| | Activities for promotion and improvement of SDGs and financial literacy; training of next-generation workforce (total number of persons participated in training, etc.) New target: 15,000 persons Result: 8,338 persons | In year two, with restrictions on our activities due to the coronavirus outbreak, 2,923 persons participated in our activities and training provided through such means as web-based online seminar. | |
| | Revenue targets | Net income attributable to owners of parent (consolidated) Target: 10.0 billion yen or more Result: 11.4 billion yen | Although the interest rate environment remains challenging, we successfully secured a revenue level exceeding our target, partly as a result of an increase in loans due to the novel coronavirus support financing, declines in interest rate levels abroad, and an increase in fees and commission income. |
| | | Income from services for customers Target: 2022: 2.0 billion yen 2024: 3.0 billion yen Result: 2.9 billion yen | Despite being slightly affected by declines in deposit and loan yields, net income from services for customers exceeded the target level, reflecting steady growth in service revenues, such as financing-related fees and commissions from assets under custody. |
| | | ROE (consolidated) Target: 5.0% or more Result: 2.62% | Our ROE declined to the 2% range amidst the continued challenging revenue environment. We will work to restructure our business model to achieve more efficient business operations. |
| | | OHR Target: Less than 65% Result: 75.40% | OHR was high partly due to expenses recorded for the system renewal for next-generation core systems, although our efforts, such as the branch initiatives, have had some beneficial effects on improving productivity. |
| | Long-term benchmark challenges | | |



Dialogue Dialogue - Domestic and the Role of Finance Thinking about Co-creation for a Carbon-

International Conditions and in Decarbonization with Local Communities neutral Society

Professor, The University of Tokyo Institute for Future Initiatives
Yukari Takamura

President of The Shiga Bank, Ltd.
Shojiro Takahashi

The world is making rapid progress in dealing with global warming and climate change. In October 2020, the Japanese government declared that Japan would become carbon neutral, with a target of net-zero GHG emissions in 2050. In May 2021, the revised Act on Promotion of Global Warming Countermeasures was enacted, specifying this goal. The government has set a target of reducing GHG emissions by 46% from the fiscal 2013 level by fiscal 2030, and has positioned “green and digital” as the cornerstones of economic growth.

Efforts to realize a decarbonized society are accelerating in many fields related to our lives and the economy. Ms. Yukari Takamura, Professor of The University of Tokyo Institute for Future Initiatives, was appointed as chair of the Central Environment Council, a body that discusses environmental policies and communicates opinions to the government, in February this year. She joined us for an interview with the Bank’s President Shojiro Takahashi on the topic of domestic and international conditions and the role of finance in decarbonization.

The decarbonization declaration that turned the tide

Takahashi Thank you for joining me today. Ms. Takamura, you have held various key positions in the government. What do you think is the significance of setting a carbon-neutral target for 2050?

Takamura Many companies say that the government’s declaration of commitment to carbon neutrality has turned the tide. The government made it clear that Japan would be transitioning to a decarbonized society and set out the targets to be achieved. This was significant in that it led to a huge step forward in initiatives for becoming a decarbonized society. For example, companies saw it as a new business

opportunity and began to actively invest in carbon reduction. The declaration has also a tremendous impact on energy policies. Eighty-five percent of Japan’s greenhouse gas is CO₂ emitted from energy use. We need to have a fundamental rethink about energy.

Takahashi I could not have imagined a year ago that such a big change would happen so suddenly and that things would progress so quickly. As changes continue to take place globally and at the center of society, we as local financial institutions need to think carefully about how they will affect local SMEs and the local economy. Up to now, we have been telling people that the era of decarbonization is coming, but from now on, we need to tell them, “How will you realize decarbonization? If you don’t, you will be left behind the competition.” We also have a data center. Since the financial industry consumes more electricity than the sectors such as the service industry, we are currently considering the introduction of locally-generated electricity and renewable energy. While explaining our efforts, I think it is necessary to deepen the understanding of local residents that our decarbonization efforts are not a cost, but an investment for the future.

In addition, the Financial Services Agency has revised its corporate governance code to require information disclosure in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and central government agencies are discussing carbon pricing. However, the current situation is that small and medium-sized companies do not have that level of awareness.

Takamura It is said that only about 200 listed companies are fully compliant with TCFD standards, so there are still many issues to be addressed. However, the trend will undoubtedly move in the right

direction in the future as investors, shareholders, and business partners work together. I also believe that even if local companies do not disclose the same level of information, they will be able to grasp the amount of their emissions and will be encouraged to reduce them. In addition, the Green Growth Strategy formulated in December 2020 states that carbon pricing, which contributes to growth, should not be regarded as taboo. Currently, the Ministry of the Environment and the Ministry of Economy, Trade and Industry are considering introducing a carbon tax, emission reduction credit transactions, and so on, and they agree that it is important to price carbon and give a signal.

Carbon neutrality in regional communities

Takahashi I feel that having the discussion of carbon pricing on the table is a big change in itself. We have been focusing on environmental finance for a long time. Actually, we launched a financial product with the idea of carbon pricing, “Carbon Neutral Loan, *Mirai-Yoshi*” in April 2007. It was designed to promote the introduction of natural energy and preserve the environment and the ecological system of Lake Biwa. If a solar power generation system or other system is installed through the use of our environment-friendly loan products, we estimate the reduced amount of GHG emissions and convert it into a monetary value based on the emission trading price. We contribute the funds to a project to protect, nurture, and release *nigorobuna* fish (*carassius auratus grandoculis*) and *wataka* fish (*ischikauia*), species that are unique to Lake Biwa. The *nigorobuna* fish released can be identified by staining the otoliths of the inner ear with a special dye. So, they can be captured after a certain period of time to allow their breeding status to be studied. If the positive aspects for companies and society

of our efforts to decarbonize can be recognized, even if only a little, it will be easier for us to explain, and our business partners will be more convinced.

Takamura You have been visualizing the value of carbon reduction for more than ten years. The first issue in promoting net-zero CO₂ emissions is cost. The cost of generating electricity from renewable energy sources has fallen considerably worldwide. In Japan, solar power generation costs have fallen by 63% over the past decade. Of course, there are issues to be resolved, such as how to connect to the power grid and how to deal with decreases in the output of solar and wind power. However, the government will work out the issues and implement policies to reduce the costs of renewable energy as much as possible. The introduction of renewable energy is also a positive thing for the regional communities. For example, if you purchase from a local power company, the money will circulate in the community. If you generate electricity by yourself and use it, you can also save on your electricity bill.

I also believe that climate change measures can be made to be positive rather than simple costs. Zero Energy Homes (ZEH) can lower energy costs by reducing utility bills through high insulation. It makes it easier to maintain a constant temperature in the house and is effective in dealing with heat shock. If you have a storage battery, you can use electricity during a disaster. A typical example is housing, which involves various industries such as architecture and home electronics and has a large economic ripple effect. If this kind of information is communicated to residents by local financial institutions when they provide loans for home purchases, I think that the loans will generate a variety of benefits for the community.

Thinking about Co-creation with Local Communities for a Carbon-neutral Society



Takahashi Global companies are leading the way in decarbonization efforts, but I believe that the demand for decarbonization will increase not only for their own efforts but also for their supply chains. Shiga Prefecture ranks first in Japan in terms of the percentage of its gross prefectural product accounted for by secondary industry, and there are many local companies associated with global companies. I believe that this will have a significant impact.

When I exchanged greetings at the beginning of this year via the web with a manager of a global company in the Kansai region, I was asked about their decarbonization efforts and how subcontractors and related companies should be dealt with in the future. I explained that the first step is to accurately understand the positive and negative impacts of the arrival of a decarbonized society on business and to start specific initiatives that will lead to business opportunities while minimizing risks. At the same time, many of our business partners do not know what their CO₂ emissions are and how to reduce them. This reaffirmed the need for us to provide a variety of consulting services to help companies decarbonize, including ones related to resource and energy conservation. We start with a survey, and then analyze the information obtained from it so that our business partners can put it into practice themselves. I believe that such initiatives will lead to new business opportunities.

Roles of financial institutions

Takamura The realization of a decarbonized society requires a change in energy, in industry, and in the nature of cities. In order to achieve this, policies are important, and funds are also needed. We need to create a system where investments and loans are provided to those who are willing to change. In addition to climate change measures, biodiversity issues are also serious. Since the 1970s, many species have been lost and ecosystems have been destroyed, affecting our lives and economies. I believe that the role of finance is very important in creating businesses that will change this society and in providing funds for these businesses. In the process of changing society, new businesses will be born, and a new society will be created. New roles and business opportunities will emerge in the better regional communities of the future. Those are the kind of relationships that will exist. I believe that financial institutions are the ones who can demonstrate the need for change in their businesses from a long-term perspective.

Takahashi We have been practicing environmental management since the 1990s. We have been working on balancing the economy and the environment with the belief that we should protect the global environment not only through volunteering but also through our core business. We committed to the SDGs in November 2017, became the first regional bank to endorse the TCFD in July 2018, and became the first regional bank to start offering sustainability-linked loans (SLLs) in August 2020. SLLs are loan products that allow customers to set ambitious business goals related to SDGs and ESGs, and the loan conditions are linked to the degree of achievement. Under this system, the rationality of the targets is checked by Rating and Investment Information, Inc. (R&I), and subsequent monitoring is conducted by Shigagin Keizai Bunka Center Co., Ltd. (KEIBUN). As of the end of May this year, 9 billion yen has been spent in six projects, including those of major companies. Our goal is not to sell loans, but to solve business problems. We hope that our business partners will deepen their understanding of SDGs and ESGs, as doing so will increase their corporate value.

ESG finance and economic rationality

Takahashi We are promoting ESG finance initiatives, but there are still issues in connection with corporate philosophy and economic rationality (profitability). Recently, a manager of an overseas company that was a top ESG performer was dismissed at the request of shareholders. Ms. Takamura, what do you think about ESG initiatives and economic rationality?

Takamura That is a difficult question. ESG investments and loans are made with a focus on various points, not just profitability, but I believe there is still debate over where they will really boost earnings and corporate performance. As for climate change, companies that are properly addressing the issues have been gaining recognition in the financial markets. However, looking at individual cases, there are still issues as to whether profitability and ESG assessment are truly aligned. As a business entity, we must constantly strive to build a profitable business model while addressing ESG and sustainability issues. At the same time, I believe that it is important to change customer awareness about how society changes so that a company that addresses ESG and sustainability can also become a profitable company.

It is unfortunate that a good ESG company manager was dismissed. In individual companies, decisions are made by shareholders, and not everyone has the same ideas, but we need to think about how to create companies and businesses that can balance ESG and profitability.

Takahashi It is hard to determine profitability in environmental finance, but if we aggregate SDGs consulting, private placement bonds, and SLLs, I think the revenue is commensurate with the cost. Regional financial institutions support a variety of economic activities in the region using their customers' money. A certain level of understanding that our Bank's business is involved with customers, local issues, and environmental problems is a positive effect that is not always visible. No one can deny the contribution of companies to society. However, we always tell our clients that they should do their core business well, so if both our Bank and our clients take a stance of supporting each other, I believe it will be beneficial in the long term.



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Takamura What you have just said is very important. I thought that creating an opportunity for businesses to think about climate change, sustainability, ESG, and other issues would have the effect of incorporating regional and medium- to long-term perspectives into their business.

Toward sustainable communities

Takahashi We can offer a variety of consulting services not only on environmental issues, but also in the sense of listening to the issues of our customers. We are also exploring the possibility of solving problems in a way that can be linked to financing and the businesses we are involved in. This approach also applies to our customers. With a firm understanding of the global trend toward decarbonization, various initiatives for the future may lead to new businesses. I believe that the accumulation of these efforts will gradually grow the business from the realm of challenge to the realm of profitability.

Regional financial institutions must be able to protect their local economy. This is where the role and significance of regional banks lies. To achieve this, we need to increase the corporate value of our customers. This is why we focus on providing companionship and support to our customers. Through consulting and financing, we are working to transform businesses through digital transformation (DX) and green transformation (GX).

Takamura Regional financial institutions cannot run away from the community, which is why they are trusted by the local people. I believe that being able to conduct business based on that trust is a strength. On the other hand, the difficulty for regional financial institutions lies not only in the changes related to decarbonization, but also in the many challenges that Japan is already facing. They include a declining population and the problem of who will be responsible for the industries that support society as the population ages. With the exception of major metropolitan areas, these issues are common throughout Japan. We must face the challenge of making our communities sustainable and attractive as places to work and live.

Therefore, it is necessary to work well with local stakeholders. The same problem is faced by local governments. Regional financial institutions need to be actively involved in the formation of businesses that will help change the region by seeking ways for the region to address issues and boldly taking on challenges. The resources that regional financial institutions have are that important to the community. Unless we make good use of these resources, the region itself will not be able to survive. I think we are in that phase now.

Takahashi Local communities, local SMEs, and local governments all have their own dreams, ideals, goals, and plans for the future, and there are challenges involved in making these dreams reality. I believe that if we communicate carefully and work firmly as a problem-solution type financial information service provider with a clear vision, the road will open on its own.

In our 7th Medium-term Business Plan, implementation of which started in April 2019 and ends in March 2024, we have set forth a vision of becoming a "Sustainability Design Company." It expresses our determination to design sustainable development for the region and to become an indispensable company for it. Once a year, I visit the leaders of 19 cities and towns in Shiga Prefecture to ask them about the impact of the COVID-19 disaster, digitalization, agriculture, and the

declining birthrate and aging population. Not only municipalities, but also communities and businesses have faced a never-ending stream of challenges.

For example, there are various patterns of business succession, so we examine what is the best way for our business partners, including M&A. Working hard, we will identify needs of such as own stock succession and minority shareholders, which will lead to business opportunities for our bank.

The most important thing is to maintain a relationship where customers feel secure in entrusting their money and business partners are willing to associate with us and talk with us about various issues because they can get support when they need it.

Expectations for Shiga Bank

Takamura We are in the midst of major changes, which are affecting not only global companies, but also local SMEs that play a part in supply chains. It is important to ensure that business funds are provided for these changes, and regional financial institutions are a key player in solving local issues.

Shiga Prefecture, in particular, has the tradition of the "Sampo yoshi," a philosophy embraced by merchants in the Omi region. At the same time, it has many industries due to its high environmental awareness and favorable location. Therefore, if you cannot succeed in Shiga Prefecture, it is highly likely that you will not succeed anywhere else in Japan. In that sense, Shiga Bank's efforts will serve as an important role model for financial institutions and communities across Japan that are facing similar challenges. I would like to see your bank become a financial institution that provides financial services and solves problems with the community while still generating profits. This will be a shout out to everyone in Japan, and to everyone in the region. I hope that you will do your best.

Takahashi Thank you for cheering us on. With the spirit of creating a new community with all our stakeholders, we will continue to work steadily, and sometimes hit the accelerator.

I would like to ask you to bridge the gap between the government and the private sector for the future of a new Japan by providing policy support and information for the decarbonization of regional communities and SMEs as well as the central government and large corporations. Thank you for joining us today.

(May 31, 2021)





CHALLENGES FOR VALUE CREATION

Measures for Climate Change/Global Warming

Climate change and other global environmental changes, such as the increasing damage caused by abnormal weather, are having a major impact on economic activities and our daily lives. These changes have already become a significant risk to all humanity. Under these circumstances, governments and companies worldwide are accelerating their efforts to shift to a decarbonized society by reviewing their social and economic structures, which are dependent on fossil fuels.

Recognizing climate change as one of our most important management issues, the Bank will strive to create a sustainable society by establishing a “virtuous circle propelling the economy and environment forward” by fulfilling its role as a financial institution.

The Bank also supports the TCFD* Proposal, and it will take measures to enhance the sophistication of its information disclosure to meet recommendations by the TCFD.

* An abbreviation for Task Force on Climate-related Financial Disclosures, established by the Financial Stability Board (FSB) in 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

The Shiga Bank has established the Sustainability Committee, which is chaired by the President. The Committee 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 members deliberate on policies and plans for addressing risks and taking advantage of opportunities in connection with medium- to long-term ESG issues, including climate change issues.

Specific activities of the Committee include the identification of the Materiality, development of the Sustainability Vision, and discussion on how to respond to the TCFD.

Looking ahead, the Bank will regularly report on measures and responses concerning climate change to the Management Meeting and the Board of Directors.

Strategy

While designating priority issues to be tackled by the Bank (Materiality), we formulated the Sustainability Vision (Long-term Vision), with the aim of establishing 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.

The Bank established the Sustainability Policy in October 2020. To create a new structure, we have established the Sustainable Strategy Office in the General Planning Department and a dedicated team for ESG finance in the Business Promotion Department.

Specifically, we are working to promote environmental finance to realize a decarbonized society and a circular economy and to strengthen community-based consulting. 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.

Furthermore, we will review the risks and opportunities that climate change presents through multiple scenario analyses. In fiscal 2020, we were selected by the Ministry of the Environment as a recipient of the “Climate Risk / Opportunity Scenario Analysis Pilot Program Support Project (for financial institutions) in line with TCFD recommendations.” We researched methods for analyzing physical risks and transition risks associated with climate change. We will continue to narrow down the conditions and work toward analysis and publication.

Risk Management

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.

Indicators and targets

The Bank has stipulated environmental impact reduction goals as follows.

(Scope 1 and Scope 2 standards)

● Medium-term indicator (by March 31, 2024)

Reduce CO₂ emissions by 50% (compared to fiscal 2013)

● Long-term indicator (by March 31, 2030)

Reduce CO₂ emissions by at least 75% (compared to fiscal 2013)

Achieve “Shiga CO₂ Net Zero”* in 2050

* An initiative to reduce CO₂ emissions in Shiga Prefecture to net zero. Shiga Prefecture plays a central role in promoting this initiative in cooperation with various entities, including prefectural residents and businesses.



TOP MESSAGE



SPECIAL FEATURE



ABOUT SHIGA BANK



CHALLENGES FOR VALUE CREATION



CHALLENGES FOR FUTURE INNOVATION



POWER THAT SUPPORTS VALUE CREATION

Approaches to scenario analysis in line with TCFD recommendations

With growing concerns about the impact of climate change on corporate management and financial systems, moves are underway to require scenario analysis and disclosure of the results. Scenario analysis refers to assessing the financial impact on the company by setting multiple future scenarios that assume an increase in natural disasters, changes in the business environment toward decarbonization, etc.

The financial impact on regional financial institutions as assessed using scenario analysis could be said to be equivalent to the impact on the local economy of climate change. That is, each of us should be aware of climate risks and opportunities. Adapting to climate change will enhance the resilience of the local economy and our bank.

Based on this recognition, the Bank was selected to participate in the "Climate Risk / Opportunity Scenario Analysis Pilot Program Support Project (for financial institutions) in line with TCFD recommendations"

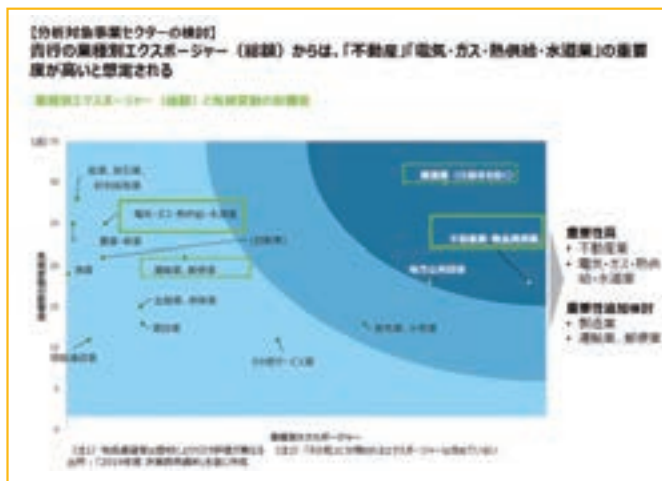
implemented by the Ministry of the Environment in fiscal 2020 to accumulate knowledge and know-how on scenario analysis.

Under the guidance of experts, the support project conducted the analysis using sample data on (i) risks materiality assessment, (ii) scenario group definition, (iii) qualitative business impact assessment, (iv) quantitative assessment of transition risk, and (v) quantitative assessment of physical risk based on the Bank's industry-specific exposure and regional characteristics. We shared the basic knowledge and know-how needed to conduct full-scale scenario analysis in the future with management and other related departments.

We will continue to conduct scenario analysis for transparent information disclosure and promote initiatives to address climate risks and opportunities to contribute to the resilience of our customers and local communities.

Examples of materials used in the support project

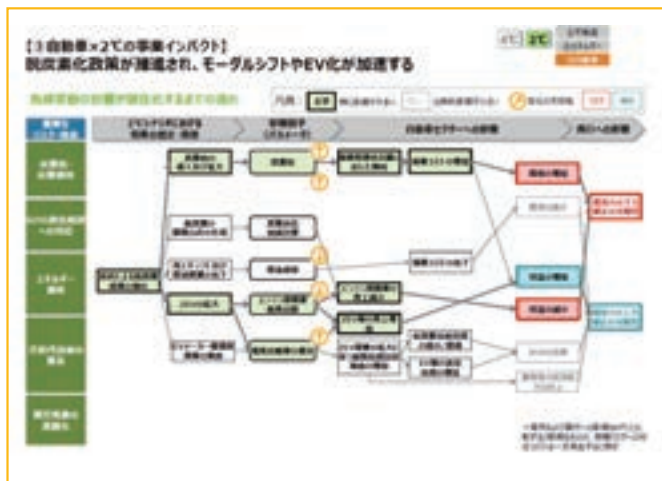
Partly excerpted from "Practical Guide for Scenario Analysis in Line with the TCFD Recommendations (Banking Sector)" by the Ministry of the Environment.



We reviewed the industries to be analyzed for transition risk from our industry-specific exposure.



We analyzed the possible future social changes in the target industries under the 2°C and 4°C scenarios.



We organized and reviewed the financial impact of the transition risk for each industry.



Using the sample data, we reviewed how the increased flood risks due to the increase in abnormal weather would affect companies in the prefecture.



Principles for Responsible Banking

In February 2020, we became the first regional bank in Japan to sign the Principles for Responsible Banking (the "PRB"), which was drafted by the United Nations Environment Programme Finance Initiative (*UNEP FI) and launched in September 2019. Together with more than 230 other signatory banks, we have been practicing finance with sustainability at the core of business.

The PRB provide 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.

Initiatives during the first year

The PRB require signatory banks to disclose their progress in following the Principles. Specifically, signatories are required to publish the first report and self-assessment regarding the Principles within 18 months of signing, and annually thereafter, and to conduct an impact analysis, set and implement targets, and achieve accountability within four years.

Based on the recognition that "the Bank's development is unattainable without the development of the region," we are committed to environmental management that helps protect the global environment through the circulation of money. In fact, the Bank has pioneered

environmental initiatives and is certified as an Eco-First Enterprise by the Ministry of the Environment. After signing the PRB, we have further strengthened our efforts toward the development of sustainable regional communities. Our progress outlined in the first report is as follows:

Ripple effects of social impact



*The United Nations Environment Programme Finance Initiative (UNEP FI)

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. The Bank signed the UNEP FI in 2001, a first for a commercial bank in Japan.

| Reporting and Self-Assessment Requirements | High-level summary of bank's response | Reference(s)/Links to details of bank's full response/relevant information |
|--|--|---|
| 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 (SDGs), the Paris Agreement, and relevant national and regional frameworks. | | |
| 1.1 An overview of our banking business, including major customer segments in key regions where it operates, the products and services it offers, the sectors and projects it finances, and in some cases, technologies. | The Bank, as a regional bank in Japan, operates business mainly in Shiga Prefecture. We provide products and services, with financial intermediary at the core, primarily to customers in the region, including individuals, SMEs, and local governments. Of the loans outstanding totaling about four trillion yen as of the end of March 2021, domestic borrowers account for approximately 99.7%. Of the loans extended to domestic borrowers, corporate customers account for 74.5% and consumers 25.5%. | Page 15 of this report (Strengths of Shiga Bank) |
| 1.2 Describe how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Agreement, and relevant national and regional frameworks. | In its Sustainability Vision, the Bank is committed to creating "a society where everyone can define their future and live happily" as a goal for regional communities, which is aligned with the goals expressed in SDGs and the Paris Agreement. To achieve the goal, we have set out specific benchmark challenges in our Medium-Term Business Plan. In October 2020, we formulated the Sustainability Policy," which sets out our basic policies for realizing a sustainable society, and revised the existing Environmental Policy, 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. In July 2018, we declared our support for the Task Force on Climate-related Financial Disclosure (TCFD) and have since taken measures to meet its recommendations. | Page 28 of this report (Sustainability Vision) Page 12 of this report (Sustainability Policy) Page 36 of this report (Measures for Climate Change and Information Disclosure in Line with TCFD Recommendations) |



TOP MESSAGE



SPECIAL FEATURE



ABOUT SHIGA BANK

CHALLENGES FOR
VALUE CREATIONCHALLENGES FOR
FUTURE INNOVATIONPOWER THAT SUPPORTS
VALUE CREATION

| Reporting and Self-Assessment Requirements | High-level summary of bank's response | Reference(s)/Links to details of bank's full response/relevant information |
|--|--|---|
| 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. | | |
| <p>2.1 Impact Analysis</p> <p>Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfills the following elements:</p> <p>a) Scope: 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 scope of the analysis.</p> <p>b) Scale of Exposure: In identifying its areas of most significant impact, the bank has considered where its core business/ its major activities lie in terms of industries, technologies and geographies.</p> <p>c) Context & Relevance: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates.</p> <p>d) Scale and Intensity/Salience of Impact: In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the Bank's activities and provision of products and services.</p> <p>Engage relevant stakeholders in the analysis under elements c) and d)</p> <p>Show that building on this analysis, the bank has</p> <ul style="list-style-type: none"> ● Identified and disclosed its areas of most significant (potential) positive and negative impact ● Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts | <p>We have identified Materiality (priority issues) in view of the social needs as expressed in SDGs and the Paris Agreement, as well as the expectations and requests to regional financial institutions from stakeholders, and have also defined the following three areas for priority action over the medium- to long-term based on our CSR Charter (our Management Principles):</p> <ol style="list-style-type: none"> (1) Establishing the regional economy (2) Ensuring sustainability of the global environment (3) Training a diversified workforce <p>To achieve SDGs and the goals of the Paris Agreement, people and companies from across all sectors need to transform their behaviors. As the bank representing 48% or more of overall loans in Shiga Prefecture and thereby having a certain degree of impact on the economy of the prefecture, we believe we can contribute to realizing a sustainable society by making continuous efforts to drive behavioral transformation in the regional communities. We are now studying impact analysis and intend to announce what initiatives and measures to take based on the results of the analysis.</p> | <p>Page 26 of this report (Risks and Opportunities)</p> <p>Page 28 of this report (Sustainability Vision)</p> |
| Publicize verification results and statements as a signatory bank to determine whether it meets the requirements for Impact Analysis. | | |
| <p>We have identified the areas for priority action over the medium- to long-term by taking into account a range of factors, including the social needs as expressed in SDGs and the Paris Agreement, expectations and requests to regional financial institutions, and the potential impact of our activities on the regional communities. We have attached importance especially to environmental initiatives due in part to the environmentally conscious characteristics of the regional communities.</p> | | |
| <p>2.2 Target Setting</p> <p>Show that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound SMART targets, which address at least two of the identified "areas of most significant impact," resulting from the bank's activities and provision of products and services.</p> <p>Show that these targets are linked to, drive alignment with, and have made a great contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.</p> <p>Show that the bank has analyzed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society's goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.</p> | <p>In our Sustainability Vision, we have set three milestones as benchmark challenges, which are aligned with the areas for priority action, to realize the vision of the regional communities. Of these milestones, we raised the targets for the following two in June 2021 in view of our progress against the benchmark and the growing need to urgently address climate change: "Reduction in greenhouse gas emissions" and "Activities for promotion and improvement of SDGs and financial literacy, and Training of next-generation workforce."</p> <p><Milestones for 2030></p> <ol style="list-style-type: none"> (1) Establishing the regional economy Investment and financing to promote Sustainable Development New investment and financing for accumulative total of ¥1 trillion (2) Ensuring sustainability of the global environment Reduction in greenhouse gas emissions by 75% or more (vs. fiscal 2013) Achievement of "Shiga CO₂ Net Zero" emissions by 2050 (3) Training a diversified workforce Activities for promotion and improvement of SDGs and financial literacy; training of a next-generation workforce Aim to target at 30,000 persons | <p>Page 28 of this report (Sustainability Vision)</p> |
| Publicize verification results and statements as a signatory bank to determine whether it meets the requirements for goal-setting. | | |
| <p>We have assessed what impact we should have on the regional communities to achieve their vision and have set three milestones towards that vision. In addition, we have examined the validity of the set targets through Impact Analysis and intend to review and revise these targets as needed.</p> | | |



| Reporting and Self-Assessment Requirements | High-level summary of bank's response | Reference(s)/Links to details of bank's full response/relevant information |
|--|--|--|
| <p>2.3 Plans for Target Implementation and Monitoring</p> <p>Show that your bank has defined actions and milestones to meet the set targets.</p> <p>Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.</p> | <p>We have been managing three milestones as our benchmark challenges as part of the 7th Medium-Term Business Plan of five years and have disclosed our progress against these milestones. In addition, we have set annual targets, as the Group-wide targets for retaining the ISO 14001 certification, which are incorporated into the activities of each department and affiliate, while each department and affiliate has set its own implementation plan. The Sustainability Committee, which normally meets three times a year, monitors progress as part of the PDCA cycle we have developed over the years.</p> <p>The Sustainability Committee also deliberates on matters related to monitoring and revision of the targets set and the status of initiatives implemented by each department based on the Sustainability Policy, and refers/reports these matters to the Board of Directors and the Management Meeting depending on the content of such matters.</p> | <p>Page 30 of this report (The 7th Medium-Term Business Plan)</p> <p>Page 64 of this report (Corporate Governance)</p> |
| <p>Publicize verification results and statements as a signatory bank to ensure that requirements are met for the implementation of objectives and monitoring plans.</p> | | |
| <p>We have set targets towards achieving the milestones, which are part of our activities to meet the 7th Medium-Term Management Plan and retain the ISO 14001 certification, and have also formulated an implementation plan. The Sustainability Committee monitors progress against the milestones, and has disclosed the results of the monitoring after referring/reporting the results to the Board of Directors and the Management Meeting.</p> | | |
| <p>2.4 Progress on Implementing Targets</p> <p>For each target separately:</p> <p>Indicate that the Bank has implemented what it should have done to achieve the target set.</p> <p>Or explain why actions were not taken or did not need to be changed, and how banks are changing our plans to achieve our goals.</p> <p>Report on your bank's progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)</p> | <p>We have disclosed our progress against the milestones and the benchmark challenges in the 7th Medium-Term Business Plan. In June 2021, we reviewed and revised the set targets to strengthen our sustainability efforts.</p> | <p>Page 28 of this report (Sustainability Vision)</p> <p>Page 30 of this report (The 7th Medium-Term Business Plan)</p> |
| <p>Publicize the results of the review and statements of the signatory bank to determine whether it meets the requirements for progress toward goal-setting.</p> | | |
| <p>We will continue to proactively disclose our progress against the set targets and specific measures implemented for achieving the targets.</p> | | |
| <p>Principle 3. Customers (Corporate and Retail)</p> <p>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.</p> | | |
| <p>3.1 Provide an overview of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programs and actions implemented (and/or planned), their scale and, where possible, the results thereof.</p> | <p>We uphold our CSR Charter (Management Principles), the Bank's motto representing our unchanging spirit, and established the Sustainability Policy in October 2020.</p> <p>To promote responsible relationships with customers, we have focused on constructive dialogues (engagement) with them through a range of initiatives such as Ratings Communication Service. We have supported our customers in their efforts to improve corporate value by sharing their management issues, including not only financial issues but also ESG issues. Based on our "Policy for customer-first business operation," we have sought to provide customer-centric goal-based support.</p> | <p>Page 12 of this report (Sustainability Policy)</p> <p>Page 76 of this report (Ratings Communication Service)</p> <p>Page 60 of this document (Mindset-Work reforms)</p> |
| <p>3.2 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 activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.</p> | <p>We have supported our customers in improving their corporate value with sustainability-oriented management, primarily through the team dedicated to ESG finance established under the Business Promotion Department.</p> <ul style="list-style-type: none"> ● SDGs consulting ● "Shigagin" Sustainability Linked Loan ● Private placement type green bonds | <p>Page 44 of this report (ESG finance)</p> |



TOP MESSAGE



SPECIAL FEATURE



ABOUT SHIGA BANK

CHALLENGES FOR
VALUE CREATIONCHALLENGES FOR
FUTURE INNOVATIONPOWER THAT SUPPORTS
VALUE CREATION

| Reporting and Self-Assessment Requirements | High-level summary of bank's response | Reference(s)/Links to details of bank's full response/ relevant information |
|---|--|---|
| Principle 4. Stakeholders We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals. | | |
| 4.1 Describe which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved. | Our CSR Charter (Management Principles) states 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 Sustainability Vision reflects not only opinions from inside the Bank but also the opinions of multiple outside experts obtained through stakeholder dialogues. | Page 28 of this report (Sustainability Vision) Page 73 of this report (Stakeholder Communication) |
| Principle 5. Governance and Corporate Culture We will implement our commitment to these Principles proactively and transparently, through effective governance and a corporate culture of responsible banking, by publicizing our targets set in relation to the areas in which we potentially have significant impact. | | |
| 5.1 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 effective implementation of the Principles. | In our Sustainability Policy, we state that we are determined to focus on increasing positive impacts and reducing negative impacts of our activities as a financial intermediary. 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 to responses to them. | Page 12 of this report (Sustainability Policy) Page 64 of this report (Corporate Governance) |
| 5.2 Describe the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others. | 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 ISO 14001, 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. Also, in April 2020, we reorganized the Committee for Advancing Women's Success into the Diversity Promotion Committee to create a work environment in which diverse opinions are respected and everyone can fulfill their potential. We are also transforming our performance evaluation system into one that assesses efforts made from a medium- to long-term perspective to address social issues in the regional communities. | Page 60 of this report (Mindset-Work reforms) |
| 5.3 Governance Structure for Implementation of the Principles Show that your bank has a governance structure in place for the implementation of the PRB, including: a) target-setting and actions to achieve the targets set b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected. | We have been working towards setting and achieving targets under the governance structure described in 2.3. We will also manage our progress against the targets set and will take remedial action, drawing on the same structure, should negative impacts be detected. | Page 30 of this report (The 7th Medium-Term Business Plan) Page 64 of this report (Corporate Governance) |
| Publicize the results of the review and statements of the signatory bank to determine whether it meets the requirements for governance structures for implementing the principles. | | |
| To effectively implement the Principles for Responsible Banking, we have established a governance system which covers target setting and monitoring. The Sustainability Strategy Office under the General Planning Department is responsible for implementation and reports progress to the Sustainability Committee, which normally meets three times a year. | | |



| Reporting and Self-Assessment Requirements | High-level summary of bank's response | Reference(s)/Links to details of bank's full response/relevant information |
|---|--|--|
| <p>Principle 6. Transparency and 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.</p> | | |
| <p>6.1 Progress on Implementing the Principles for Responsible Banking</p> <p>Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4). Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.</p> <p>Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.</p> | <p>Initiatives implemented since we signed the PRB in February 2020:</p> <ul style="list-style-type: none"> ● Established the Sustainability Policy ● Revised the Environmental Policy ● Reorganized the CSR Committee into the Sustainability Committee ● Reorganized the Committee for Advancing Women's Success into the Diversity Promotion Committee ● Established the Sustainable Strategy Office ● Raised the targets for the milestones and benchmark challenges in the Medium-Term Business Plan ● Joined the Scenario Analysis Pilot Program in Line with TCFD Recommendations by the Ministry of the Environment ● Launched "Shigagin" Sustainability Linked Loan | <p>Page 12 of this report (Special Feature)</p> <p>Page 60 of this report (Mindset-Work reforms)</p> |
| <p>Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking.</p> | | |
| <p>We set out basic principles for strengthening our sustainability efforts during the first 18 months following signing, and established an effective sustainability management system through organizational restructuring. Also, to respond to TCFD Recommendations, which have been gathering steam worldwide as a global trend, we have sought to acquire know-how on scenario analysis.</p> <p>We are determined to ensure transparency and fulfill accountability by upgrading our efforts in a phased manner.</p> | | |