



TOP MESSAGE



SPECIAL FEATURE



ABOUT SHIGA BANK



CHALLENGES FOR
VALUE CREATION



CHALLENGES FOR
FUTURE INNOVATION



POWER THAT SUPPORTS
VALUE CREATION

CHALLENGES FOR FUTURE INNOVATION

CHALLENGES FOR FUTURE INNOVATION

- 44 Turning SDGs into Business
- 48 Increasing the Productivity of the Regional Communities
- 52 Evolving into a Problem-solution Type Financial Information Services Provider
- 58 Shifting to a Sustainable Earnings Structure
- 60 Mindset-Work reforms
(Mindset Reform and Work Style Reform)





CHALLENGES FOR FUTURE INNOVATION

Turning SDGs into business

SDGs have increasingly become a common language across the world of business today. SDGs have helped define the “future vision of the world,” and the gaps between the vision and the current reality are presenting potential business opportunities. We are committed to realizing sustainable regional communities and are paving the way for increased corporate value by strategically turning SDGs into business and raising awareness of SDGs among the regional communities and our customers.

Driving ESG Finance

In September 2020, we declared to society our commitment to strengthening our sustainability initiatives (see page 12). Based on our Sustainability Policy, we have worked on a range of efforts for promoting sustainability in the regional communities to ultimately realize a sustainable society.

Team dedicated to ESG finance established

In October 2020, we set up a team of three members dedicated to ESG finance under the Business Promotion Department. The team is expected to further drive SDGs initiatives in the regional communities towards realizing a sustainable society.

The team supports promoting and raising awareness of SDGs in the regional communities and assists customers with sustainable business operations through consulting. Also, we provide support with the structuring of ESG financing instruments, such as Sustainability Linked Loans and green bonds, and offer one-stop services ranging from consulting to financing.

Going forward, we will position climate change as a significant regional issue and strongly support customers in their sustainability-driven management through consulting and financing to ultimately achieve decarbonization by 2050.

SDGs consulting

We are now in an era in which pursuing SDGs will provide companies with opportunities, while the failure to pursue them poses risks. We are providing “SDGs consulting,” a service that incorporates the concept of SDGs into customers’ business strategies and assists them in launching new businesses. We also conduct activities to raise awareness of SDGs in the regional communities.

For a company to operate business in a sustainable manner, it needs to implement a consistent sustainability strategy in everything from management principles and business strategies to more specific tactics. We have supported our customers in publicizing their commitment to SDGs in the form of “SDGs declarations.” Specifically, we have assisted them with developing their sustainability strategies and specific benchmarks for actions through tailored and meticulous consulting.



SDGs consulting scene

Underwriting of green bonds

Green bonds, which are designed to promote green businesses by limiting the use of proceeds only to green businesses, need be aligned with customers’ sustainability strategies. We have sought to expand proliferation in green bonds and green loans, while supporting our customers in developing their sustainability strategies through consulting.

Participation in Positive Impact Finance

We have worked to promote ESG finance, specifically by comprehensively analyzing and evaluating the positive and negative impacts of corporate activities on the environment, society and economy, and by participating in Positive Impact Finance, which is aimed at continuously supporting such efforts.



TOP MESSAGE



SPECIAL FEATURE



ABOUT SHIGA BANK



CHALLENGES FOR VALUE CREATION



CHALLENGES FOR FUTURE INNOVATION



POWER THAT SUPPORTS VALUE CREATION

Value to be provided

- Incorporate SDGs into business and reconcile the creation of economic value with the creation of social value
- Assist customers with their SDGs initiatives and contribute to improving their corporate value

Rollout of Sustainability Linked Loans - a first for a regional bank

In August 2020, we became the first ever regional bank to offer Sustainability Linked Loans (SLL) when we rolled out our “Shigagin” Sustainability Linked Loan.

Sustainability Linked Loans are loan products the conditions of which are linked to the borrowers’ progress in achieving challenging business objectives they have set in connection with SDGs and ESG (Sustainability Performance Targets or SPTs). Favorable loan terms, such as preferential interest rates, provide the borrowers with an incentive to take concrete actions based on their SDGs declaration and environmental policies.

Sustainability linked loans should comply with the international Sustainability Linked Loan Principles (SLLP) and the Sustainability Linked Loan Guidelines developed by the Ministry of the Environment

in Japan. With respect to specific financing transactions, we make sure to obtain second party opinions from external rating agencies (including Rating and Investment Information, Inc., and The Shigagin Economic & Cultural Center Co., Ltd.).



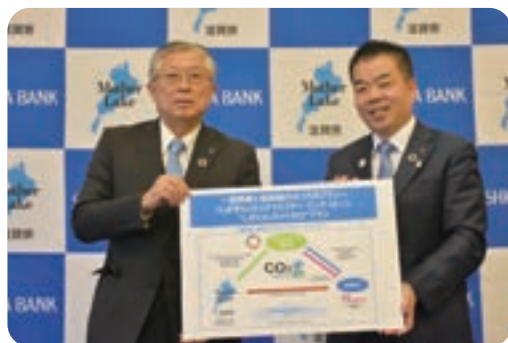
■ “Shigagin” Sustainability Linked Loan “Shiga Net-zero CO₂ Emissions” Plan, a special loan package aimed at accelerating the shift to a decarbonized society

In March 2021, the Bank launched “Shigagin” Sustainability Linked Loan “Shiga Net-zero CO₂ Emissions” Plan (hereinafter the “Plan”) for customers who have offices in Shiga Prefecture, in response to decarbonization initiatives promoted by Shiga Prefecture.

All business entities are called on to pursue decarbonization as an important management task for achieving a decarbonized society by 2050. The Sustainability Linked Loan is available only to borrowers whose Sustainability Performance Targets (SPTs) are linked to the reduction of CO₂ emissions. The borrowers, therefore, are required

to file a report on their SPTs and the status of their sustainability initiatives with the Shiga prefectural government in accordance with the “Action Plan System for Business Entities” implemented by Shiga Prefecture, and also submit the same report to the Bank. The prefecture then publishes the content of their reports in accordance with the system. Drawing on the Plan, business entities, administrative bodies, and financial institutions are expected to collaborate in addressing decarbonization issues.

● Sustainability Linked Loan offered in collaboration with Shiga Prefecture



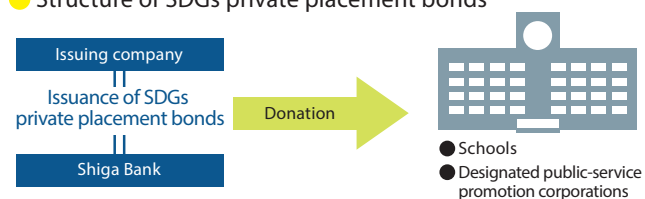
Mr. Mikazuki, Governor of Shiga Prefecture (right), and President & CEO Takahashi jointly announced the collaborative plan at a press conference.

[Environmental finance]

SDGs private placement bonds “Tsunagari”

To commemorate the issuance of SDGs private placement bonds, the Bank has used 0.2% of the total amount of the bonds issued to purchase goods to donate to schools and designated public-service promotion corporations. (Refer to the material section on page 10.)

● Structure of SDGs private placement bonds



Initiatives towards creating a Regional Circular and Ecological Sphere

Through project finance, we have sought to realize a Regional Circular and Ecological Sphere where regions draw on each other’s regional characteristics and make maximum use of their local resources, including their beautiful natural landscapes, to form a distributed autonomous society and harness their regional vitality to the fullest extent by allowing their resources to complement those of other regions.

Example 1: Underwriting of green bonds to fund a hydropower generation project

Business entity: Okuibuki Hydroelectric Power LLC
 Location: MaibaraCity, Shiga Prefecture
 Use of proceeds: Construction of Okuibuki Hydroelectric Power Plant



Example 2: Underwriting of green bonds to fund a recyclable fuel business

Business entity: CAMPO Co., Ltd.
 Location: Kyoto City, Kyoto Prefecture
 Use of proceeds: Capital investments in recycled fuel (RPF) plants, etc.



Other ESG investments and loans

- Investment in JICA (Japan International Cooperation Agency) bonds
- Investment in Japan Student Services Organization bonds
- Investment in Low Carbon Japanese Equity Fund
- Participation in provision of sustainability loans
- Participation in Sustainability Linked Loans

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 from customers. 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 helpful in preserving the environment or introduce energy-saving facilities, etc. are eligible for funding under the Principles for Lake Biwa Support Fund (PLB Fund). We offer loans at preferential interest rates to borrowers based on their environmental ratings.



TOP MESSAGE



SPECIAL FEATURE



ABOUT SHIGA BANK



CHALLENGES FOR
VALUE CREATION



CHALLENGES FOR
FUTURE INNOVATION



POWER THAT SUPPORTS
VALUE CREATION

Initiatives for Preserving the Environment

Eco-office creation

The Bank is actively promoting resource and energy usage reduction in accordance with its 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.

■ 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

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.

■ Practicing sustainability management with ISO 14001

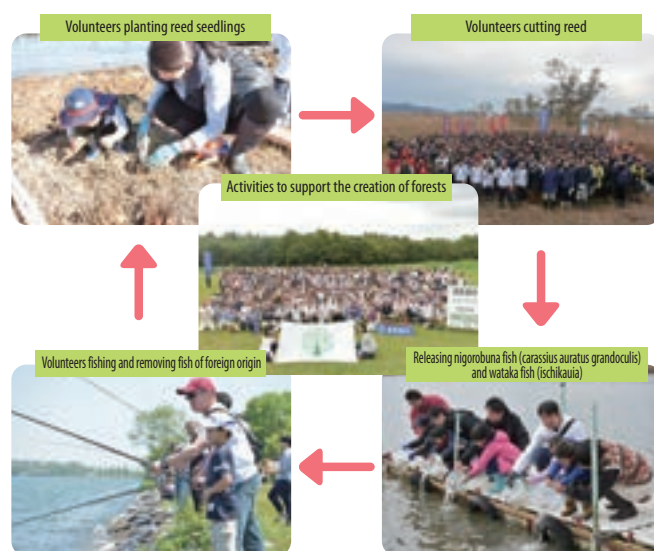
We have been operating our own environmental management system since we received certification in 2000. We are solving social issues through our core business by incorporating SDGs into the PDCA cycle that we have developed over the years and linking them with our Medium-Term Business Plan.

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

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 invasive alien fish species.



STAKEHOLDERS' VOICE



Mr. Toyoo Takada, President and Representative Director of Kusatsu Electric Co., Ltd.

A user of “Shigagin” Sustainability Linked Loan “Shiga Net-zero CO₂ Emissions” Plan

We have long advocated environmental preservation as part of our management principles, and have practiced sustainability management. In April 2020, we issued a “SDGs Declaration.” Decarbonization is becoming a critical management task, and one that is unavoidable even for SMEs. The impact of activities by a single company may not be material. However, if the decarbonization movement spreads and many companies promote related initiatives hand in hand with administrative bodies and financial institutions, the activities of the respective companies combined will contribute significantly to regional decarbonization and provide new business opportunities.



CHALLENGES FOR FUTURE INNOVATION

Increasing productivity of the regional communities

Digital technologies have been developing and spreading exponentially as seen in ever faster communications via 5G and the expanded use of AI. In fact, the effective use of these technologies allows for the transformation and evolution of our business processes and daily lives. We are determined to resolve the issues of the region and our customers using the power of digital technologies, improve the overall productivity of the regional communities, and contribute to increasing their attractiveness and earning potential.

The Bank's Digital Strategy

In September 2020, we declared to society our commitment to strengthening our digitalization initiatives (Page 12). With the Digital Strategy as one of the pivots of our business strategy, we have set the following three basic policies for the Digital Strategy:

- Contributing to greater convenience and customer satisfaction through digitalization
- Improving the productivity of business operations
- Working to provide worry-free and secure digital services

In line with the basic policies of its Digital Strategy, the Bank is committed to proactively mobilizing digital technologies to understand our customers even better and provide high value-added services, by aiming to "expand financial services" so as to accurately address customer needs; further "streamline business operations and ensure risk control," and "create a system to enabling implementation of strategic management policies in a flexible and scalable way.

Basic policies of the Digital Strategy

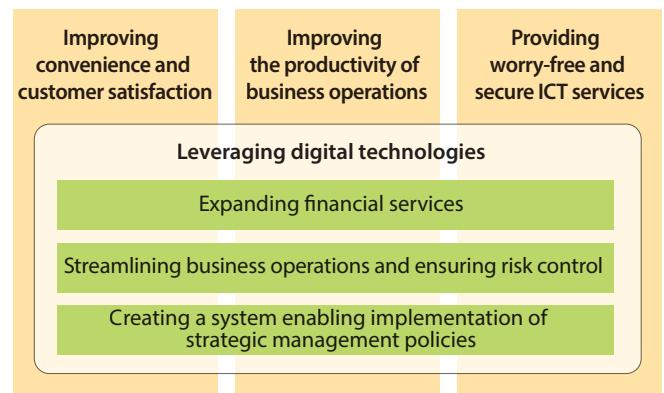
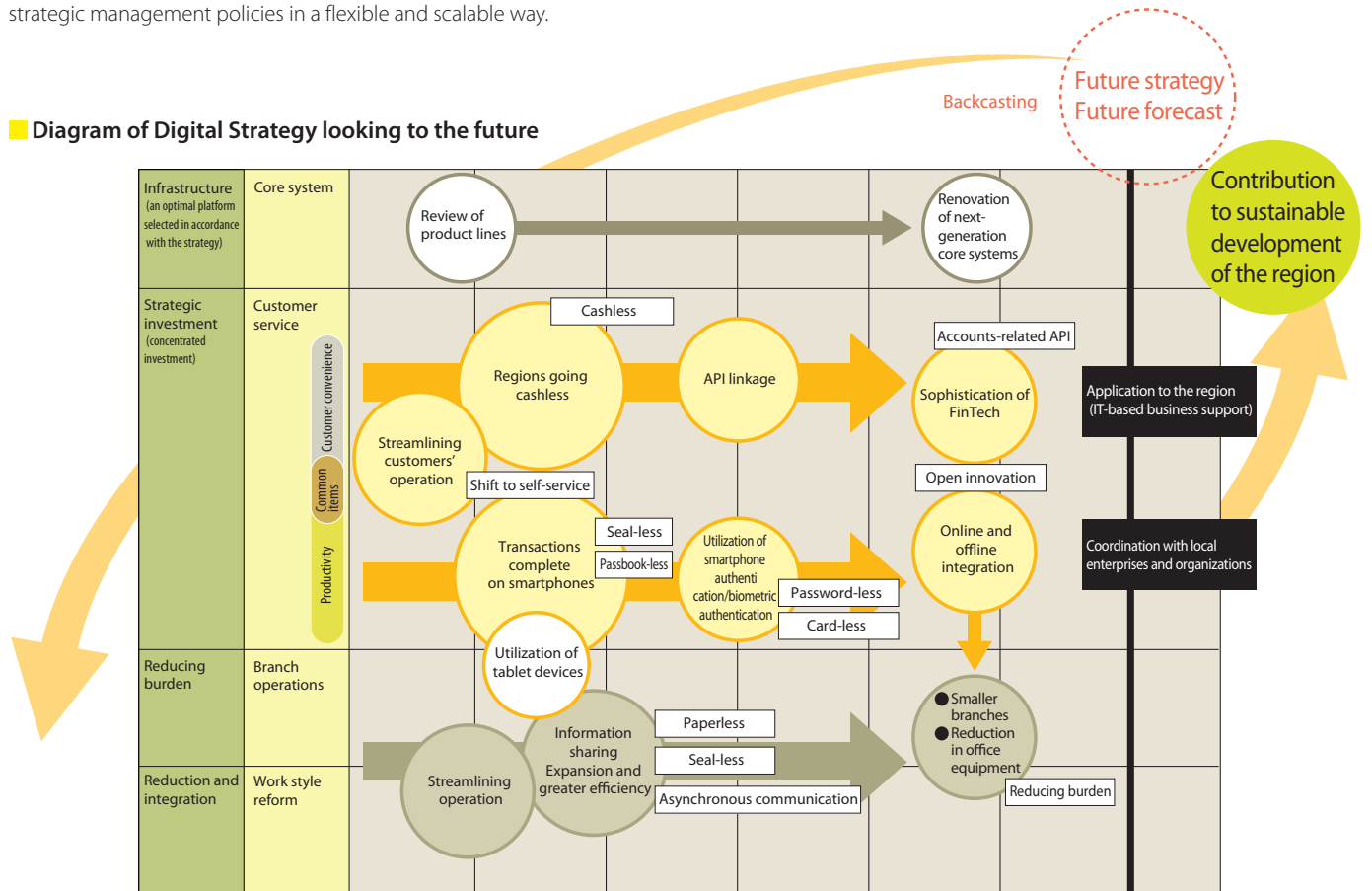


Diagram of Digital Strategy looking to the future





TOP MESSAGE



SPECIAL FEATURE



ABOUT SHIGA BANK



CHALLENGES FOR VALUE CREATION



CHALLENGES FOR FUTURE INNOVATION



POWER THAT SUPPORTS VALUE CREATION

Value to be provided

- Proactively drive the use of digital technologies and deliver worry-free and secure services with greater convenience.
- Define our future jointly with customers and the regional communities and support them in driving the adoption of digital technologies to ultimately contribute to enhancing productivity and operational efficiency in the region.

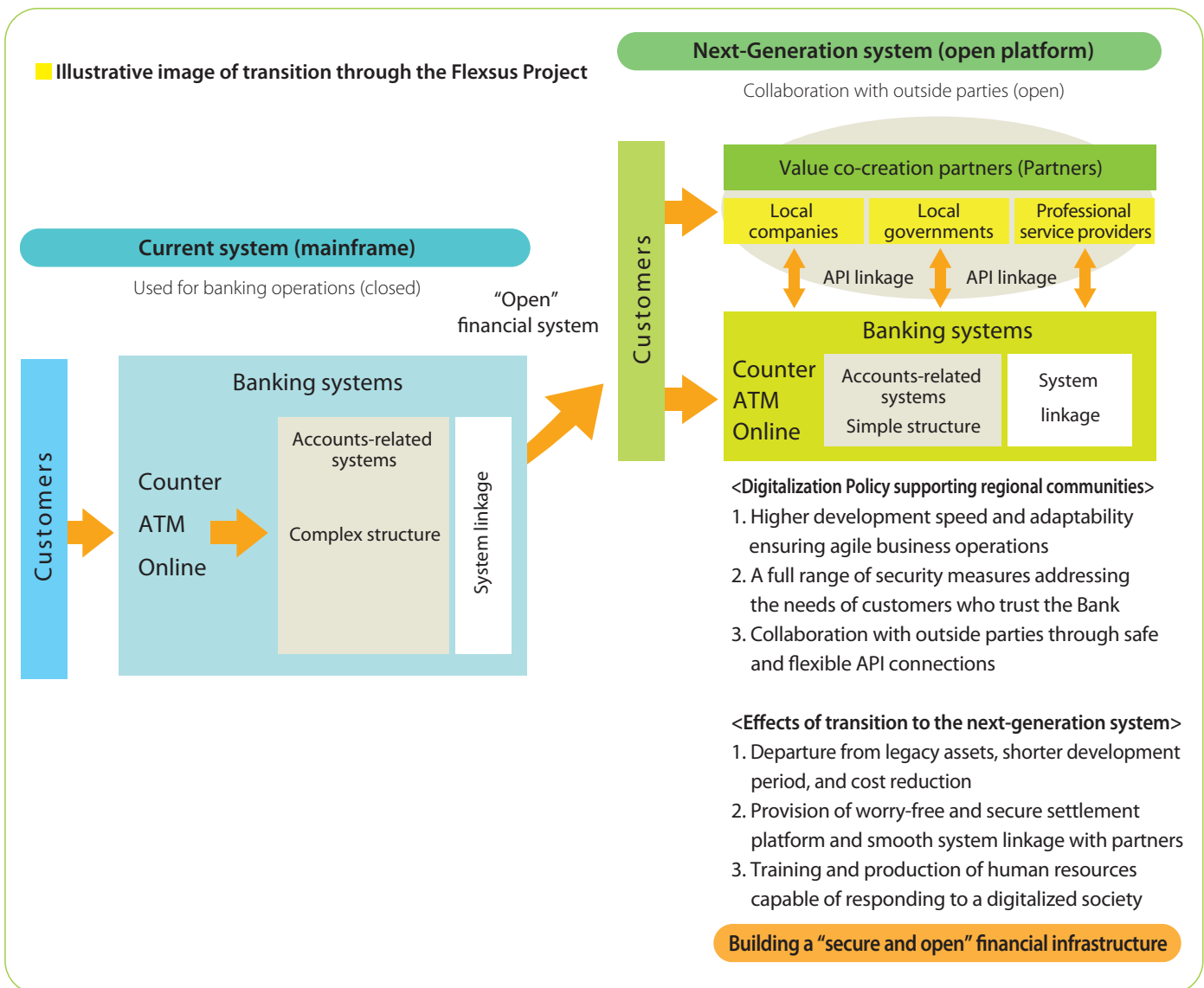
Flexsus Project

The Bank's computer system is one of the important parts of public infrastructure, and is expected to have a robust platform to ensure provision of secure and reliable financial services.

The Bank's core systems have been in operation for more than 30 years. We have recently decided to introduce next-generation banking systems developed by Hitachi, Ltd. (headquartered in Tokyo) to replace such legacy systems with new core systems developed for the purpose of transitioning to the next-generation digital society. To adapt to the

next-generation digital society more flexibly and agilely, while retaining its uniqueness, the Bank is determined to migrate its accounts-related systems from mainframe to open platform. The project for building the new system structure, including the migration, is named the "Flexsus Project." The project is being executed mainly by a diverse team of personnel with various skills.

* Flexsus: Flexsus is a name coined from two words, Flexible and Sustainable, which represent our commitment to transition to a flexible and sustainable operating foundation.



Increasing productivity of the regional communities

Strengthening digitalization initiatives

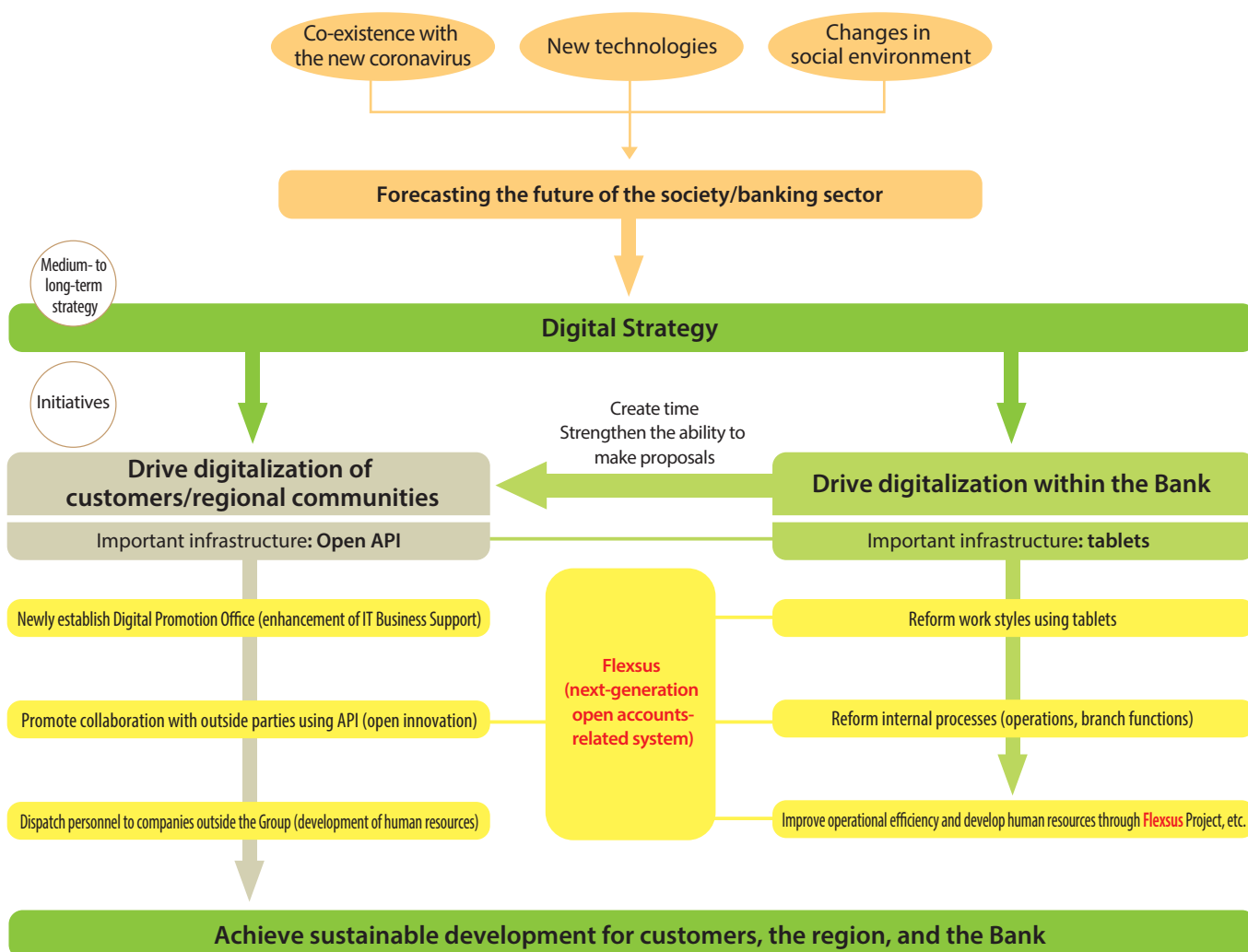
In strengthening our digitalization initiatives, we established the Digital Strategy Group and Digital Promotion Office within the Head Office in October 2020.

The Digital Strategy Group has planned and developed a medium- to long-term digital strategy, taking into account the factors that could affect the social environment like the COVID-19 crisis and various new technologies, and has promoted digitalization within the Bank.

Further, the Digital Promotion Office, responsible for supporting the digitalization of regional communities and customers, is offering "IT business support" to proactively provide regional communities and customers with expertise and know-how acquired through digitalization of the Bank and to resolve customers' management issues in the context of digitalization.

Specifically, the Office has assigned digital promotion leaders, digital promotion supporters, and digital promotion officers at each site to accelerate regional digitalization.

■ Illustrative image of how the Digital Strategy is implemented



● Digital Strategy Group

We have established the Digital Strategy Committee, responsible for planning and supervising the Digital Strategy, and have formulated a “Digital Strategy Roadmap” which defines the direction we should head for from a medium- to long-term perspective.

By joining the TSUBASA Alliance, we have strengthened collaboration with other banks in a broad range of advanced fields, while promoting collaboration with a variety of other companies outside of the Group to provide prompt and meticulous services to our customers in the regional communities, where digitalization is progressing rapidly.

In addition, we have made efforts to provide a high-quality, problem-solving type financial information service, such as promoting work style reform using tablets, fundamentally improving our operational efficiency, and spending more time in dialogue with customers.

Collaboration with local governments

While the Japanese government plans to establish a “Digital Agency,” local governments have also accelerated their digitalization initiatives, including the digitalization of administrative procedures, the planned provision of what is called the “one-stop, once-only service,” and the support of digitalization efforts by regional communities including SMEs.

Shiga Prefecture also has focused on a range of efforts to drive the use of digital technologies, including the establishment of the “DX Public-Private Co-Creation Salon” which is a platform to bring together highly specialized companies with cities, towns and companies in Shiga Prefecture.

The Bank, which has supported digitalization of its customers in the region, is also committed to supporting the digitalization of administrative bodies and promoting the digitalization of the entire regional communities.

● Digital Promotion Office

The Office’s mission is to realize sustainable regional communities from the digital side. In fact, the Office is responsible for supporting the digitalization of regional communities and customers.

Specifically, the Office will proactively provide customers with the know-how acquired through digitalization of the Bank, mainly in the form of “IT business support,” which is aimed at resolving customers’ management issues in the context of digitalization, and will promote digital transformation (DX) of regional communities in collaboration with a variety of outside companies.

Paving the way to resolving customers’ issues from the viewpoint of digitalization

We offer “IT business support” as a means of contributing to resolving the issues of the regional communities and our customers and realizing sustainable regional communities in the context of digitalization.

Specifically, we first share customers’ management issues and decide on a course of action on the introduction of digital tools. We then provide support to customers until they actually complete the introduction and deployment of the tools. The objective of our support is to “resolve customers’ management issues” rather than drive their digitalization. To that end, we have sought to understand customers’ management issues and explore solutions to these issues from the digital side.

Going forward, we will address increasingly diversified and sophisticated management issues faced by our customers based on a policy of expanding alliances with outside companies that offer a broad range of digital services.

STAKEHOLDERS’ VOICE



Mr. Tetsuya Furukawa, President and Representative Director of Sanki Kogyo Co., Ltd.

The company is headquartered in Maibara and is engaged in the track construction business and the civil engineering work business. It also operates an auto-repair garage. In the face of the COVID-19 epidemic, we were aware of the need to go digital and better utilize IT. But to be honest, we had no idea where to start. We therefore consulted Shiga Bank in our neighborhood and they kindly offered to support our digitalization efforts. Thanks to the support of the bank, we have boldly transformed our traditional business practices, which involved paper, seals and white boards, into a new style using cloud services and other advanced technologies. We tend to think that digitalization is challenging, but as the bank supported us from the standpoint of a user. Just like us, we were able to tackle digitalization with peace of mind.



CHALLENGES FOR FUTURE INNOVATION

Evolving into a problem-solution type financial information services provider

We will launch the solution-type financial information services business, sharing and resolving the issues of regional communities and customers, which goes beyond the conventional scope of banking operations. The region has various issues. We will contribute to sustainable development of the region by carefully responding to and resolving these issues one by one. To this end, we will work to enhance the sophistication of the lineup of our consulting services, and improve the consulting capabilities of each of our employees.

Revitalizing regional economies

Need to revitalize regional economies

The COVID-19 crisis has renewed our awareness of the need for regional regeneration. Revitalization of regional economies is a challenge essential to regional regeneration. Revitalization of regional economies will lead to an increase in the population who work and live in the region, and as a result, will contribute to overall population growth/stabilization. This will also help enhance the life infrastructure, improve the level of administrative services, and boost the vitality of Japan as a whole.

Revitalization of regional economies is an important task that regional banks should tackle. We will understand the issues of the region and our customers and will pave the way to realizing sustainable regional communities through tailored consulting services.

Creating new businesses in the region

We have made various efforts to create new industries and revitalize the economy in the region.

Saturday School for Entrepreneurship / Shigagin Nonohana Prize

Nonohana Support Group

New Business Support Loan

Crowdfunding

Shigagin Regional Revitalization SD Fund



Support for creation of new businesses

■ Saturday School for Entrepreneurship

We have held lectures since fiscal 2000 with the aim of supporting those with strong entrepreneurship spirit. The school has provided lectures by high-profile corporate executives in each industry on topics including SDGs, local resources, and human resources. Through these lectures, we provide new business tips and support customers in starting new businesses/relaunching businesses.

■ Shigagin Nonohana Prize

The prize is awarded to the students of Saturday School for Entrepreneurship in appreciation for their efforts in starting new businesses. We collaborate with candidate businesses in planning, designing and implementing their business plans. We also provide tailored support to the winners from their start-up to growth phase.



A winner of the Shigagin Nonohana Prize: BIOAPATITE, Inc. (second from the left)

■ Shigagin Regional Revitalization SD Fund

In July 2020, we established Shigagin Regional Revitalization SD Fund Investment Limited Partnership, a fund supporting the creation of new businesses that have new growth potential. In December of the same year, we invested in T-ICU Co., Ltd., a company remotely providing intensive care support services.

We will continue to support the companies developing new businesses in growth areas or aiming for growth in existing areas with an innovative business model.

Value to be
provided

- Contribute to sustainable development of the region and customers by resolving their issues
- Provide appropriate financial information services catered to each of the issues by leveraging a variety of networks

Tapping into attractive local resources

Regional trading company project

In May 2019, the Bank launched a regional trading company project to create new businesses with business operators by making use of the region's abundant and attractive products, sophisticated technologies, and historic cultural heritage.

Projects currently underway include the development of new products using Omi tea, the development of overseas sales channels for *sake*, and the revitalization of the lake fish aquaculture business. As part of these projects, we have worked to expand sales channels for local resources and activate tourism resources by utilizing a broad network and accumulated know-how.

Through these projects, we are contributing to resolving regional issues, achieving customers' dreams, and realizing a sustainable society.

<Details of major initiatives>

- Discovery of local products and other resources, marketing and sales support
- Discovery of tourism resources, development of tourism products, and tourism promotion support
- Support for securing human resources, bringing human resources back to the region

Crowdfunding

Through crowdfunding, we support business operators who are working to make local brands more appealing and to provide new products/services by leveraging local resources.

Benefits of crowdfunding are wide-ranging, including leeway in funding, acquisition of new customers for products/services, and trial marketing. Amid the COVID-19 crisis, the demand for crowdfunding has been growing more than ever.

<Crowdfunding Example 1> Morimura Shokai

The company set up the fund hoping to deliver meat that has nowhere to go amid the COVID-19 pandemic to households so they can enjoy the meat at home.



<Crowdfunding Example 2> NANGA INC.

The company sought to produce sleeping bags and air mattresses as emergency goods. These products recorded remarkable sales, having attracted demand not only in the disaster prevention market but also in the camping market.



Cooperation with the community

We have collaborated with various stakeholders in the region, including industry, academia, and government agencies, to resolve the issues facing the region, and create a virtuous cycle for the revitalization of the regional economy. As a result, a variety of collaborations have been taking place. For example, based on a comprehensive partnership

agreement with a university, we worked on customer data analyses and e-commerce strategies to resolve customers' issues and provide university students with opportunities to learn about regional agriculture and food culture through fieldwork in a Japanese restaurant run by our customer.

Evolving into a problem-solution type financial information services provider

Support tailored to each customer's issues

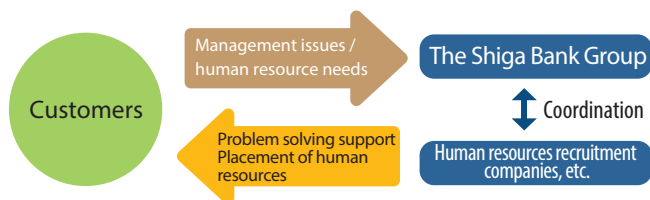
We have been striving to better understand our customers and their issues through dialogue. We have a broad assortment of solutions and provide appropriate and meticulous support catered to the issues of each customer.

■ Resolving management issues related to human resources

Many business operators have issues related to human resources. To resolve customers' management issues related to human resources, The Shigagin Economic & Cultural Center Co., Ltd., one of the Bank's group companies, has obtained a license to operate in the fee-charging employment placement business, and has operated a human resource placement business since April 2020.

In addition, the Shiga Bank Group was selected as an indirectly subsidized business of the Pioneering Human Resource Matching Project* by the Japanese Cabinet Office, and has launched a matching business for our customers in the region in collaboration with a human resources placement company, supporting customers in securing high-level executives and specialized human resources, which are required for resolving business issues.

*Pioneering Human Resource Matching Project: a project designed to share management issues with customers, assess the type of human resources needed to resolve the issues, and introduce matching high-level executive personnel and human resources wishing to work on a part-time/sideline basis.



■ Overseas consulting

To revitalize regional economies, we need to expand regional business globally, even amid the COVID-19 crisis. In fact, we have provided our customers with sophisticated solutions for overseas business expansion by strengthening ties with our overseas sites, including the Hong Kong Branch, Shanghai Representative Office, and Bangkok Representative Office.

These days, the issues faced by customers in connection with overseas business expansion are diversifying. We have strengthened ties with municipal governments, public institutions, and companies in the private sector to upgrade our overseas consulting functions. For instance, we have provided a service to match the development needs of developing countries with customers' products and technologies through "Transactions in Collaboration with Regional Financial Institutions," a project supporting SMEs in their overseas business expansion that is administered by the Japan International Cooperation Agency ("JICA").

We have also been striving to expand our overseas consulting network by dispatching trainees to the Japan Bank for International Cooperation (JBIC), for instance.

We have also proactively supported overseas companies that are working to solve issues in the international community. In February 2021, the Bank provided funding to Thai Union, a major canned foods manufacturer based in Thailand, by participating in the provision of a syndicated sustainability linked loan. Thai Union has worked to ensure the sustainability of fishery resources and the protection of human rights, and we expect this sustainability linked loan to further drive the company's ESG and SDGs initiatives.

■ BCP support

We support our customers in the development of business continuity plans (BCP), which are necessary in order to continue operations even in the event of unexpected disasters, such as an earthquake or a pandemic. Specifically, we have proposed risk hedging solutions, including consulting on disaster risks and emergency solutions, in cooperation with non-life insurers and partner companies.

In addition, we provide immediate and flexible financing by activating our BCP support loans (disaster countermeasure plans) in the event of a disaster.

■ Business succession / M&A

For an operator of business, business succession is a once in lifetime event. For customers that have candidate successors, we provide a range of succession services for ensuring smooth business succession, including the systematic training of successors, transfer of treasury shares, and acquisition of dispersed shares. For customers with no candidate successors, we assist them with third-party succession via M&A in collaboration with external specialized institutions.

A successor takes on not only treasury shares but also intangible assets, such as technologies, know-how, customers, and reputation, and this needs to be considered when planning a business succession. Also, it is important that successors are trained in a systematic manner, as things will not just progress naturally. The Bank has supported customers in training successors by consulting with the successors.

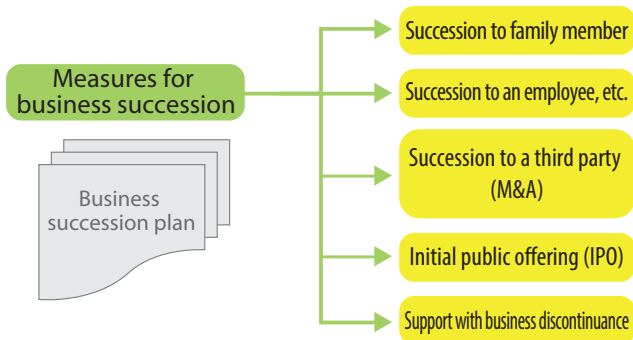
Inheritance by individual owners is one of the major issues in business succession. The transfer of treasury shares also needs to be carried out in a systematic manner as it often results in unexpectedly large amounts of expenditures being incurred. For family-owned companies, the Bank has provided inheritance related solutions through consulting, such as countermeasures against disputes among family members, will trusts, and inheritance tax measures, through consulting.



M&A is increasingly being employed not only as a solution to business succession issues but also as a growth strategy option. To appropriately address the growing needs of customers, we have worked to develop specialized human resources and build strategic ties with outside organizations.

Specialized knowledge is essential for M&A. However, knowledge accumulated through hands-on experiences and the ability to deal with problems are also important. The Bank therefore has regularly dispatched its employees, as trainees, to a partner company that specializes in M&A. After these trainees return to the Bank from the partner M&A company, we additionally train them through OJT to produce human resources with a wealth of skills and experience.

The Bank also has enhanced its ability to deliver value to customers by complementing its professional expertise and networking skills, which cannot be obtained on its own, through alliances with external specialized institutions and participation in the TSUBASA Alliance.



Establishment of Solution Sales Office and Finance Office

On June 25, 2021, the Bank set up the Solution Sales Office within the Business Promotion Department and the Finance Office within the Financial Markets & International Department for the purpose of resolving increasingly diversified and sophisticated customer issues and increasing customers' corporate value.

The Solution Sales Office is designed to provide consulting services to corporate customers and retail customers, as well as solutions to revitalize regional communities in a unified manner, and has strengthened customer support operations including digitalization, aiming to contribute to sustainable development of regional communities.

The Finance Office caters to various financing needs of customers by working on new financing methods and strengthening finance operations for corporate customers.

TOPICS

SDGs Business Succession and M&A Conference 2020 held

In November 2020, we held the "SDGs Business Succession and M&A Conference 2020" jointly with Nihon M&A Center Inc., a leading M&A player in Japan. At the conference, we provided the most up-to-date information on 21 topics, including the latest M&A trends by sector, methods of addressing business succession issues, introduction to TOKYO PRO Market, and joint growth strategies involving funds. The content was prepared so that the information would be helpful in tackling a wide range of issues for our customers. The conference was live-streamed and viewed by more than 8,200 persons from 5,400 companies in prefectures such as Shiga, Kyoto and Osaka.



Asset formation for an era of 100-year lifespans

Need for asset formation

In an era of the 100-year lifespans, asset formation planning and asset management after retirement have become increasingly important. To prepare for rises in prices and secure sufficient post-retirement assets, we need to accelerate the shift from savings to asset formation.

Systematic asset formation helps people live comfortably and with peace of mind, and eventually helps revitalize regional communities. As a Sustainability Design Company, the Bank is striving to realize a society such that all people in the region can live happily.

Education for financial literacy Driving a shift from saving to asset formation"

By providing education about money, we are working to create an environment in which the younger generation can develop knowledge and powers of judgment regarding asset formation.

In fiscal 2020, we held seminars for students of Shiga University, Shiga University of Medical Science, and Ritsumeikan University. The seminars were live-streamed online, a new distribution format that has become popular amid the COVID-19 crisis, but attracted a high level of attention from students. In fact, these seminars saw a lot of questions being received from the audience.

By promoting financial literacy, we will raise people's awareness of the need for earlier asset formation and thus help them to live in comfort and with peace of mind. We will also contribute to achieving the following SDGs: 1. No poverty, and 4. Quality education.

Supporting growth of assets

In order to enhance the financial literacy of customers in the region, we are stepping up our activities for raising awareness of the need for asset management through seminars and consultation at workplaces.

We have recommended long-term, diversified and cumulative investments to customers so that they can start building up their assets earlier and more easily. We have proactively recommended customers to invest in tax-exempt products that are effective in asset formation over the long term, such as investment trusts, defined contribution plans (iDeCo) and NISA. We are also improving customer convenience by expanding non-face-to-face channels such as apps and online banking.

In July 2020, the Bank newly opened "Personal," an asset management consultation counter, which are also open on holidays at four branches. In branches with both "Personal" and Shigagin Plaza, a loan consultation counter, the functions of the latter have been integrated into Personal. At all seven branches, we are providing consultation services concerning matters such as asset management, insurance policy reviews, and housing loans, on holidays, thereby establishing a system to address broad customer needs in a one-stop fashion and providing a meticulous level of service catered to the needs of each customer.

Support customers in protecting against asset impairment

The Bank of Japan has set an inflation target of 2% a year, and has implemented financial policies towards achieving that target. To prevent the impairment of assets due to inflation, we will help customers in better managing their assets. The Bank offers a diverse lineup of products, including investment trusts, life insurance, and financial intermediary services, and this allows us to make proposals concerning asset management that reflect the life plans and ideas of each of our customers.



Support customers in taking over assets

By deliberating about and deciding how to transfer assets to descendants earlier, you can prevent future troubles. The Bank has provided consulting services on various issues, such as asset management, inheritance, asset succession, and effective use of real estate properties, to cater to the various needs of our customers.

Since April 2020, the Bank itself has been offering trust services. We offer multiple services, such as money trusts (testamentary substitute trusts), testamentary trusts, and clearing out the belongings of the departed so as to sincerely address customers' concerns about inheritance and asset succession, and provide responsible proposals and services in one-stop responsible.

Strengthening consulting capabilities

To cater to increasingly diversified and sophisticated customer needs, an SD (Sustainable Development) Team consisting of AFCs (area financial consultants), securities advisors, and insurance advisors, has provided back-up support for the consulting services offered by branches. We have been striving to further strengthen our consulting capabilities and provide sophisticated financial information services through consultation with each customer, primarily about asset management, and by running training sessions for branch employees.

Policy for customer-first business operation

The Bank has developed and implemented a "policy for customer-first business operation" which is aimed at helping facilitate asset formation by customers. This policy was established to realize "customer-first business operations" in the provision of financial products and services. Based on the policy, we will publicly disclose our progress against the policy at regular intervals, and strive to achieve ever better operations.

1. Best act in the interests of customer
2. Appropriately manage conflicts of interest
3. Clarify fees and commissions
4. Provide important information in an easy-to-understand manner
5. Provide products and services appropriate to each customer
6. Appropriate framework to motivate all employees

STAKEHOLDERS' VOICE



Mr. Koichi Nakamura, CEO, Representative Director, BIOAPATITE, Inc.

The company was established in 2017 and its head office was relocated to Shiga Prefecture in 2019. The company found great value in eggshells, which are food waste we see every day, and has succeeded in manufacturing BIOAPATITE derived from eggshells.

This time we joined the competition for the Shigagin Nonohana Prize, an incentive system for entrepreneurs, and enhanced our management innovation plan jointly with Shiga Bank. As a result, we were awarded the Nonohana Grand Prize. We will strive to spread the great benefits of eggshells to every corner of the world under the business principle that we will "contribute to the development of healthcare and life support with eggshells as the ultimate in recycled resources." Your support will be greatly appreciated.

STAKEHOLDERS' VOICE



Research Strategy Promotion Office, Academia-Industry Collaboration Section, Shiga University of Medical Science Mr. Masahiro Matsuura, Special Contract Professor

We have received lectures on financial literacy from Shiga Bank staff as part of our "Basis for Healthcare Innovation" program since 2019. We find it quite worthwhile as students have little chance to learn about money.

As many of our students will be engaged in healthcare in the future, we believe it is very important that they think about insurance, asset formation and cash management. We have entered into a comprehensive partnership agreement with Shiga Bank, and have collaborated with each other in industry-academia-government-finance partnerships. We will continue to take on various challenges and collaborate with the bank in the future.



CHALLENGES FOR FUTURE INNOVATION

Shifting to sustainable earnings structure

To ensure efficient branch operation, we will consolidate branches, drive a shift to branches with specific functions in line with characteristics and demographic trends in each region, and appropriately allocate personnel to branches. Besides rebuilding our branch network, we will improve customer convenience and reduce administrative workload at branches through operational overhaul. Through these efforts, we will deepen dialogues with the regional communities and our customers and shift to a sustainable earnings structure.

Channel strategy

Methods of branch operations that suit each region

To cater to diversifying customer needs, the Bank is revising the functions and defining the roles of each branch. The Bank is also aiming to strengthen its operating structure and optimize its management resources.

In branch initiatives within Shiga Prefecture, the Bank has taken measures to further improve services by creating an operating structure that better meets customer needs, while duly noting changing demographics, regional characteristics, and growth potential. This means a shift from branches offering full banking services to branches with specific functions, including sub-branches and agents.

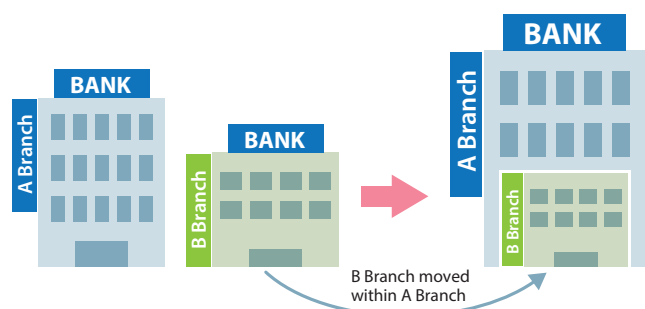
In branch initiatives outside the prefecture, the Bank opened the Kyoto Branch in 1938, the Osaka Branch in 1941, and the Tokyo Branch in 1946, and thus has operated as one of the first “wide-area regional banks.” As to new branch openings outside the prefecture in recent years, the Bank has adopted a strategy of opening new branches after securing a certain volume of business through sales activities that make maximum use of local and interpersonal connections and knowledge. The Bank has also opened branches specializing in corporate customers, mainly SMEs.

While adhering to these basic policies, we are rebuilding our branch network to match it to a new era so as to both further improve customer convenience and provide sustainable services.

Since February 2020, we have been integrating branches within branches to improve the efficiency of our branch network and to build a framework that enables the provision of higher added-value services.

The branch-in-branch method refers to a location format in which multiple branches and other facilities coexist within one location. This

● Integration via the branch-in-branch method



method helps build an efficient branch network, while limiting any decline in customer convenience, as the method allows customers to continue to use the same passbooks and ATM cards even after the branches are integrated.

In addition, we have launched in-store agents operated by our consolidated subsidiary, The Shigagin Agency Co., Ltd., which handles over-the-counter operations (deposits, transfers, etc.) for large-scale branches.

The launch of the in-store agents has enabled our employees to focus on activities, such as making proposals, and respond to customer needs and resolve their issues more carefully than ever before. The launch has thus helped the Bank to provide higher value-added services to its customers.

Through these efforts, we will rebuild our branch network to optimize it, and further enhance our services to our customers.

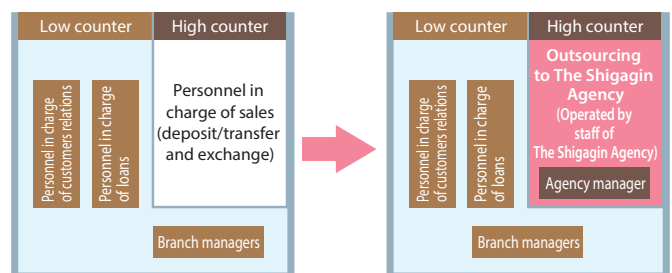
Enhancement of non-face-to-face channels

In addition to the strategy for physical branches, we have been striving to enhance our non-face-to-face channels to drive a shift to online channels using digital technologies.

Specifically, we offer an account opening app and have been striving to enhance online banking, while working to make the functions of our ATMs more sophisticated and promote partnerships with other financial institutions.

In addition, we will achieve convenience for our customers and improve productivity by reducing workload through expanding API cooperation with FinTech companies and building next-generation core systems.

● In-store agent



*Low counter: Consultation about financing, asset management, etc.

High counter: Acceptance of deposits/withdrawals/transfers (general bank counter operations)



TOP MESSAGE



SPECIAL FEATURE



ABOUT SHIGA BANK



CHALLENGES FOR VALUE CREATION



CHALLENGES FOR FUTURE INNOVATION



POWER THAT SUPPORTS VALUE CREATION

Value to be provided

- We will efficiently operate our branches, make utmost efforts to resolve the issues of the region and our customers, and contribute to sustainable development of the regional communities.
- We will promote the “Operational Overhaul Project” and improve customer convenience.

Operational overhaul of branches

Measures to reform branches

To provide services that cater to increasingly diversifying customer needs, we must understand accurately the functions expected of our branches and switch our paperwork, facilities and systems to ones that are better adapted to the needs of the times.

Against this backdrop, the Bank launched the Operational Overhaul Project to drastically reform employees’ awareness about branches, and is taking measures to improve productivity and enhance the satisfaction of both customers and employees.

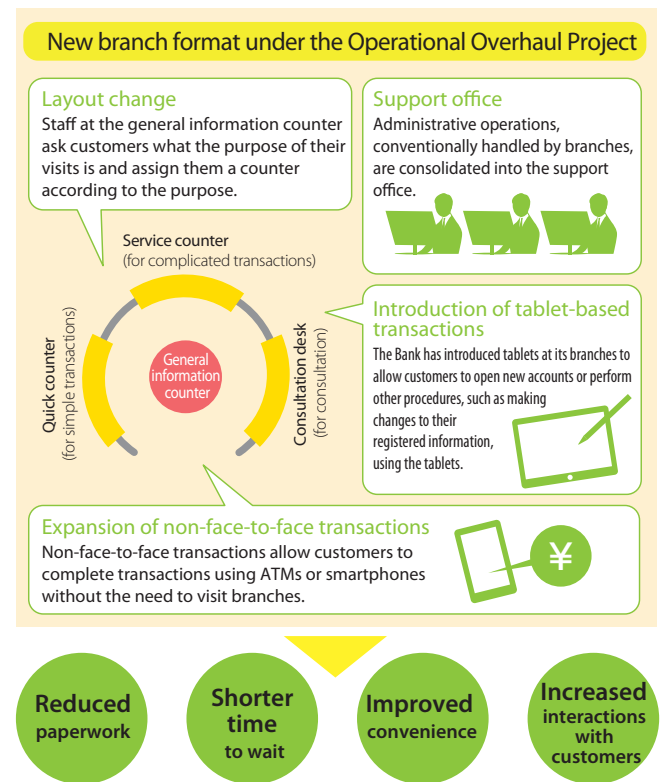
Measures of operational overhaul

We have been implementing initiatives for the Operational Overhaul Project sequentially in all branches since April 2019.

With the Project, we are drastically overhauling overall administrative operations, including deposits, transfer and exchange, handled by branches, and significantly reducing the amount of administrative workload and its cost by improving productivity, to ultimately achieve even deeper relations with customers and enhance the level of customer service, including a shorter time for customers to wait at branches and increased time for employees to spend on making proposals to customers at counters.

Specifically, we have introduced the “purpose-specific counters system” assigning counters according to the purpose of customers’ visits, and also have commenced operation of a centralized administrative base (support office) that handles back-office operations

and a range of paperwork for such as inheritance. In addition, we have launched a service that allows customers to use a tablet to open new accounts or perform other procedures, as well as purchase financial instruments including investment trusts and life insurance policies, to further improve our productivity with ICT.



STAKEHOLDERS' VOICE



Kunio Murase, Manager, Administration Dept.

The support office is now centrally handling “high-mix low volume” paperwork, which was traditionally considered difficult to centralize, and thus, has significantly reduced the volume of paperwork and related risk at each branch. In this way, the support office has helped the branches to spend more time on communication with customers. The support office, as a “skill center,” also contributes to providing customers with a sense of security and safety. As a mission-critical center expected to support back-office operations after the upcoming implementation of the next-generation core systems, the support office will also strive to ensure the sustainability of the Bank’s operations, while emphasizing employee satisfaction.



CHALLENGES FOR FUTURE INNOVATION

Mindset-Work Reforms (Mindset Reform and Work Style Reform)

We will work on mindset and work style reform, in a manner that goes beyond the conventional way of thinking and framework for a bank, to realize sustainable regional communities. We have been shifting from the conventional perspective centered on the Bank to one centered on customers and the overall regional communities, and also have been fostering the type of personnel who can think and act on their own to help achieve our customers' dreams. Also, we have been striving to build a work environment where every one of our employees can unlock their potential while feeling that their job is both fulfilling and meaningful.

Reforming the ways of thinking and working

To remain sustainable itself, the Bank has taken on the challenge of reforming its ways of thinking and working. Specifically, the Bank has aimed to foster the type of personnel who can think on their own and realize an organization where every one of our employees can work in a lively fashion and with a sense of fulfillment.

Fostering the type of personnel who can think and work on their own

To appropriately respond to increasingly diversified and sophisticated customer needs and provide services beyond customers' expectations, we need to have the most updated knowledge and skills and work in a flexible and speedy manner. To this end, we have been training our employees so that they understand the essence of matters and think and work on their own. "Mindset-Work" reform should be centered on customers. At many training sessions including onboarding and rank-based training programs, we have held group work sessions and active discussions to produce the type of employees who can take matters into their own hands.

In the current era, in which workstyles and values are diversifying, we also believe it important to build a work environment that allows employees to define and realize their career paths by themselves. To build such a work environment, we have continuously supported our employees in designing and realizing their career paths, including supporting their career formation through rank-based training programs and the "System for Discussion."

To support their career formation, we provide various learning opportunities, including seminars for branch and section managers and "pressure-free plan seminars," which employees can participate in on their days off, and online seminars called "e-JINZAI for Finance." In addition, we have proactively dispatched our employees to external specialized institutions, and have encouraged them to participate in training programs of external educational institutions, such as SME Support Japan, the Graduate School of Shiga University, and the Graduate School of Management of GLOBIS University.

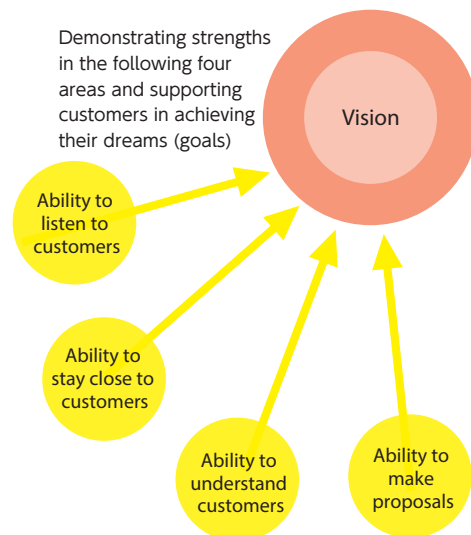


Scene at a training session

With future-oriented perspective at the core

Shift from a Bank-oriented to a customers and society-oriented perspective

We have worked to transform our mindset and behaviors, from product-out to market-in, by thoroughly leveraging the "Goal-based Support" which caters to the needs of the region and our customers and resolves their issues to help them achieve their dreams.



"Four abilities" required to realize the vision

Guidelines for action and thinking

Stance	Staying close to customers
Goal	Customers' dreams
What is a main bank?	The bank that customers consult first and that cares most about customers
What it takes to achieve the goal	Staying close to and thinking together with customers

**Value to be provided**

- We will see things from the perspectives of customers and the regional communities and provide customers with high-quality services catered to their needs.
- We will build a work environment in which diverse personnel can fulfill their potential and feel that their job is meaningful.

■ Introducing a performance evaluation system that gives due credit to those who think and work on their own

We believe that fostering the employees who can voluntarily think and work on their own, rather than passively, in order to resolve the issues of the region and customers will contribute to sustainable development of the regional communities, as well as of our customers and the Bank. We have incorporated a performance evaluation system that gives due credit to those who voluntarily think and work into the 7th Medium-Term Business Plan. The Bank will improve the literacy of its employees so that they can think and work on their own from the perspective of the region and customers, and will also implement the customer-oriented (market-in) "Goal-based Support" to ultimately evolve into a sustainable organization.

■ Evolving into a company where employees are encouraged to act voluntarily and take on challenges

■ Human resources recruitment system

We believe that for every one of our employees to work while feeling their job is fulfilling and meaningful, we need to build a work environment in which they are highly motivated to take on challenges and fully display their capabilities.

To respond to increasingly diversified and sophisticated customer needs and to resolve various issues in the region, we have put in place an internal recruiting system, which is aimed at developing highly specialized human resources. By encouraging employees to voluntarily and proactively take on challenges through this system, we have been paving the way for a work environment in which our employees are able to get on their envisioned career path and the Bank can unlock the potential of diverse talent.

Departments having recruited personnel through the system (selected)
Corporate Business, Personnel Planning,
Regional Promotion Office, Digital Promotion Office,
Consulting Division, Finance Division, Global Human Resources,
and System (Next-Generation) Division

*Number of employees actually recruited through the system in fiscal 2020: 38

■ Evolving Into a company supportive of diverse mindsets and workstyles

■ Enhanced System for Discussion

Since this fiscal year, we have added one-on-one meetings to the System for Discussion so that our employees can consult their supervisors on various topics, including their envisioned careers, jobs, and personal problems. The one-on-one meetings provide "time for employees" to think on their own and talk with their supervisors on a regular, person-to-person basis. The supervisors confirm the physical and mental condition, concerns, problems, and interests of their subordinates through such subordinate-oriented dialogues and help them address their challenges and issues and achieve their goals and growth.

■ Work-life balance

We have enhanced welfare benefits and implemented a work environment supportive of diverse and flexible workstyles so our employees can achieve a balance between work and private life while working with a sense of satisfaction and fulfillment, and choose their lifestyle from a variety of alternatives.

Since fiscal 2021, we have operated an hour-based annual paid leave system in addition to the legally required paid leave systems that were already in place. In addition, we are working to help our employees realize flexible workstyles that are not limited by work locations, such as working from home using tablets.



Mindset-Work Reforms (Mindset Reform and Work Style Reform)

■ Support for childcare and nursing care

We have enhanced our system to support our employees in balancing childcare/nursing care and work.

The period of our childcare leave is up to three years, which exceeds the legally-required period. We have supported continuous career formation by providing various types of information during childcare leave, organizing meetings for a smooth return before going back to work from childcare leave, and holding support seminars after returning from childcare leave.

We also provide a range of nursing care support, including family-care leave for employees with a family member who needs constant nursing care for up to one year as well as paid nursing leave available for 10 days per year.

■ Business casual

As part of our efforts towards achieving gender equality, we have officially adopted a business casual dress code since April 2021. Specifically, we have worked to foster a flat organizational culture that rejects the stereotype that men should wear suits and women uniforms and encourages employees to think more flexibly at work.

■ Diversity Promotion Committee

The Diversity Promotion Committee has further developed the concept of active participation by women, and has endeavored to create workplaces in which everyone can demonstrate their abilities and can feel their job and life is fulfilling so that the Bank can ultimately evolve into a company that is sustainable and essential for the growth of the regional communities.

To incorporate diverse opinions into the activities of the Committee, we established the Diversity Promotion Team in July 2020. The members of the team, who are recruited from branches as volunteers, have actively exchanged opinions.

In fiscal 2020, the team members led a series of discussions with employees about issues with and improvement measures for the System for Discussion. In fact, the team played a significant role in the introduction of the one-on-one meetings in June 2021.

STAKEHOLDERS' VOICE



Kazuma Tsuji, Assets & Liabilities Managing Dept.

As a mature student, I studied AI and Big Data at the graduate school of Shiga University, and realized how huge the potential of data is and started to wonder what would be the unique value that only humans can deliver. Shiga Bank has significant advantages as a regional bank in that the bank has diverse human resources and has gathered the largest volume of data in the region. As a bank having an accurate understanding of its advantages in human resources and data, the Bank will seek to provide unique services that can inspire customers by leveraging the optimum combination of human resources and data.

STAKEHOLDERS' VOICE



Mariko Kokuryo, Ishibe Branch

The Diversity Promotion Team conducts activities to reflect the real opinions of employees in human resources development and awareness-raising initiatives. In recent years, employees who are not satisfied with their jobs have tended to leave the Bank. Believing that passiveness is one of the main reasons for this high turnover, we discussed the introduction of one-on-one meetings, for example. We believe that we can raise their motivation by encouraging them to express opinions on their own.

We will continue to discuss the issues and work to realize a fulfilling work environment.