

Message from the President

First, I would like to take this opportunity to thank all our stakeholders for their support over the past year.

With mandatory application of the new international risk management standards for Japanese banks at the end of March 2007, in line with the new Basel II BIS capital adequacy requirements, I am proud to announce that Shiga Bank has joined a group of five Japanese regional banks authorized to adopt the advanced Foundation Internal Ratings Based (FIRB) risk management approach.

Unlike the standard approach based on rules set by Japan's banking authorities, FIRB represents a new paradigm for risk management. It enables us to proactively address the challenge of risk, using proprietary data accumulated and analyzed by our in-house systems for borrower credit-rating and IT strategies built up by the Bank over 10 years, yielding a more sophisticated risk management system.

The Bank took this opportunity to launch in April its 3rd Medium-Term Business Plan for the 21st Century (April 2007-March 2010), which has as its main theme enhancement of enterprise value through more sophisticated risk management.

By harnessing our long-standing emphasis on rational policy-making and our sophisticated computer systems, we are reaching for a new level in our development of an original business model based on the principle of accountability. We are further developing our three brand-building strategies (providing expertise and care, being



Koichi Takata , *President*

strong in Asia, and being highly CSR-conscious), as well as making a Groupwide effort to become a partner in prosperity for our community.

I hope we can count on the further support and encouragement of our stakeholders in our future endeavors.

July 2007

A handwritten signature in black ink, appearing to read 'K. Takata' with a stylized flourish underneath.

Koichi Takata , *President*