

Overview of Operations

FIRB for management rooted firmly in accountability

As a bank, our defining mission is to accept risk. With the valued deposits of our customers as our core resource, we cannot accept risk without taking protective measures. To gird ourselves to meet these needs, we have to take a realistic approach.

Since I became president in 1997, I have spared no effort to spread awareness of these issues at every level of the Bank and ensure that a sense of realism firmly underpins all we do. My goal has been modernized bank management based on the principle of accountability. As we say in Japanese, “Protect your own castle by your own efforts.”

This has meant building system infrastructure in various ways. We were ahead of the field in establishing systems for in-house corporate customer credit-rating and for better matching interest rates to levels of risk, and we also created an IT strategy enabling us to perform more advanced operations at greater speed. As a result of over 10 years spent on such endeavors, we have succeeded in gaining approval to become one of

five Japanese regional banks among a total of 64 authorized to adopt the Foundation Internal Ratings-Based (FIRB) risk management approach, a more rigorous version of the standard IRB framework, in line with the new Basel II BIS capital adequacy requirements effective in Japan from March 31, 2007.

Based on this more advanced risk management paradigm rooted in the principle of accountability, the Bank has reached a new stage in its development in which bolder risk-taking becomes a core activity. Every employee of the Bank from senior executive down to counter staff takes pride in this achievement. We ask for the understanding of everybody in the community we serve as we go about becoming a partner in prosperity for them.

Three brand-building strategies for our own community-focused management style

In the autumn of 2007, competition within the financial sector is expected to grow more severe with the scheduled privatization of Japan Post and lifting of remaining restrictions on



over-the-counter sales by banks of life and casualty insurance products.

To thrive in this future competitive environment, we must not only instill the principle of accountability-oriented management, but also build up our own community-focused management style to further deepen the trust of our customers.

Thus we will develop our three brand-building strategies first proposed in the previous (2nd) business plan (April 2004 - March 2007), our Medium-Term Business Plan for the 21st century.

The first concept is providing expertise and care. By this we mean developing a solution-oriented business using qualified financial planners. They will offer our customers a broader portfolio of solutions services, such as financial planning for individuals (financial asset management) and for corporate customers, support for business start-ups and M&A solutions.

Our second goal is becoming stronger in Asia. Based on our overseas bases (our branch in Hong Kong and our representative office in Shanghai), we will support our customers' expansion into Asian business, and provide forums for private sector economic exchange, for example by holding business round-table talks in Asian countries. In this way we also hope to foster better international relations.

Third, we are creating a highly CSR-conscious paradigm with environmental management as its centerpiece. As a bank with a headquarters near Japan's largest lake, Lake Biwa, we committed ourselves to a 6% reduction target for carbon dioxide emission under the Kyoto protocol as a global warming measure in the previous Medium-Term Business Plan - our first such initiative. In the end, we achieved 9.94% (compared with 1990). We have incorporated another 6% cut, compared with



fiscal 2006 levels, in the current Medium - Term Business Plan, and continue to develop more environment-friendly products and services.

Commitment to a CSR Charter

With the launch of the 3rd Medium-Term Business Plan for the 21st century in April 2007, the Bank has compiled a CSR charter and a code of conduct as key elements of our corporate philosophy.

Enterprises today are expected to show tireless commitment to developing CSR-oriented management.

In 1966, the Bank compiled the following core values: "be harsh on yourself, be good to others, and do your utmost for society." We believe we are carrying on the spirit of the legendary good merchants of Omi (the old name for Shiga Prefecture), who believed a man of business should be honest in selling and buying and all his dealings with those around him, so that all parties, buyer, seller and local community, benefited from a transaction. These simple but meaningful ideas are enshrined in the Shiga Bank philosophy, to which we shall always adhere.

Taking this as our departure point in our CSR management, we will become a partner in prosperity in every way for our community, our employees and for the global environment.