

Enhancing Enterprise Value Through More Sophisticated Risk Management

The Bank began implementing its 3rd Medium-Term Business Plan for the 21st Century in April 2007. We have now entered the third and final year of this three-year plan.

With its main theme of enhancing enterprise value through more sophisticated risk management, the new plan is intended as the culmination of our efforts to date to establish an original management model based on the principle of accountability, enabling us to realize our vision of becoming a partner in prosperity for the community we serve.

The “3 Cs” Plus CSR

To build up enterprise value, we consider it important to pull together as a group to steadily grow earnings through an optimized risk return policy — in other words, generate more economic value — while building up social value through CSR activities.

Under the basic strategy of the current Medium-Term Business Plan, we have added CSR to our Group commitment to a new set of “3 Cs”: Consolidation (upgrade products and services, and take a realistic yet bold approach to risk assumption); Credit risk (more sophisticated credit risk management); and Cost control (greater efficiency).

Bolstering Relationship Banking

We are dividing our operations into relationship banking — using stronger ties with our customers to better tailor our operations to their needs — and broadening our range of operations to enhance customer convenience. To further strengthen our solutions business in our relationship banking activities, we have broadened our portfolio of solutions and shifted more resources into this area.

At the same time, in efforts to broaden our scope of operations to enhance customer convenience, we have created a more efficient operating structure capable

of responding to customer needs better in terms of products and systems based on a new core computer system, started its operation in January 2008.

Further Strengthening Personnel Training

Personnel training is vital for accurately and swiftly tailoring our services and products to customer requirements as these become more diverse and sophisticated.

The areas we are focusing on in the current Medium-Term Business Plan are strengthening training, development of our female employees’ roles, harnessing the expertise and experience of veteran employees and fostering expert talent.

In February 2009 construction was completed of the Shigagin Hamamachi Training Center, which is expected to serve as an effective new facility for personnel training.

The new facility will also serve as a symbol of the Bank’s commitment to CSR in the environmental sphere, thanks to its solar power generation system, and its rooftop and wall greenery.

Optimizing Management Resources

To ensure a more efficient and effective marketing strategy, making maximum use of Foundation Internal Ratings-Based models for credit risk compatible with Basel II, we are reallocating management resources to growth markets such as the Konan area of Shiga Prefecture, the southern districts of Kyoto and Osaka area and Mie area.

Outside our home territory of Shiga Prefecture, we have recently been expanding our branch network in the neighboring major urban areas of Osaka and Kyoto. In June 2007 we established a new department in our branch in Umeda, Osaka. This department specializes in corporate customers in the Osaka-Kita area. In February 2008 we opened a branch in Uji in the southern part of Kyoto. Once the Shin-Meishin Expressway (work on which is currently suspended) is

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opened for its entire length, it will link Mie Prefecture to Hyogo Prefecture, and this is expected to stimulate the economy of Mie Prefecture. In anticipation of this, in June 2008 we established a new unit dedicated to serving corporate customers in Mie within our existing branch at Tsuchiyama. In these ways we have been bolstering our fund operation capabilities, particularly in loan business operations.

In May 2009 we opened a mini-branch in Minami-Kusatsu, near the western exit of Minami-Kusatsu Station. This is our first branch dedicated solely to serving individual customers.

Total Commitment to the Three Brand-Building Strategies

We are proactively developing the three brand-building strategies — providing expertise and care, being strong in Asia and highly CSR-conscious — launched in the previous Medium-Term Business Plan.

Numerical Targets

The goal of the current Medium-Term Business Plan is to further increase gross business profit, based on expansion of the loan portfolio and of revenue from fees and commissions.

Performance Indicators	March 31, 2010	Business Results (March 31, 2009)
ROE (Consolidated)	5% or higher	(7.53)%
Capital Ratio (Consolidated)	Approximately 11%	10.34%
Tier I Ratio (Consolidated)	9% or higher	8.73%
Overhead Ratio (Non-consolidated)	60% or lower	81.25%
Carbon Dioxide Emissions	6% reduction	* 23.29%

* The start of business operations at the new building (accommodating the Bank's Shigagin Hamamachi Training Center) caused carbon dioxide emissions to reach 1.19% more than the amount recorded during the base year of fiscal 1990. However, the Bank's purchase of emission rights for 2,000 tons resulted in a carbon offset and a reduction of 23.29% from the base year.

Specific Initiatives	Target (Year ending March 31, 2010)	Results (Year ended March 31, 2009)	Rate of Progress (Year ended March 31, 2009)
Initiatives for "providing expertise and care"			
Number of borrowers whose borrower categories have been upgraded (116 borrowers as of March 31, 2009)	60	59	98.3%
Number of times to utilize the Small and Medium Enterprise Rehabilitation Support Association	21	14	66.6%
Number of times to provide new business support (acting as coordinator)	100	32	32.0%
Number of times to arrange business matching meetings	2,000	1,113	55.6%
Number of proposals submitted for business succession	360	198	55.0%
Number of small business loans	3,000	950	31.6%
Amount of small business loans	¥15 bil.	¥6.1 bil.	40.6%
Initiatives for "being strong in Asia"			
Number of times the Bank introduced clients to local counterparties (with the aim of expansion into East Asian markets)	3,600	2,175	60.4%
Number of advisory contracts for companies entering China	10	5	50.0%
Overseas missions, overseas business talks	3 times each	2 times each	66.6%
Number of times arranged business matching meetings with Chinese companies	10	8	80.0%
Number of cross-border loan contracts	10	10	100.0%
Number of coupon-swap contracts	60	86	143.3%
Number of contracts for foreign currency time deposits with a special agreement	100	66	66.0%
Initiatives for "being highly CSR-conscious"			
Eco and Earthquake Resistance Mortgage Loan	3,500	680	19.4%
Eco-Plus Time Deposit	850,000	617,459	72.6%
Official supporters of the Shigagin Principles for Lake Biwa (PLB) — (Aggregate number)	2,000	4,528	*352.8%
Total number of loans under the PLB Fund/Eco-Clean Loan Program	1,400	1,318	*81.4%
Total amount made under the PLB Fund/Eco-Clean Loan Program	¥18 bil.	¥20.5 bil.	*145.2%
Aggregate number of risk consulting cases relating to disasters	100	303	*412.3%

*Note: Regarding products marked with an asterisk, aggregate numbers have been employed for numerical targets. Net increases over the past two years (since April 2007) have been used in the calculation of the rate of progress.