

Message from the President

Yoshio Daido
President



1. The Bank's home market

(1) The fast-growing Shiga Prefecture market

Shiga Prefecture, the Bank's business base, is situated in the center of Japan in a geographically advantageous position linking the Kinki and Tokai regions. It has high transport accessibility and is also one of the few prefectures in Japan where the population is still growing. The number of colleges offering four-year degree courses is also on the rise, and the ratio of children (up to age 14) to the total population is the second-highest after Okinawa. For these reasons, we can look forward to high growth rates for this market over the near term.

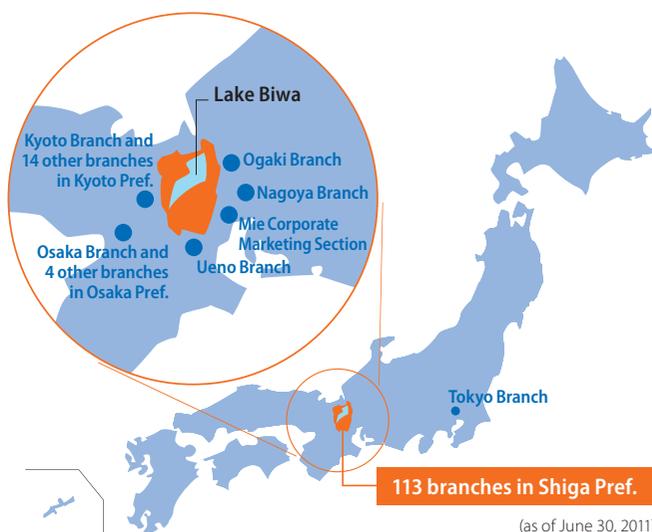
(2) Business performance improving against the backdrop of market growth

Against the background of the excellent growth prospects for the market in Shiga Prefecture, the Bank, which is the only regional bank with a head office in the prefecture, has a market share of over 40% in both deposits and loans and bills discounted, and we are also enjoying a steady growth in the volume of business transactions.

(3) The Bank's growth strategy

Leveraging our superior network of branches, which we have built up over many years as a wide-area regional bank, together with the increase in "business currents" *1 that has been sparked by the partial opening of the Shin-Meishin Expressway, we are pushing ahead with our "seeding strategy." *2 On June 3 of this year we transferred our Osaka Kita Corporate Marketing Section (dedicated unit set up at our Umeda Branch to serve corporate customers in Kita-ku, Osaka), to its own independent office in front of Shin-Osaka Station.

Greater Mutual Prosperity



This follows the transfer of our Mie Corporate Marketing Section in June of 2010 from the Tsuchiyama Branch to an independent business location in Yokkaichi. These two offices will enable us to widen and strengthen the “business current” linking the Kinki and Tokai regions. We aim to leverage our extensive know-how in business matching and other banking-related services to expand this business current still further.

Within Shiga Prefecture, where the population continues to grow, new single-family house construction starts are expected to maintain a steady trend. To meet the expected increase in demand for personal loans centered on mortgage loans, we are offering consulting services at 11 e-Shigagin Plazas, which are also open at weekends. We have also opened “personal offices” — branches tailored to individual customers — at Kusatsu and Minami Kusatsu, to meet the diversifying demand for asset management consulting services. In addition to providing consulting services on Saturdays and Sundays, these “personal offices” have also proved very popular with our customers thanks to the wide range of products they offer, and our future branch strategy within Shiga Prefecture will involve leveraging our personal banking functions to meet customer needs even more effectively.

*1 Business currents: Generating new business activities among our customers
 *2 Seeding strategy: Expanding business areas outside prefectural borders based on our existing offices and branches

2. Measures taken by the Bank

(1) Our principle of mutual prosperity and harmonious coexistence

In 1966 Shiga Bank adopted the motto: “Be tough on ourselves, kind to others and serve society.” This motto carries on the “Sampo yoshi”

philosophy, a management philosophy embraced by the merchants of the Omi region (the former name of Shiga), which means to bring happiness to three sides: being good for the seller, the buyer, and society. In April 2007 we instituted our CSR Charter on the basis of this motto. In the Charter, we set forth our management principle of working to realize mutual prosperity with the regional community and with all the Bank’s employees, as well as harmonious coexistence with the global environment. Harnessing the comprehensive strengths of the Shiga Bank Group, we plan to maintain the Bank’s tradition of sound management and work to achieve true mutual prosperity, as laid down in our CSR Charter.

(2) The 4th Medium-Term Business Plan

To translate our principle of mutual prosperity into concrete reality, in April 2010 we initiated our 4th Medium-Term Business Plan under a basic vision of “Meeting the Challenge of the Next Stage — Greater mutual prosperity through strengthened dialogue.” The Bank aims to bolster dialogue with customers to promote greater mutual understanding. By getting to know our customers even better, we will fully understand their needs, enabling us to resolve their issues and provide high value-added services.

Specifically, we will execute the following Three Brand-Building Strategies:

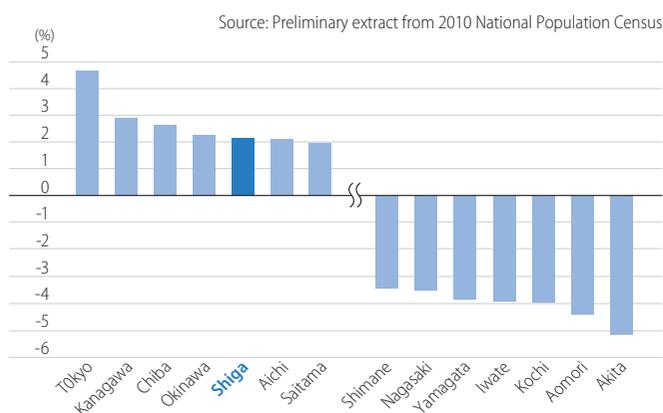
Being strong in networks

We actively leverage our network of branches and our solutions proposal capabilities, centered on business matching, to support our corporate clients’ efforts to expand their operational scale. In June this year we held the fourth Eco-Business Matching Fair. In addition to measures to counteract global warming, which are becoming

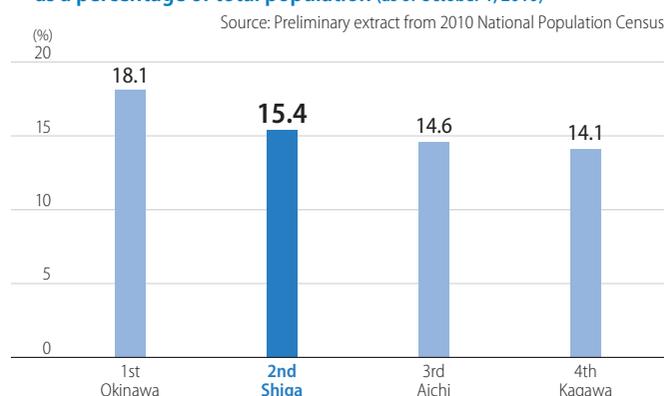
through Strengthened Dialogue

NEXT STAGE

■ Population growth/decline rates by prefecture (2005-2010)



■ Breakdown by prefecture of number of children (up to age 14) as a percentage of total population (as of October 1, 2010)



more and more important with each passing year, this year's fair also saw a full-scale upsurge of interest in the "energy revolution," inspired by the aftermath of the Great East Japan Earthquake in March. State-of-the-art technology was on display at the fair by our corporate clients engaged in environment-related businesses, and these technologies were viewed by 2,170 visitors, resulting in 612 business negotiations. We will continue working to opening up new business opportunities for our corporate clients by introducing them to potential partners, as well as providing financial support.

Being strong in Asia

Shiga Bank is the only regional bank in the Kinki region with an overseas branch — our Hong Kong Branch. We leverage the advantage this gives us to provide strong support for our customers in their development of operations in Asia. In September 2010 we became the first Japanese regional bank to offer settlement services in Renminbi, and we followed this up in February this year by commencing Renminbi-denominated loans, and settlement services in Renminbi, at our Hong Kong Branch. To help us deal with our Japanese clients' business needs in Asia, which are expanding at an accelerating pace, we are currently examining various plans for the establishment of new business bases on the Asian mainland to supplement our Hong Kong Branch and our Shanghai Representative Office.

Being highly CSR-conscious

In November 2009, Shiga Bank became the first Japanese bank to establish a "Biodiversity Rating," and in October 2010 we opened a booth at the Biodiversity Fair held in Nagoya to coincide with the holding of the 10th Conference of Parties (COP) to the Convention on Biological Diversity. At the booth, we introduced many visitors to



the Bank's wide-ranging efforts to preserve biodiversity, particularly in and around Lake Biwa. We will continue to engage in environmentally conscious management, including through the provision of environmental financing products and services.

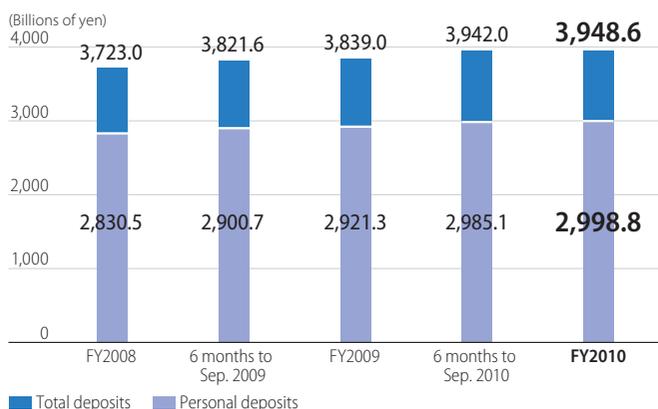
3. Measures in response to the Great East Japan Earthquake

(1) Impact of the disaster on the local economy

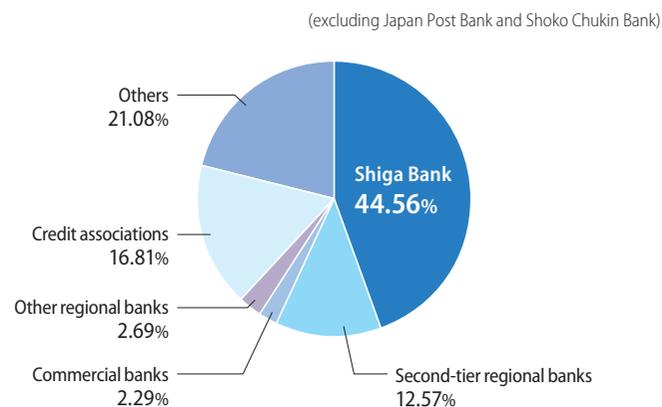
As Shiga Prefecture contains a high proportion of manufacturing enterprises, notably companies in the automotive industry, its economy was particularly susceptible to the disruption of supply chains caused by the massive tsunami that struck the Tohoku coast on March 11. The local construction industry has been affected by a lack of construction materials, and the tourism sector has been damaged by the nationwide trend toward consumption restraint in the aftermath of the disaster. As a result, the impact on the economy of the Bank's operational area, centered on Shiga Prefecture, was considerable.

Meeting the Challenge of the Next Stage — Greater Mutual Prosperity

■ Average deposits balances (including negotiable certificates of deposit) during the period



■ Deposit balances (share in Shiga Prefecture) (as of September 30, 2010)



Now, more than 5 months after the disaster, supply chains are clearly coming back on line, and most shortfalls in the supply of materials or components are being cleared up. The longer-term impact of the Fukushima Daiichi nuclear disaster, however, is causing foreign tourists to stay away from Japan, and both Eastern and Western Japan are being asked to cut electric power consumption by 15%. In short, the aftermath of the March 11 disaster continues to place a heavy burden on the back of the local economy.

(2) Specific response to customer needs

Under the motto "We grow with our customers," we engage in relationship banking services, including offering an internal rating disclosure service, as well as planning support for management improvement at client companies.

Immediately following the March 11 earthquake and tsunami, we set up a special consultation service at all our branches to assess the direct and indirect impact of the disaster on our customers. We have also been making full use of our consulting functions, continuously conducting investigations of customer circumstances to maintain a precise grasp of our customers' situation, particularly their cash flows.

As a result of these efforts, as of June 30 we had received 348 applications for loans related to the disaster. Out of these, we approved 262 loans at a total value of ¥23.4 billion.

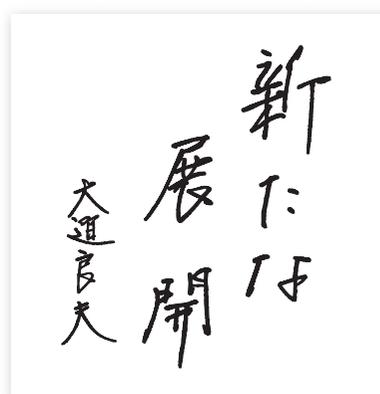
4. This year's watchword is "development"

Financial institutions are now being required to cater to an increasingly diverse range of needs, both for individuals and for corporate customers. To meet those needs precisely, this year Shiga Bank aims

to raise its provision of financial services to a new level under the watchword of "development." This concept embraces the following three goals:

- Raising the level of quality of our business operations
- Expanding the scope of our business operations
- Effecting a conceptual breakthrough in the promotion of business operations

The Bank has positioned as the Next Stage the achievement of mutual prosperity through strengthened dialogue, enabling us to get to know our customers even better and understand their viewpoints. The entire management and staff of Shiga Bank will work together to realize "development" as a means of attaining our targets under the Bank's current medium-term business plans.

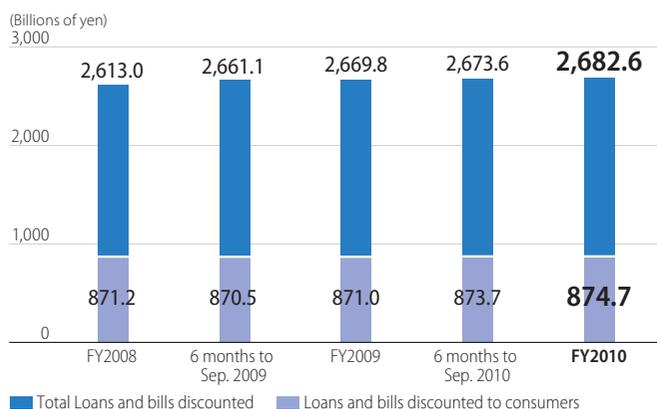


This calligraphy reads "A New Development — Yoshio Daido" and expresses President Daido's feelings about this year's watchword, "development."

through Strengthened Dialogue

NEXT STAGE

Average balance of loans and bills discounted during the period



Balances of loans and bills discounted (share in Shiga Prefecture) (as of September 30, 2010)

