

Message from the President

Yoshio Daido
President



Starting of the 5th Medium-Term Business Plan

For the Future with You

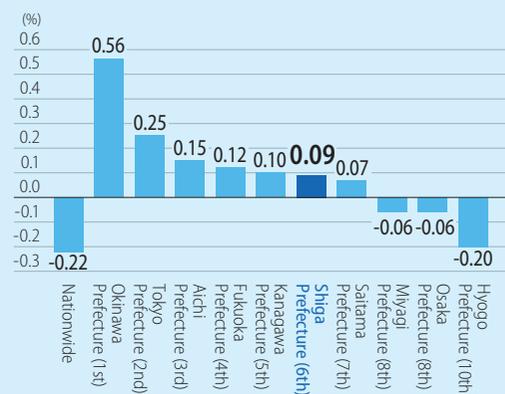
Aiming for the sustainable growth of
our region with our customers

Looking back at fiscal year 2012

Looking back at the Japanese economy in fiscal year 2012, in the first half of the fiscal year a recovery was seen due to the demand stimulated by the reconstruction after the Great East Japan Earthquake and the effects of government policy, but overall the economy weakened against the background of a slowdown in the world economy and other factors. In the second half of the fiscal year an improvement in share prices and confidence was seen due to the sense of expectation caused by the government's economic policy and monetary easing by the Bank of Japan but the ripple effect of this on the real economy was limited due to the steep rise in prices for raw materials caused by the depreciation of the yen and the uncertainties in overseas economies, so renewal and strong rejuvenation of the economy is still needed.

■ Rates of population change for prefectures (as of October 1, 2012)

Source: 2012 Population Estimates / Ministry of Internal Affairs and Communications



Rate of population change (%) = the population change (from October the previous year to September this year) / population as of October 1 the previous year × 100

In this context, the bank performed well in the fiscal year ended March 31, 2013, with both average deposits balances during the period and the balance of loans and bills discounted during the period increasing strongly, to ¥4,114.5 billion (an increase of ¥63.9 billion year on year) and ¥2,752.5 billion (an increase of ¥36.0 billion year on year) respectively. Meanwhile, application of the new Basel III capital adequacy requirements was gradually commenced from the fiscal year ended March 31, 2013. However, the consolidated total capital adequacy ratio is 14.14%, and the Tier 1 ratio and common equity Tier 1 ratio are both 9.44%, much higher than the minimum required ratios (consolidated total capital adequacy ratio of 8.0%, Tier 1 ratio of 4.5%, common equity Tier 1 ratio of 3.5% or more), and we will continue to maintain this high level of soundness at the bank.

The market in Shiga Prefecture

Our main business base of Shiga Prefecture is located in the geographic center of Japan, and is also blessed with outstanding traffic accessibility because it is connected to the Kinki and Tokai regions so many production plants of leading manufacturers are located here. Furthermore, Shiga Prefecture is a leading prefecture in terms of population growth, with both its birth rate and percentage of the child population ranked second in the nation*1, so going forward further high growth is expected.

In addition to these advantages, the Bank is working hard to use the characteristics of a region that offers history, culture and natural environment, and the “growth strategy” implemented by the government, to develop and promote our customers and the regional community by creating new businesses and generating employment.

*1 Birth rate (2012 Vital Statistics / Ministry of Health, Labour and Welfare)
Percentage of the child population (2012 Population Estimates / Ministry of Internal Affairs and Communications)

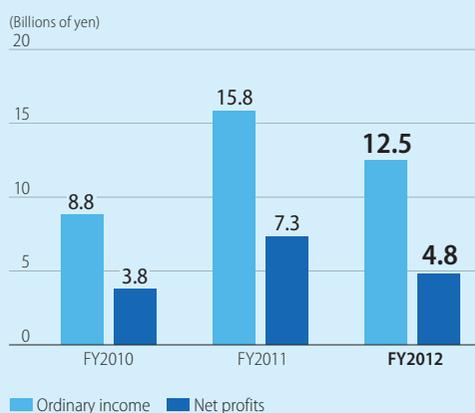
The “determination” incorporated in our 5th Medium-Term Business Plan

On April 1, 2013 we started the 5th Medium-Term Business Plan with the aim of making further contributions to our regional community. The name of the plan is “For the Future with You” and we added the sub-title “Aiming for the sustainable growth of our region with our customers.” “For the Future” incorporates the strong determination to be “future-oriented;” that is, to overcome present challenges and open up a bright future, and “with You” incorporates the strong determination to progress toward sustainable growth together with our customers, our regional community, all of the Shiga Bank Group’s employees, and the global environment. Furthermore, we have adopted “a bank journeying into the future together with its customers and region” as our vision for the next ten years and as the first stage of that vision we are going to revise all of our operations with “the customers as the starting point” and work on “awareness-raising and behavioral improvement for improving customer satisfaction.”

Specifically, on May 7 we launched the new SUCCESS*2 system which revises and standardizes the workflows in the lending operation and consolidates and systemizes the lending operation to the Head Office. The biggest objective of this system is to build stronger relationships of trust by providing financial services with higher added value to our customers, for example by reducing the administrative procedures and processing time for loans as much as possible, increasing points of contact and interview time with customers, offering consultations about business management, and making proposals aimed at the resolution of issues.

It is my belief that “the foundation of bank management is ‘people’ and ‘people’.” We will thoroughly implement this idea, and all of the employees will work hard to improve themselves and realize “mutual prosperity” with our customers and our region through “faithfulness (the feeling of thinking about customers’ needs at all

Ordinary income and Net profits



Capital adequacy ratio (consolidated) (at the end of March 2013)

	Actual	Minimum required ratio
Consolidated total capital adequacy ratio	14.14%	8.0% or more
Consolidated Tier 1 ratio	9.44%	3.5% or more
Consolidated common equity Tier 1 ratio	9.44%	3.5% or more

* From the end of March 2013 we have been calculating the capital adequacy ratio using the Basel III standard.



times),” “imagination (a keen sensibility and abundant ideas),” and “enthusiasm (full dedication and strong will).”

*2 SUCCESS: an acronym for SHIGAGIN Utility Customers Communication Excellent Support System

The “three basic strategies” in the 5th Medium-Term Business Plan

In the 5th Medium-Term Business Plan, we have established “three basic strategies.” The first is the “provision of solutions matching the customers” which involves deepening the “three brand-building strategies” we were already promoting. The second is “further contributions to the regional economy” which involves strengthening our efforts to support new businesses and growing industrial sectors and to create and increase the appeal of the regional brand. The third is “construction of a resilient business foundation” which involves efforts to train and utilize “human resources” and to strengthen our internal control system.

Tackling revitalization of the regional economy

In the “three basic strategies” we will work hardest on revitalization of the regional economy. Through bank management that is focused on ten years from now and 20 years from now, we will work towards the sustainable growth of the regional economy with the firm conviction that “development of our region is in our hands.”

On April 1, we established the Regional Promotion Office in the Business Promotion Department. As a bank rooted in the local community, we established the new office with the hope that we could achieve regional promotion so in sectors in which growth is expected, including “the environment,” “medical care and health,” “agriculture,” and the “tourism business” we will collaborate with

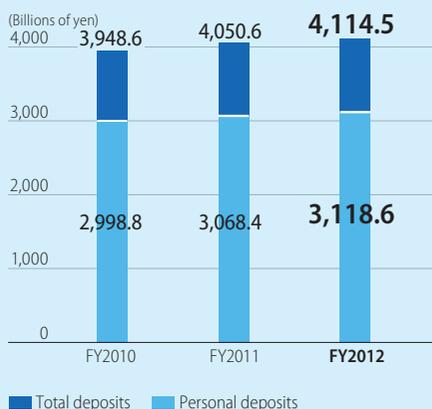
governments, urban development companies, commerce and industry organizations, NPOs and others to focus our energies on support for new businesses and creating and increasing the appeal of secondary start-ups and the regional brand.

China and the ASEAN countries are growing rapidly and undergoing a major transformation from the “factory” of the world to an “enormous market.” An increasing number of our customers state that they wish to sell outstanding products and services to the rapidly-developing Asian countries to bring in the “growth” of Asia. We will utilize our overseas network linking the Hong Kong Branch which is the only overseas branch run by a regional bank in Kinki, the Shanghai Representative Office, the Bangkok Representative Office, and the Asia Desk at the Head Office to support the overseas businesses of our customers, improve the business performance of our customers, and work for the revitalization of the entire regional economy centered on *kokoku* (this means “lake country” and is another name for Shiga Prefecture).

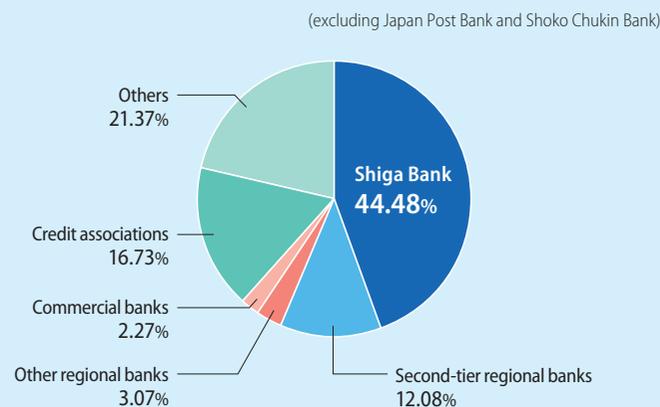
Further deepening our CSR activities

The issues of preventing global warming and preserving biodiversity must be addressed without delay. Based on the idea of “environmental management” which seeks to promote both the environment and the economy, the Bank is developing diverse resources-saving and energy-saving activities including reducing the paper, trash, and electricity consumed in its operating activities and reducing greenhouse gas emissions by opening environmentally-friendly branches. Furthermore, with the firm conviction that we can “protect the global environment through the financial flows” we are working on “environmental finance” which promotes the development of environmentally-friendly financial products and services, and developing volunteer activities such as reed-cutting, eradication of exotic fish species, and forest-building support.

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



■ Deposit balances (share in Shiga Prefecture) (as of September 30, 2012)



The Bank is rolling out multifaceted activities aimed at realizing the “mutual prosperity” put forth in the CSR Charter (Management Principles) based on the three key CSR concepts of “environment,” “welfare,” and “culture.” We will work on further deepening our CSR activities because they are activities that involve working together with our customers for a better future.

The 80th anniversary of the founding of the Bank — Moving into the future together with our customers and region —

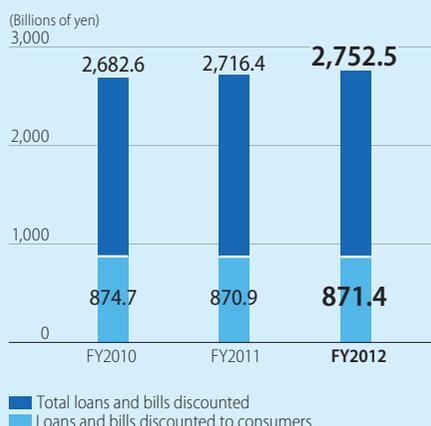
We will celebrate the 80th anniversary of the founding of the Bank on October 1, 2013. On October 1, 1933, two major banks in the prefecture at the time, the 133rd National Bank (Hyakusanjusan Bank) and the Hachiman Bank merged to create the Shiga Bank and since

then we have built the bank up into the Shiga Bank of today thanks to the trust and patronage of our customers over many years. We are undertaking our journey together with the regional community so we will not grow unless our region achieves growth.

As “a bank journeying into the future together with its customers and regional community” we will continue to focus all of our energies on development of the regional economy and building a sustainable society going forward.



Average balance of loans and bills discounted during the period



Balances of loans and bills discounted (share in Shiga Prefecture) (as of September 30, 2012)

