

SHIGA BANK

ANNUAL REPORT 2008

Our Mission

With small and medium-sized companies and individuals as our core customer base, the Shiga Bank Group seeks to make a multi-faceted contribution to regional society while ensuring harmonious coexistence with customers and local communities. To this end, we have adopted a customer-oriented approach, focusing on the “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) and three brand-building strategies (providing expertise and care, being strong in Asia, and being highly CSR-conscious — to establish a solid operating foundation. We will also embrace a strong CSR commitment, with an emphasis on encouraging environment-friendly operations at our customers, while we transform ourselves into an “eco-clean” institution.

Profile (as of March 31, 2008)

Corporate Name: The Shiga Bank, Ltd.

Head Office: 1-38, Hama-cho, Otsu, Shiga 520-8686, Japan

Established: October 1, 1933

Total Assets: ¥4,098.4 billion

Deposits (including negotiable certificates of deposits):
¥3,699.4 billion

Loans: ¥2,558.9 billion

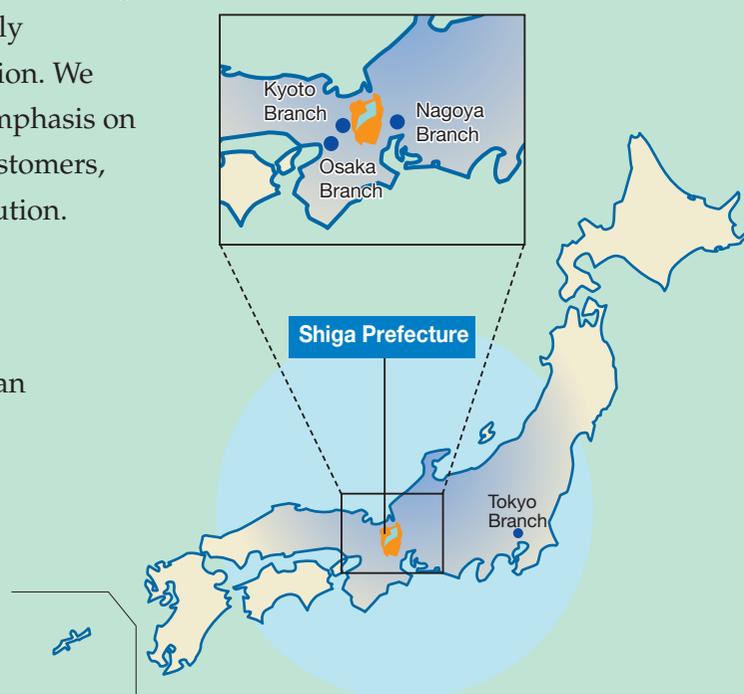
Common stock: ¥33.0 billion

Employees: 2,268

Offices and branches: 135 (including 4 agents)

Rating: JCR A+

R&I A+



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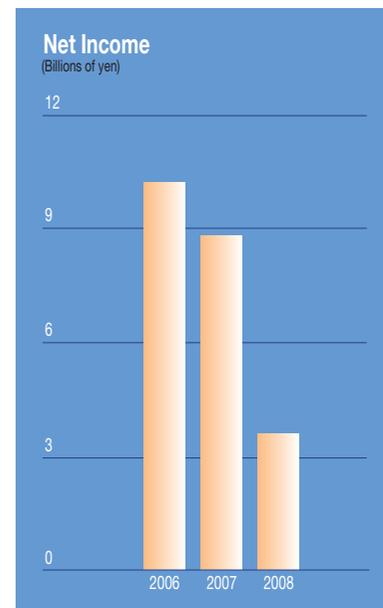
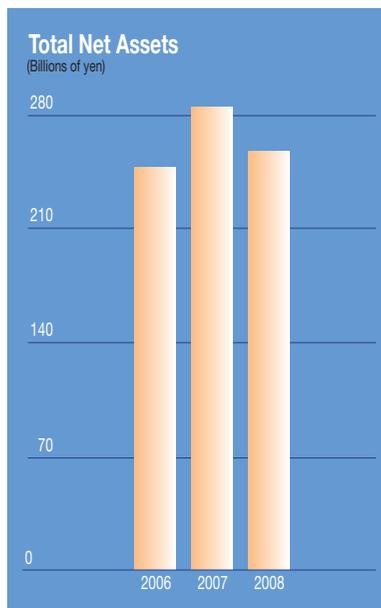
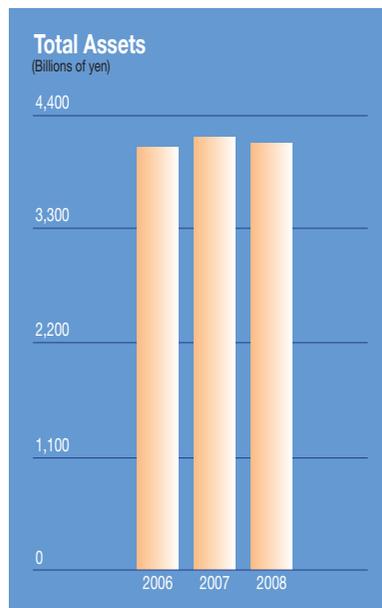
Consolidated Financial Highlights

March 31, 2008, 2007 and 2006

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	2008
As of March 31				
Total assets	¥4,115,109	¥4,179,335	¥4,082,911	\$41,073,055
Securities	1,225,131	1,355,021	1,426,683	12,228,080
Loans and bills discounted	2,551,368	2,473,464	2,378,949	25,465,299
Deposits	3,695,055	3,705,751	3,624,279	36,880,482
Total net assets	256,868	283,997	247,333	2,563,810
Years ended March 31				
Total income	116,258	99,356	99,914	1,160,385
Total expenses	106,138	83,956	77,892	1,059,371
Net income before income taxes and minority interests	10,120	15,399	22,021	101,013
Net income	3,597	8,839	10,209	35,902
Per share data (in yen, dollar)				
Cash dividends	¥ 6.00	¥ 6.00	¥ 5.50	\$0.06
Net income	13.60	33.41	38.43	0.14
Net assets	887.14	987.98	934.66	8.85
Ratio				
Capital ratio	11.16%	12.20%	11.25%	
ROE	1.45%	3.47%	4.35%	

Notes: 1. Japanese yen figures below one million are omitted.

2. U.S. dollar amounts represent translation of Japanese yen at the rate of ¥100.19 to US\$1.00 on March 31, 2008, the final business day of the term.



Cautionary Statement with Respect to Forward-Looking Statements

Statements made in this annual report with respect to The Shiga Bank, Ltd.'s current plans, estimates, strategies and beliefs, and other statements that are not historical facts are forward-looking statements about the future performance of Shiga Bank. These statements are based on management's assumptions and beliefs in light of the information currently available to it, and therefore readers should not place undue reliance on them. Shiga Bank cautions readers that a number of important factors could cause actual results to differ materially from those discussed in the forward-looking statements.

To Our Shareholders

The Bank will celebrate its 75th anniversary in October 2008. We would like to warmly thank all our stakeholders for their support for so many years.

Since March 2007, the Bank has been required to implement the advanced Foundation Internal Ratings Based (FIRB) approach to risk management, which is in line with the new Basel II BIS capital adequacy requirements. As a member of the top group of Japanese regional banks, Shiga Bank has been authorized to adopt these advanced risk management standards. This enabled the Bank to embark on its 3rd Medium-Term Business Plan for the 21st Century, as of April 2007. Enhancement of enterprise value through more sophisticated risk management is the primary goal of the new plan for the three-year period ending March 31, 2010.

We view the adoption of the FIRB approach as new stage in our efforts to upgrade management — and as an important achievement in our accountability campaign mounted over a more than ten-year period. Shiga Bank sees the FIRB standards as a communication tool to utilize in further strengthening relationships with trading partners built on the basis of mutual trust. We intend to move forward together with customers to raise corporate value for all parties in our transactions.

In addition, with competition among financial institutions intensifying even more, the Bank must give added meaning to its existence by refining its unique management system. To do this we will energetically work to further develop the three brand-building strategies we



Yoshio Daido,
President

Koichi Takata,
Chairman

follow. These are to operate as a bank that: (1) provides expertise and customer care; (2) is strong in Asia; and (3) is highly conscious of its corporate social responsibilities (CSR).

August 2008

Koichi Takata, *Chairman*

Yoshio Daido, *President*

Message from the President

We wish to sincerely thank everyone for extending ongoing patronage and support.

As we mark the 75th anniversary of the Bank's founding, we have adopted "Starting Point" as a key concept to employ at this important juncture in the Bank's history. This reaffirms that we are once again at a starting point as a regional bank. From this point on, operations will be firmly based on the multifaceted effort we have made over the past ten years and more to modernize our management. We feel that the Bank is now poised to make a great leap forward.

Three viewpoints are embodied in this concept of a new starting point. The first is that it is a starting point for bank employees. Each and every employee in the Shiga Bank Group is expected to reaffirm his or her commitment to our principles, apply the strictest of standards to their own performance on a lofty stage, and to work with a renewed determination to establish an image of bank employees that earns the trust of customers.

The second is that this is a starting point for Shiga Bank itself. The saying "Protect your own castle by your own efforts" applies to the Bank's original management system, which is based on the principle of accountability. This system is guided by three brand-building strategies, operating as a bank that:

(1) provides expertise and customer care; (2) is strong in Asia; and (3) is highly conscious of CSR. We will work as partners in prosperity as we pursue these strategies and deepen our relationships with customers and the community.

The third viewpoint is that this is a starting point for the Bank as a global citizen. The world can no longer wait to take action in response to the grave problem of global warming. With "Environmental Management" and "Environmental Finance" as our watchwords, we intend to take positive steps toward solutions by providing expertise and customer care as we face the dual challenges of environmental protection and economic development.

(1) As a member of society

Shiga Bank formally issued its CSR charter in April 2007. The new management concept developed in this document is becoming a partner in prosperity in every way for our community, our employees and for the global environment. By bringing its full corporate strength into play to show a sound and enterprising determination to realize the goals of its CSR charter, Shiga Bank Group is sincerely committed to co-existence and partnership in prosperity.

(2) An Aggressive IT Strategy

Information technology (IT) plays an important role in



the Bank's various business strategies. In the drive to modernize our management systems, IT was not simply used to raise efficiency in administrative work. Business practices were upgraded and IT was applied to speed up decision-making. We position IT as a powerful support tool, and have pioneered IT strategy in our sector.

Specifically, this approach has enabled the Bank to aggressively develop original systems: its Intranet, its Branch Operation Support System, and Data Base Marketing System (DBM), which all went into operation in 1999; Telephone Banking, launched in 2000; Finance Support System, launched in 2001; and its New International Business System started in 2005.

Along with this, in December 2006, implementing the current Business Continuity Plan, Shiga Bank completed its new office building equipped with powerful earthquake-resistance functions. Then, in January 2008, we put a new backbone computer system into operation, the first new system in 20 years, which enabled us to make the long-awaited move to system operations 24-hours-a-day, 365-days-a-year.

In the future, we will make even greater use of IT infrastructure to deliver high-quality products and services to customers and to further upgrade business operations.

(3) Carrying out a staged-expansion branch strategy

A local bank is a bank with a defined area of operations. Shiga Bank, of course operates in Shiga Prefecture. In pre-war times it operated in Kyoto and Osaka. Then shortly after the war, it established branches in Tokyo, Nagoya, Ogaki, and Ueno in Mie Prefecture, rapidly becoming a regional bank that would win and maintain the loyal support of people in a wide range of districts.

In a period when prefectural systems and consolidation of regional banks are widely discussed, Shiga Bank is focusing its full strength on "relationship banking" as a key element in its 3rd Medium-Term Business Plan for the 21st Century.

We are energetically pursuing a program of being a bank that is truly useful, with services tailored to meet the business needs of small- to medium-size companies. A pillar of our Medium-Term Business

Plan is accelerating our reallocation of management resources to growth areas and to ensure that quality improves along with quantitative expansion. Along with this, we are putting more energy into what we see as our main task — to enhance enterprise value through more sophisticated risk management.

A series of concrete steps have been taken. These include establishing new departments and new types of branches to offer specialized services to respond to specific characteristics of particular markets. Last year the Bank set up an Osaka-Kita Corporate Marketing Department (in the Umeda Branch). This year, the Uji Branch was created in February, and the Mie Corporate Marketing Department was set up in the Tsuchiyama Branch.

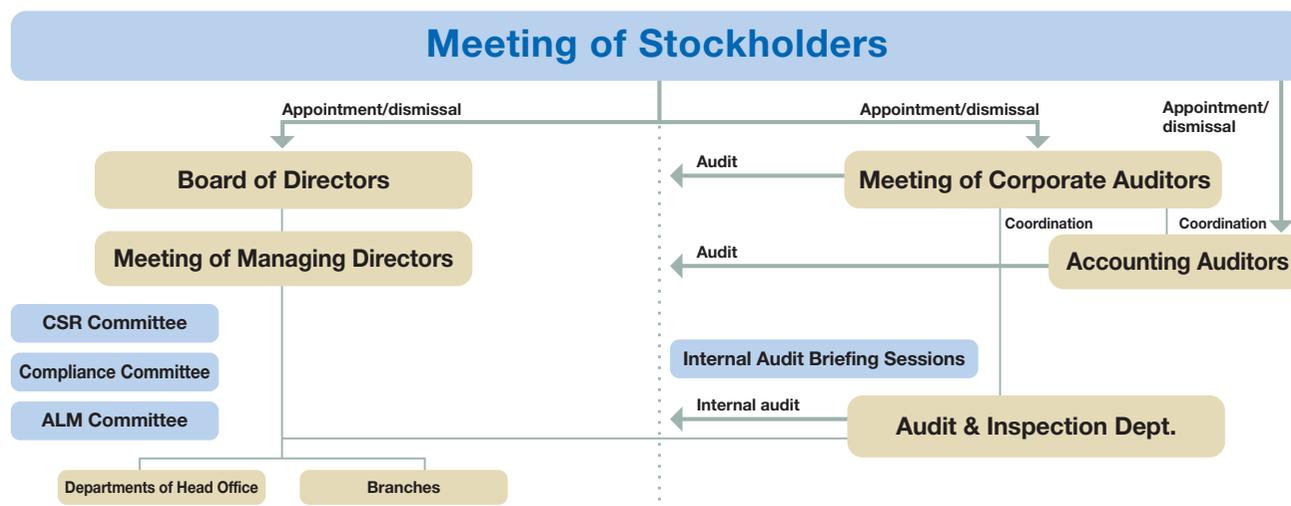
These moves have enabled the Bank to strengthen a marketing base, which is centered in Shiga Prefecture and extends from the western Kyoto and Osaka area to the eastern part of the Tokai district. In this staged-expansion strategy, links between contiguous areas are expanded until meshes are created covering entire business areas. As a regional bank with a long history of serving a wide area, Shiga Bank is setting its sights on making better use of its strengths to position itself as the core bank in a unified economic zone extending from Osaka to the Tokai district — to serve as the key facility ensuring flows of information and capital.



Corporate Governance

Based on its commitment to being a partner for prosperity for local communities, the Bank is upgrading its corporate governance system to ensure the soundness, efficiency, and transparency of management. In addition to strengthening risk management, we are pursuing a number of specific initiatives. These include improving operating efficiency, instilling widespread compliance with legal and ethical rules, disclosing information in an appropriate and timely manner, and upgrading the content of materials disclosed. In addition, we intend to constantly review the status of corporate governance in order to properly address the ever-changing business conditions that we face.

Shiga Bank's corporate governance system (as of March 31, 2008) is shown in the chart below.



Company organizations

(1) Board of Directors

The Board of Directors, with 18 members, meets once a month in principle. At the meetings, decisions are made on important business matters for conduct business. Corporate auditors attend all such meetings to monitor the performance of directors.

(2) Board of Corporate Auditors

The Board of Corporate Auditors has four statutory auditors, including two from outside the Bank. The Board meets once a month, in principle. Corporate auditors also attend other important meetings, including those of the Board of Directors and Executive Committee, as well as internal audit briefing sessions. They also audit the performance of directors in their duties through ongoing examination of the Bank's business performance and financial position.

(3) Meeting of Managing Directors

The Executive Committee consists of the chairman, president, senior managing directors, and managing directors. It meets as necessary to make swift decisions about overall operations, including investment plans, new product development, business structural changes and monitoring the risk environment. Important items related to the execution of business are submitted to the Board of Directors.

(4) Internal Audit System

Seeking to conduct its business in a sound and appropriate manner, the Bank established the Audit & Inspection Department to undertake internal audits. The Department performs audits of the Bank's branches to ensure that their internal control mechanisms are functioning properly and effectively, in accordance with annual internal audit plans approved each year by the Board of Directors.

3rd Medium-Term Business Plan for the 21st Century

Our Vision:
Becoming a partner in prosperity for our community

Main Theme
Enhancing enterprise value through more
Period of the plan: April 2007-

Basic strategy

Focus on the 3 Cs (**Consolidation**, **Credit risk** and **Cost control**), commit to **Consolidation**: Upgrade products and services, and take a realistic yet bold approach to risk; **Cost control**: Greater efficiency; **CSR**: Step up environmental protection and community

Marketing strategy

Focus on asset quality, and develop the three brand-building

Providing expertise and care

Being strong in Asia

Nature of businesses

Business fields in which we will strengthen relations with customers so as to respond more accurately to their needs

Business fields in which we will broaden our scope of operations so as to enhance customer convenience

Marketing activities

Provide solutions

Provide greater convenience in transactions

Policies

Create a solutions business

(Corporate customers)
Support new business setups (*Nonohana* program)
Strengthen support for corporate rehabilitations
Get involved in investment banking
Asia business support
Strengthen measures for setting loan interest rates at the right levels

(Individual customers)
Strengthen our private-banking activities
Promote our assets-under-custody business

Consolidate customer base with better products and systems

(Corporate customers)
More effective measures for small account-holders

(Individual customers)
Efficiently promote mortgage loans and strengthen credit management
Strengthen marketing of unsecured loans
Strengthen our card strategies
Upgrade settlement functions for small account-holders

Systems

“Hard” measures: Build a more effective and efficient network of marketing channels

Strategic entry into growth markets
Establishment of specialized branches
Revamp branches to match them better with particular regional needs
Expand direct marketing channels

“Soft” measures: Create a marketing system that addresses specific customer segments in line with market trends

Expand our area marketing structure
Efficient promotion of loans to individuals
Strengthen over-the-counter marketing

Personnel needed

Build up staff teams capable of marketing solutions

Shift focus to human resources

Efficiently deploy personnel able to make the right business decisions quickly

Develop products and services

Provide products and services that meet market needs
Provide a broader range of solutions

Develop more products and services geared to CSR needs
Respond to diversifying business opportunities

Nurturing and harnessing human resources

Personnel needed

Professionals with knowledge of the latest banking practice

Optimize deployment of personnel
Develop capabilities of female employees
Nurture expert talent

Strengthen training and operational guidance
Harness the knowledge and experience of veteran employees

Risk management capabilities

FIRB approach,
integrated risk management

Advanced system infrastructure

New branch operating system,
new backbone computer system,
new office building

Expand delivery channels

Bigger branch network/Hello
Support direct marketing channels

Our

sophisticated risk management

March 2010 (3 years)

CSR

Credit risk: More sophisticated credit risk management; initiatives, and put in place corporate governance structures

strategies

Being highly CSR-conscious

Securities Strategy

Manage portfolios with efficient use of capital

Seek returns duly balanced against risk

Risk control for equity investments with specific policy purposes

Business Environment

Addressing rising market interest rates, the spread of electronic money, and the larger number of baby-boomer retirees amid a rising dependency ratio (fewer births, more retirees)
(Systemic change) Addressing enactment of the Financial Products Exchange Law (J-SOX) and Basel II, and amendment of the FSA's financial inspection procedures
(Competitive environment) Privatization of Japan Post, allowing ordinary companies to enter the banking business, and expansion of online banking

Reform the merit-based compensation system

Create a personnel system that gives free rein to employees' potential

Strengthen internal control systems

Internal processes

More sophisticated management of operations (respond appropriately to Basel II capital adequacy requirements)
Optimize deployment of risk capital, manage operations based on credit rating
Better customer service
More effective capital policies

Strengthen BCP (Business Continuity Plan) initiatives
Compile a CSR charter
Make more effective use of IT systems

Develop a more sophisticated approach to internal controls and disclosure management, strengthen compliance
Reform administrative processes
Pursue efficiency and leverage Group companies

Stronger capital ratio

Achieve capital ratio well ahead of regulatory minimum

CSR-oriented management with the environment as its centerpiece

Winning community approval for our environmental and CSR record

Growth potential of markets in Shiga Prefecture

The rate of population increase in Shiga Prefecture is one of the highest in Japan.

Strengths

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 second 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 are creating 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, scheduled to go into 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.

We plan to build a new training center in fiscal 2008 as a symbol of our commitment to employee education.

The new training facility will also symbolize our CSR commitments, as it uses an environment-friendly design featuring solar panels and rooftop and wall greening.

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.

We are also reviewing our branch strategy chiefly in Shiga Prefecture, looking at the possibility of a shift from full banking services at each branch to a more specialized system with branches focusing on specific roles such as asset management consultation.

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.

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, 2008)
ROE (Consolidated)	5% or higher	1.45%
Capital Ratio (Consolidated)	Approximately 11%	11.16%
Tier I Ratio (Consolidated)	9% or higher	9.91%
Overhead Ratio (Non-consolidated)	60% or lower	73.71%
Carbon Dioxide Emissions	6% reduction	21.16%

* Beginning operations in the new office building led to a 1.58% increase in carbon dioxide emissions. However, the Bank's purchase of emission rights for 2,000 tons resulted in a carbon offset and a reduction of 21.16%.

Three brand-building strategies

Our marketing strategy has three brand-building strategies: (1) providing expertise and customer care; (2) being strong in Asia; and (3) being highly conscious of CSR. As it implements its 3rd Medium-Term Business Plan for the 21st Century, Shiga Bank will further refine its unique features.

(1) Providing expertise and customer care

We will aggressively work to provide a fuller menu to help customers solve problems.

Services for individuals

The Bank engages in the Solutions Business at all branches as the core activity in “Providing expertise and customer care.” Our Financial Planning (FP) activities are the main services offered to individual customers. We endeavor to present a menu of effective measures as we provide consulting on such issues as inheritance, donations, wills, and effective use of real estate. We are also moving ahead with our plan to have all Bank employees obtain FP qualifications. As of March 31, 2008, the number of qualified employees had risen to 1,994.

For customers in need of comprehensive asset management, the Bank offers advice and proposals developed by experienced 1st Grade Certified Skilled Workers (Financial Planning) with broad perspectives. These experts are backed by our Private Banking Team (PB Team) set up at the Shiga Bank Head Office. In addition, we have assigned Area Consulting Leaders (ACL) to guide our services in each area of operations. In addition to responding to asset management consulting needs, the Bank regularly conducts asset management seminars in each locality.

Main FP consultation menu for individuals

1. Inheritance and advancement consulting
2. Consulting on wills

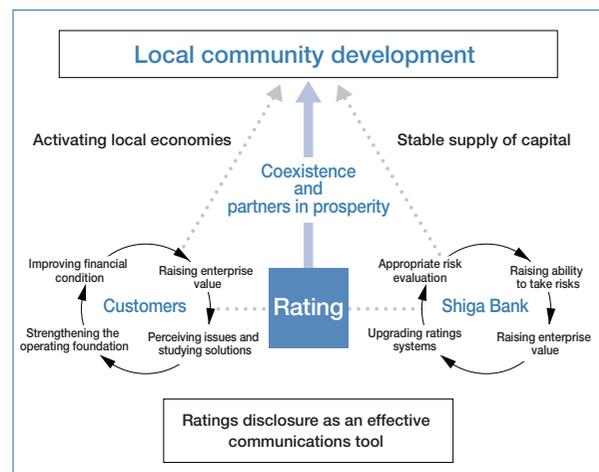
3. Effective use of real estate
4. Trusts established for public benefit and trusts for designated contributions
5. Setting up corporations
6. Consulting for physicians setting up their own practice.
7. Support for medical care provider start-ups

Services for corporations

For corporate customers, the Bank’s Solutions Marketing Group works hand-in-hand with branches to help with business issues such as succession measures, or mergers and acquisitions (M&A). This activity is part of the Bank’s aggressive efforts in Corporate FP.

Responding to great demand, from October 2007 to June 2008, the FP consultation menu Shiga Bank offered corporate customers included a total of five seminars on the subject of business succession. This service, which included individual

Significance and purpose of the ratings system



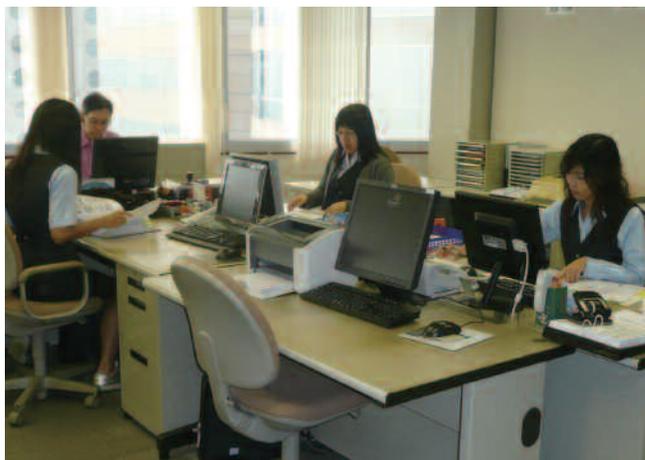
(2) Being strong in Asia

With its independent information network, Shiga Bank provides strong support for companies expanding overseas.

Our Hong Kong Branch marks its 15th anniversary in September 2008, and our Shanghai Representative Office marks its 5th anniversary in December. Under our “Being strong in Asia” strategy, Shiga Bank meets the needs of customers seeking to expand overseas. As part of this effort, we send trainees to, first of all, Hong Kong and Shanghai, but also to Shenzhen (China), Bangkok, and London. We have a powerful network hooking these trainees up with the Asia Desk established at our Head Office.

Hong Kong Branch

Our Hong Kong Branch supports the activity of overseas subsidiaries of Japanese corporations, especially from the Shiga, Kyoto and Osaka areas, in areas such as savings, loans, and Money Orders. Making full use of its overseas branch, Shiga Bank meets the funding needs of customers, not only in Hong Kong, but also in mainland China and in Southeast Asia. Through March 31, 2008, our Hong Kong Branch had provided six cross-border loans to overseas subsidiaries of Japanese corporations in China and in Southeast Asia.



Shanghai Representative Office

Starting with providing up-to-date information on China, we offer such services as advice on establishing operations in China, business matching services, and market surveys to meet customer’s China related needs.

Asia Desk

The Asia Desk, a base for disseminating information As part of the Securities and International Department at the Head Office, the Asia Desk is a core unit in the Bank’s overseas network. It offers the following services.

1. Consulting and advice on foreign trade
2. Proposals on hedging foreign exchange risk in foreign trade
3. Information related to expanding operations overseas
4. Investigation of credit standing of foreign companies
5. Support and advisory services for advancing overseas
6. Business matching with companies overseas
7. Support for capital procurement for overseas local subsidiaries
8. Holding Asia Seminars
9. Proposing hedging methods for various risks in foreign trade

“Shigagin” Asia Seminars held regularly

The Bank conducts two “Shigagin” Asia seminars annually for corporate customers expanding overseas or with needs related to overseas transactions. The 22nd seminar, which was held in March 2008 with the theme “China Plus One,” drew attention for the valuable information it provided in lectures on Vietnam and Thailand, and on changes in tax regulations and foreign exchange systems, and on China, where the Beijing Olympics will soon open.

(3) Our aims for “Shiga Bank — committed to CSR”

The Shiga Bank positions CSR (Corporate Social Responsibility) as an essential part of its management approach and this is reflected in its slogan Clean Bank Shigagin and in its Environmental Management that incorporates the environment as part of the Bank’s management approach.

The concept of a “Clean” means (1) Eco-Office — reducing the amount of resources and energy consumed, (2) working to protect the local environment by developing and offering environmentally sensitive financial products and services, (3) creating a work force with high ethical values, and (4) highly transparent information disclosure. The entire organization is working to make this a reality.

Through the Shigagin Welfare Fund, we seek to enhance the welfare of local communities. Each year, for example, we provide contributions to experimental and pioneering welfare programs undertaken in Shiga Prefecture. At the same time, we promote regional cultural initiatives through our affiliate, the Shigagin Economic & Cultural Center Co., Ltd.

To further improve our environmental, welfare and cultural work and in order to pursue our CSR, we established a CSR Committee in April 2004 with President, as Chairman. This committee helps us fulfill our social responsibilities to all of our stakeholders — our customers, shareholders, people who live and work close to our locations, from senior executive down to counter staff — and thus become highly CSR-conscious.

To make the Bank’s social responsibility more explicit, in April 1, 2007, we established a CSR Charter (Management Principles) as the basis for the Bank’s creed, “be harsh on yourself, be good to others, and do your utmost for society” (established 1966). The charter consists of three principles: (1) “Co-exist and prosper with local community” to help gain the trust and fulfill the expectations of our customers; (2) “Co-exist and prosper with the Bank’s employees”

to respect every individual’s rights and individuality; and (3) “Co-exist and prosper with the Global Environment” to practice environmental management as social responsibility of mission of a bank based near Lake Biwa. In order to make the spirit of the Charter a reality, we set up specific guidelines in the form of The Shiga Bank Code of Conduct. We are the first regional bank in the country to establish its own CSR Charter and from now on, from senior executive down to counter staff will do their best to achieve the spirit of the CSR Charter as well as the Code of Conduct.

CSR Charter (management principles)

With our creed “be harsh on yourself, be good to others, and do your utmost for society,” we believe we are carrying on the tradition of the good merchants of Omi (old name for Shiga prefecture), who believed in honesty in selling and buying and in dealings with everyone, to win people’s respect. This creed is the starting point for our CSR efforts, and to co-exist and prosper as a member of society.

Co-exist and prosper with local community

As a bank that walks hand-in-hand with the community, we try to show a sound and enterprising spirit as we respond to customers’ expectations and trust and work to contribute to the development of local communities.

Co-exist and prosper with the bank’s employees

Each and every bank employee shows respect for human rights and individuality, strives to create a meaningful workplace, and conscientiously seeks to realize the principles of “Clean Bank Shigagin.”

Co-exist and prosper with the global environment

As the social mission of a company located along the shore of Lake Biwa, Shiga Bank strives to put environmental management into practice. We make every effort to protect the global environment and

contribute to the building of a sustainable society.

Environmental Protection Efforts

In our role in finance, the main business of any bank, attributions that we can make to contribute to the development of a sustainable society is broadening such as help prevent global warming. With this mission uppermost in mind, many of our CSR efforts as a financial institution are directed toward creating and providing financial products and services designed to help solve environmental problems and support the efforts of regional and local businesses in the area of environmental preservation.

Carbon Offset Time Deposits

On April 1, 2008, we established “Carbon Offset Time Deposits, Future Seeds” as a program to purchase greenhouse gas emission rights. The Bank bears the expense of such purchases in proportion to time deposits received from customers. Shiga Bank was the first financial institution in Japan to market this type of product.

* The upper limit on this product is ¥6 billion in total savings deposits.

Eco-Plus Time Deposits

Shiga Bank’s Eco-Plus Time Deposit program is designed to raise funds for elementary schools in Shiga Prefecture to create “School Biotopes.” Every time a customer sets up a time deposit through a direct channel such as an ATM, over the phone or the Internet, the Bank adds seven yen, an amount equivalent to the savings gained by not using paper application forms, to the Biotope fund. From fiscal 2006 through fiscal 2008, the Bank has contributed a total of ¥5 million, ¥500,000 each to ten schools.

Principles for Lake Biwa Support Fund (PLB Fund)

The Principles for Lake Biwa Support Fund (PLB Fund) is used to provide favorable interest rates in financing for enterprises that play a leading role in CSR activity that contributes to environmental protection.

To promote greater business concern and action in line with the Principles for Lake Biwa, an environmental campaign targeting local companies, Shiga Bank implements a system in which supporting businesses and businesspersons are given a PLB rating. Preferential interest rates up to 0.5% lower than ordinary rates are extended under a five-stage rating plan to our customers that engage in CSR management activity that supports the environment.

As of March 31, 2008, the Bank had extended a cumulative total of 472 loans amounting to ¥6,782 million in funds for enterprises and business operators that had demonstrated meaningful cooperation with PLB. The number of cooperating businesses and business people rose to 2,184.

Carbon Neutral Loans, Bright Future

When customers utilize the Principles for Lake Biwa Support Fund or other Shiga Bank financial products for environmental protection in order to introduce solar electricity systems, etc., the Bank makes a contribution to a project to protect the *nigorobuna*, a carp indigenous to Lake Biwa. The donation to the *nigorobuna* reintroduction program is proportional to the carbon dioxide reduction involved. In fiscal 2007, ¥1.2 million was donated and 30,000 carp were put into the lake. The breeding of *nigorobuna* also serves to protect and promote the Shiga Prefecture food culture, which includes *funazushi*.

In January 2008, Shiga Bank employees and their families, 340 persons in all, participated in a *nigorobuna* reintroduction event made possible by the loan programs.

Bank awarded Environment Minister’s 9th Green Purchase Grand Prize

The 9th Green Purchase Grand Prize awards ceremony was held by the Green Purchase Network (GPN) at the Yume Messe Miyagi Hall in Sendai City in October 2007. Shiga Bank was awarded the Environment Minister’s Grand Prize, the highest

award given.

The Prize was given in recognition of the Bank's environmental activities as a regional financial institution that solidly contributes to reducing the burden on regional environments. Cited were Shiga Bank's Eco-Plus Time Deposits that support elementary school Biotope projects, the extension of low-interest financing with environment-friendly products such as loans from the Eco-Clean Fund and the PLB Fund to customers that make special environmental preservation efforts.

5th Corporate Philanthropy Grand Prize Received

Shiga Bank was honored by the Japan Philanthropy Association with its 5th Grand Prize for Corporate Philanthropy.

The award, which was established in 2003, is sponsored by the Japan Philanthropy Association, to give recognition to enterprises that contribute to society in the course of their main business activity. Shiga Bank was selected for the award from among 51 other participants and recommended companies. The Bank's CSR management centered on the environment was highly acclaimed.



Awards Ceremony Held in February 2008

Regional Initiatives

Responding to the voices of people in the region

1. AEDs installed at all branches

From January through February 2008, the Bank installed automatic external defibrillators (AEDs) at

all branch ATM corners, the Head Office Building, and other Bank facilities, 140 locations in all. AEDs are medical devices used to restore normal heart rhythm to persons experiencing cardiac arrest by giving the person an electric shock. The Ministry of Health, Labour and Welfare authorized the use of these devices for general citizens in July 2004. Public facilities, airports, train stations, schools and companies have been introducing AEDs since that time.

The Bank has set the devices up in such a way that they can be utilized outside of normal business hours at each branch ATM corner. All staff members responsible for AEDs at Head Office and branches are given training sessions to ensure that the AEDs can be safely used.

2. BCAO Award 2007 Received

Shiga Bank was selected as the winner of the Grand Prize at "BCAO Awards 2007" — the highest award given by the Business Continuity Advancement Organization, a specified non-profit Corporation.

The BCAO awards are given to companies that contribute to the advancement of business continuity management.

Shiga Bank won major recognition for (1) the detailed Business Continuity Plan it has initiated; (2) the leadership given by executive officers to promote the Plan as a Group-wide effort; (3) the BCP Support Loans and disaster risk consulting it provided, and as a financial institution, the effort it made to promote the adoption of BCPs; and (4) for serving in an advisory capacity for many corporations engaging in BCP activity.



Awards Ceremony Held in April 2008

Comprehensive Control Mechanisms for Specific Risk Categories

Toward a Stronger Risk Management System

Shiga Bank has been authorized to adopt the advanced Foundation Internal Ratings-Based risk management approach under the new Basel II BIS capital adequacy requirements, bringing us to a new stage in our efforts to build an advanced risk management system based on the principle of accountability. By continuing to develop these methodologies and constructing still more advanced risk management systems, we aim to further enhance our capabilities in this important area.

(1) Comprehensive Risk Management

Our Assets & Liabilities Management Department is responsible for unified monitoring of all risk.

In particular, we are taking steps to appropriately evaluate loan concentration risk, which is outside the scope of the capital adequacy requirements, and interest rate risk on our own accounts. We have quantified these risks to compare them with the Bank's regulatory capital.

(2) Integrative Risk Management

In our integrative risk management, we measure and manage risk quantitatively using such integrated yardsticks as the (maximum) Value at Risk (VaR) formula applied to each risk category. At the same time, we integratively control quantifiable risk and ensure that the magnitude of risk is kept within the specified ratio to regulatory capital, based on the capital allocation system (of covering each risk category with an amount no smaller than the maximum potential loss). In line with the launch of Basel II in March 2007, we are also reforming our capital allocation system to create more sophisticated risk management mechanisms.

(3) Credit Risk Management

We regard credit as the most important category of risk in terms of scale and scope. We are creating appropriate mechanisms for management of credit risk by putting in place a borrower-rating system based on the Foundation Internal Ratings-Based approach under Basel II.

(4) Operational Risk Management

Operational risk should be avoided as much as possible during the course of daily operations. We are taking measures to forestall such risk where its emergence is expected, and to minimize impact when it materializes. Risk appraisal is based on the regular implementation of the Bank's risk and control self-assessment standard as part of our efforts to establish a risk management system in conformity with Basel II.

To refine our risk management, we gather and analyze data relating to operational risk, and implement measures aimed at forestalling such risk as well as controlling, transferring and avoiding risk. To increase the effectiveness of risk management, we are adopting the Plan-Do-Check-Act (PDCA) cycle.

(5) Market Risk Management

To ensure stability of earnings generation, we draft an ALM plan each half-year, which incorporates plans for investments in securities and other instruments, taking into account the risk-return scenario of the entire Bank. The status of market risk is quantified and monitored, with findings reported to top management. Organizationally, the business, administrative, and risk management functions are conducted by separate departments, each of which checks the operations of the others.

(6) Liquidity Risk Management

With respect to managing the flows of funds, the Securities & International Department monitors the financial environment, balance of liquid assets, expected cash outflows, and other fund-raising factors, and acts as appropriate. At the same time, the Assets & Liabilities Managing Department keeps track of day-to-day risk management, to ensure that obstacles to our fund-raising do not appear.

(7) Reputational Risk Management

The Bank has formulated a general outline for dealing with rumors that could affect its business, and has put place measures and internal systems to deal with exceptional situations or expected exceptional situations related to reputational risk.

Internal Control System

Internal control system status

In accordance with Corporation Law and the Regulations for Enforcement of the Corporation Law, the fundamental policy of our internal control structure was discussed and determined by the Board of Directors. As detailed below, the Bank has a system to ensure appropriate practices in the execution of its daily business.

In accordance with the provisions of the Financial Product Transaction Law, Shiga Bank Group began implementing a system of internal controls reports in April 2008. In June 2008, the Bank Group established an Internal Controls Group as a new section in its Assets and Liabilities Managing Department to plan, supervise and evaluate the issuance of internal controls reports. Steady progress is being made toward implementing this system.

In addition, we have made every effort to establish more transparent management and improve communications with customers, shareholders, and regional communities by positively and fairly disclosing financial and other information. In April 2008, with the aim of ensuring that information is disclosed in a fair, appropriate and timely manner, Shiga Bank established "Regulations on the Disclosure of Management Information" and a system overseen by the General Planning Department.

Fundamental Policy of the Internal Control System Structure

<Fundamental Policy>

The Bank sees the appropriate execution of its social responsibilities as an essential role in its overall management approach and in order to ensure that the Bank is using the most appropriate work practices when carrying out its business, the following (Internal Control System) structure has been put in place. Moreover, in order for the Bank to flexibly change its operational system in line with changes in the business environment, the Bank will review following

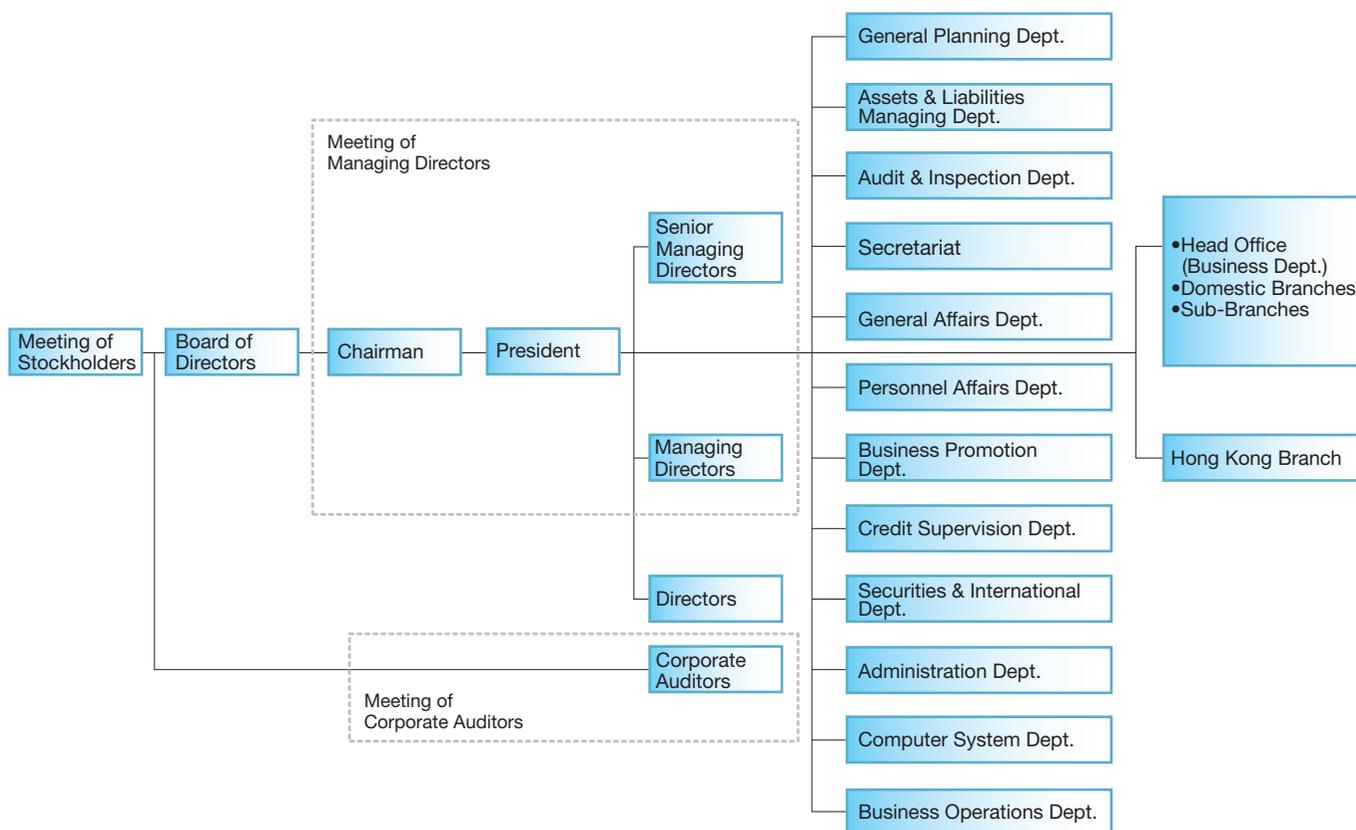
systems as needed.

(Systems to ensure the most appropriate work practices)

1. A system to ensure that the Bank's Directors are executing their duties in accordance with the law as well as the Bank's Articles of Incorporation. A system to ensure that Bank employees are executing their duties in accordance with the law as well as the Bank's Articles of Incorporation.
2. A system to store and maintain information related to the Directors and the execution of their duties.
3. A system to ensure that regulations related to risk management are being followed.
4. A system to ensure that the Directors execute their duties in an effective manner.
5. A system to ensure that the Shiga Bank Group, consisting of the parent Bank and its subsidiary companies use the most appropriate work practices in the execution of their business.
6. In the event that the Bank's statutory auditors request the appointment of employees of the Bank to assist their tasks, said employees shall be treated pursuant to stipulations in Article 100, Paragraph 3, Item i of the Regulations for Enforcement of the Corporation Law. Independence of such employees from the Directors shall also be assured.
7. A system to facilitate reporting to the statutory auditors by the Bank's Directors and employees, an auxiliary system for reports to the statutory auditors, and a system to ensure the effective execution of any audit carried out by the statutory auditors.

Organization Chart

As of June 25, 2008



Board of Directors

As of June 25, 2008

Chairman

Koichi Takata

President

Yoshio Daido

Senior Managing Directors

Minoru Yamada

Kazuo Isobe

Managing Directors

Koichiro Yasui

Etsuo Mori

Yasuhiko Inoue

Hiroshi Nakagawa

Directors

Hideki Natsuhara

Seizo Nakai

Keizo Mabe

Ikuo Yoshida

Shigeru Tamura

Susumu Ota

Norio Inoue

Yukio Nishizawa

Shojiro Takahashi

Shinichi Kodama

Corporate Auditors

Minoru Fujii

Masamichi Mizutani

Jingoro Nishikawa

Tadashi Yasuhara

Financial Review (consolidated basis)

The Shiga Bank, Ltd. and Consolidated Subsidiaries

Consolidated Five-Year Summary

March 31, 2008, 2007, 2006, 2005 and 2004

	Millions of yen				
	2008	2007	2006	2005	2004
As of March 31					
Total assets	¥4,115,109	¥4,179,335	¥4,082,911	¥4,006,137	¥3,881,599
Securities	1,225,131	1,355,021	1,426,683	1,403,630	1,309,334
Loans and bills discounted	2,551,368	2,473,464	2,378,949	2,318,503	2,242,745
Deposits	3,695,055	3,705,751	3,624,279	3,579,204	3,503,759
Total net assets	256,868	283,997	247,333	221,701	207,687
Years ended March 31					
Total income	116,258	99,356	99,914	90,974	85,385
Total expenses	106,138	83,956	77,892	71,544	74,345
Net income before income taxes and minority interests	10,120	15,399	22,021	19,429	11,039
Net income	3,597	8,839	10,209	11,483	6,191
Per share data (in yen)					
Cash dividends	¥ 6.00	¥ 6.00	¥ 5.50	¥ 5.00	¥ 5.00
Net income	13.60	33.41	38.43	43.05	23.72
Net assets	887.14	987.98	934.66	837.29	785.85
Ratio					
Capital ratio	11.16%	12.20%	11.25%	11.18%	10.99%
ROE	1.45%	3.47%	4.35%	5.34%	3.26%

In fiscal 2007, despite temporary fears of a downturn due to the decline in housing investment and the high prices of raw materials, the Japanese economy continued to expand at a moderate pace throughout the year as a whole.

In the financial sector, the worldwide credit contraction sparked off by the U.S. subprime loan crisis led to turmoil on capital markets, and as a result the movement of interest rates back up to a more normal level came to a halt. New developments on the Japanese financial scene included the enforcement of the new Financial Products and Exchange Law, the start of operations of the newly privatized Japan Post Bank, and the complete liberalization of over-the-counter sales of insurance plans by banks.

Against the backdrop of these changes in the Bank's operating environment, in line with the Third Long-Term Management Plan, the management and staff of the Shiga Bank Group worked to raise the efficiency of fund investment and procurement and to ensure the soundness of Group's financial asset portfolio. Below, we report on the business performance of the Bank, on a consolidated basis, for the fiscal 2007 term.

Balance Sheets

The year-end balance of deposits, including negotiable certificates of deposit, stood at ¥3,695,055 million (US\$36,880 million), for a decrease of ¥10,696 million from the previous term-end.

The balance of loans and bills discounted increased by ¥77,904 million to ¥2,551,368 million (US\$25,465 million) as a result of a rise in loans to individuals, principally mortgage loans, as well as steady growth in business loans. Securities holdings decreased by ¥129,890 million to ¥1,225,131 million (US\$12,228 million), mainly owing to the sale of Japanese government bonds.

Regarding nonperforming loans on the Bank's books, risk-monitored loans under the Banking Law amounted to ¥82,087 million for an increase of ¥21,026 million over the previous term-end. This accounted for 3.21% of total loans outstanding, a deterioration of 0.75 of a percentage point from the previous term.

The balance of bad debt (almost all consisting of nonperforming loans) subject to mandatory disclosure under the Financial Reconstruction Law (non-consolidated basis) stood at ¥82,692 million, up ¥21,620 million over the previous term-end. This accounted for 3.17% of total credit outstanding, a year-on-year deterioration of 0.76 points.

The above-described deterioration of these two nonperforming loan ratios is the result of the stricter application by the Bank of borrower rating standards.

Total assets at fiscal year-end stood at ¥4,115,109 (US\$41,073 million), for a year-on-year decline of ¥64,226 million, while net assets came to ¥256,868 million (US\$2,564 million), down ¥27,129 from the previous term-end.

In line with the Basel II capital accord, the Bank's capital ratio on a nonconsolidated basis at the reporting term-end stood at 11.14%, down by 1.06 points from the end of the previous term (March 2007). The Tier I capital ratio, on the other hand, rose by 0.31 points to 9.84%.

The capital ratio on a consolidated basis declined by 1.04 points to 11.16%, while the Tier I ratio rose 0.31 points to 9.91%.

Thus, the Bank has already achieved the 11.0% target for capital ratios on both a consolidated and nonconsolidated basis under its 3rd Medium-Term Business Plan for the 21st Century (April 2007-March 2010).

Statements of Income

In spite of a fall in income from fees and commissions, total income for the reporting term came to ¥116,258 million (US\$1,160 million), an increase of ¥16,902 million over the previous term, thanks to an increase in interest income and other operating income.

Expenses rose by ¥22,181 million to ¥106,138 million (US\$1,059 million) as a result of higher fund procurement costs, notably interest on deposits, as well as an increase in provisions for possible loan losses, which constitute a sub-category of credit costs.

As a result of the above, income before income taxes and minority interests posted a decrease of ¥5,279 million from the previous term, to ¥10,120 million (US\$101 million). Net income declined by ¥5,242 million to ¥3,957 million (US\$36 million).

Cash Flows

Cash and cash equivalents at the reporting term-end, on a consolidated basis, amounted to ¥40,435 million (US\$404 million), down by ¥7,984 million from the previous term-end.

■ Cash flow from operating activities

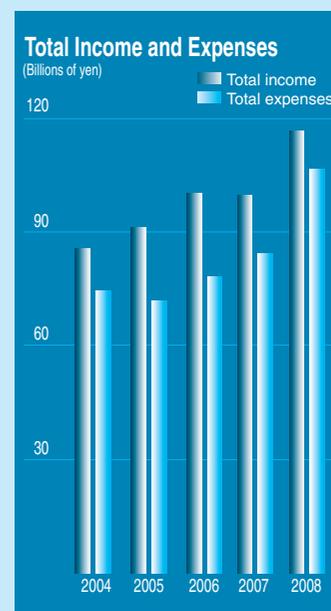
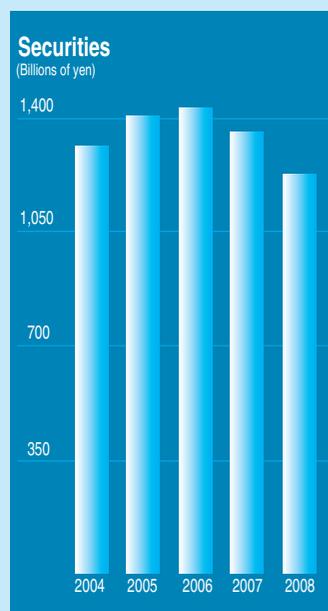
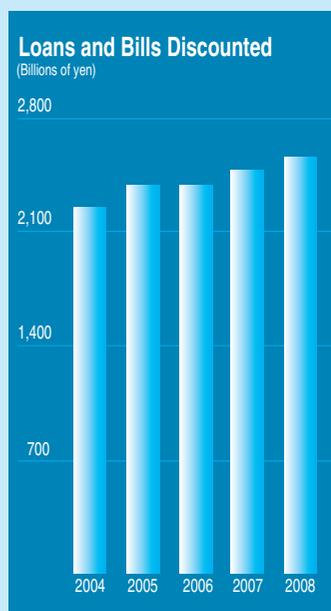
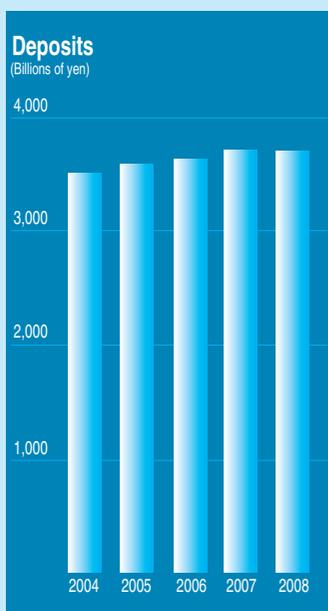
Net cash used in operating activities during the term amounted to ¥58,185 million (US\$581 million), for a decrease of ¥19,915 million from the previous term. This is mainly attributable to an increase in the reserve for possible loan losses.

■ Cash flow from investing activities

Net cash provided by investing activities decreased by ¥15,644 million to ¥58,561 million (US\$585 million), mainly as a result of increased expenditure for the acquisition of securities and a decrease in the redemption of securities.

■ Cash flow from financing activities

Net cash used in financing activities came to ¥8,327 million (US\$83 million), mainly as a result of the repayment of subordinated loans.



CONSOLIDATED BALANCE SHEETS

As of March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
ASSETS			
Cash and due from banks (Note 3)	¥ 42,211	¥ 50,322	\$ 421,313
Call loans and bills bought	103,465	129,381	1,032,697
Debt purchased	22,501	22,363	224,592
Trading securities (Note 25)	1,020	1,012	10,185
Money held in trust (Note 25)	11,965	13,999	119,425
Investment securities (Notes 4, 10 and 25)	1,225,131	1,355,021	12,228,080
Loans and bills discounted (Note 5)	2,551,368	2,473,464	25,465,299
Foreign exchange assets (Note 6)	4,866	8,460	48,577
Other assets (Note 7)	53,196	22,106	530,952
Tangible fixed assets (Notes 8, 9 and 12)	72,759	76,255	726,218
Intangible fixed assets	9,625	8,014	96,067
Deferred tax assets (Note 24)	8,446	315	84,301
Customers' liabilities for acceptances and guarantees (Note 16)	35,150	36,625	350,834
Allowance for possible loan losses	(26,599)	(17,981)	(265,486)
Allowance for possible losses on investment securities		(23)	(3)
Total assets	¥4,115,109	¥4,179,335	\$41,073,055
LIABILITIES			
Deposits (Notes 10 and 13)	¥3,595,050	¥3,585,802	\$35,882,324
Negotiable certificate of deposits	100,005	119,949	998,158
Call money and bills sold (Note 10)	6,200	14,166	61,883
Payables under securities lending transactions (Note 10)	24,335	38,114	242,896
Borrowed money (Note 14)	16,305	21,552	162,749
Foreign exchange liabilities (Note 6)	114	63	1,141
Other liabilities (Notes 10 and 15)	59,675	44,377	595,618
Accrued bonuses to directors and corporate auditors		35	
Liability for employees' retirement benefits (Note 23)	7,984	6,846	79,695
Liability for retirement of directors and corporate auditors	243	251	2,433
Liability for reimbursement of deposits	661	418	6,602
Allowance for repayment of excess interest	113	40	1,137
Reserve for other contingent losses	988		9,870
Deferred tax liabilities (Note 24)		14,743	
Deferred tax liabilities for land revaluation (Note 12)	11,381	12,292	113,603
Negative goodwill	29	59	296
Acceptances and guarantees (Note 16)	35,150	36,625	350,834
Total liabilities	3,858,241	3,895,338	38,509,245
EQUITY (Note 17)			
Common stock, authorized, 500,000,000 shares; issued, 265,450,406 shares as of March 31, 2008 and 2007	33,076	33,076	330,142
Capital surplus	23,971	23,966	239,258
Retained earnings (Note 29)	138,614	135,261	1,383,519
Net unrealized gains on available-for-sale securities (Note 25)	28,940	57,635	288,861
Deferred loss on derivatives under hedge accounting	(4)	(7)	(41)
Land revaluation surplus (Note 12)	10,573	11,915	105,532
Treasury stock - at cost 1,204,237 shares and 1,030,473 shares as of March 31, 2008 and 2007, respectively	(748)	(604)	(7,466)
Total	234,425	261,243	2,339,805
Minority interests	22,442	22,753	224,004
Total equity	256,868	283,997	2,563,810
Total liabilities and equity	¥4,115,109	¥4,179,335	\$41,073,055

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years ended March 31, 2008 and 2007

	Thousands	Millions of yen			
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Gains on Available-for-sale Securities
Balance at April 1, 2006	265,450	¥33,076	¥23,962	¥126,089	¥50,804
Reclassified balance as of March 31, 2006					
Net income				8,839	
Cash dividends, ¥6.00 per share				(1,586)	
Bonuses to directors and corporate auditors				(35)	
Purchase of treasury stock					
Sales of treasury stock			3		
Reversal of land revaluation surplus				1,954	
Net change in the year					6,831
Balance at March 31, 2007	265,450	33,076	23,966	135,261	57,635
Net income				3,597	
Cash dividends, ¥6.00 per share				(1,586)	
Purchase of treasury stock					
Sales of treasury stock			4		
Reversal of land revaluation surplus				1,342	
Net change in the year					(28,694)
Balance at March 31, 2008	265,450	¥33,076	¥23,971	¥138,614	¥28,940

	Millions of yen					
	Deferred Loss on Derivatives under Hedge Accounting	Land Revaluation Surplus	Treasury Stock	Total	Minority Interests	Total Equity
Balance at April 1, 2006		¥13,870	¥(470)	¥247,331		¥247,331
Reclassified balance as of March 31, 2006					¥ 2,515	2,515
Net income				8,839		8,839
Cash dividends, ¥6.00 per share				(1,586)		(1,586)
Bonuses to directors and corporate auditors				(35)		(35)
Purchase of treasury stock			(145)	(145)		(145)
Sales of treasury stock			11	15		15
Reversal of land revaluation surplus				1,954		1,954
Net change in the year	¥(7)	(1,954)		4,868	20,237	25,106
Balance at March 31, 2007	(7)	11,915	(604)	261,243	22,753	283,997
Net income				3,597		3,597
Cash dividends, ¥6.00 per share				(1,586)		(1,586)
Purchase of treasury stock			(174)	(174)		(174)
Sales of treasury stock			31	35		35
Reversal of land revaluation surplus				1,342		1,342
Net change in the year	3	(1,342)		(30,033)	(310)	(30,343)
Balance at March 31, 2008	¥(4)	¥10,573	¥(748)	¥234,425	¥22,442	¥256,868

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years ended March 31, 2008 and 2007

	Thousands of U.S. dollars (Note 1)			
	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Gains on Available-for-sale Securities
Balance at March 31, 2007	\$330,142	\$239,210	\$1,350,052	\$575,263
Net income			35,902	
Cash dividends, \$0.059 per share			(15,832)	
Purchase of treasury stock				
Sales of treasury stock		48		
Reversal of land revaluation surplus			13,396	
Net change in the year				(286,402)
Balance at March 31, 2008	\$330,142	\$239,258	\$1,383,519	\$288,861

	Thousands of U.S. dollars (Note 1)					
	Deferred Loss on Derivatives under Hedge Accounting	Land Revaluation Surplus	Treasury Stock	Total	Minority Interest	Total Equity
Balance at March 31, 2007	\$(78)	\$118,929	\$(6,033)	\$2,607,485	\$227,102	\$2,834,587
Net income				35,902		35,902
Cash dividends, \$0.059 per share				(15,832)		(15,832)
Purchase of treasury stock			(1,743)	(1,743)		(1,743)
Sales of treasury stock			310	358		358
Reversal of land revaluation surplus				13,396		13,396
Net change in the year	36	(13,396)		(299,762)	(3,098)	(302,860)
Balance at March 31, 2008	\$(41)	\$105,532	\$(7,466)	\$2,339,805	\$224,004	\$2,563,810

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 10,120	¥ 15,399	\$ 101,013
Depreciation	9,701	8,868	96,833
Losses on impairment of long-lived assets	2,010	3,313	20,065
Amortization of goodwill (negative goodwill)	(29)	37	(296)
Increase in allowance for possible loan losses	8,617	159	86,009
Decrease in allowance for possible losses on investment securities	(22)	(5)	(227)
Increase in reserve for other contingent losses	988		9,870
Increase (Decrease) in liability for employees' retirement benefits	1,138	(1,233)	11,359
Increase (Decrease) in liability for retirement of directors and corporate auditors	(7)	251	(71)
Increase in liability for reimbursement of deposits	242	418	2,420
Increase in allowance for repayment of excess interest	73	40	732
Interest income	(73,591)	(66,417)	(734,521)
Interest expenses	14,673	9,126	146,454
Gains on sales and write-down of investment securities	(8,180)	(2,054)	(81,651)
Gains on money held in trust	(118)	(46)	(1,186)
Foreign exchange losses (gains)	36	(1)	362
Losses (Gains) on disposal of fixed assets-net	158	(1,511)	1,583
Net increase in loans and bills discounted	(77,904)	(94,514)	(777,565)
Net increase in deposits	9,247	83,699	92,304
Net decrease in negotiable certificate of deposits	(19,944)	(2,228)	(199,062)
Net increase in borrowed money (excluding subordinated loans)	752	1,165	7,515
Net decrease in due from banks (excluding deposits in Bank of Japan)	125	1,236	1,257
Net decrease (increase) in call loans and others	25,776	(94,023)	257,275
Net increase (decrease) in call money and bills sold	(7,965)	10,406	(79,507)
Net decrease in payables under securities lending transactions	(13,778)	(2,074)	(137,523)
Net decrease (increase) in foreign exchanges assets	3,593	(3,188)	35,870
Net increase (decrease) in foreign exchanges liabilities	50	(29)	508
Interest received (cash basis)	75,501	65,304	753,582
Interest paid (cash basis)	(11,377)	(6,651)	(113,562)
Other	691	2,301	6,904
Subtotal	(49,418)	(72,251)	(493,252)
Income taxes - paid	(8,766)	(5,848)	(87,501)
Net cash used in operating activities	(58,185)	(78,100)	(580,753)
INVESTING ACTIVITIES:			
Purchases of securities	(365,527)	(333,142)	(3,648,339)
Proceeds from sales of securities	310,083	273,764	3,094,957
Proceeds from redemptions of securities	122,927	147,490	1,226,944
Increase in money held in trust	(7)	(1,005)	(76)
Decrease in money held in trust	2,110	802	21,061
Purchases of tangible fixed assets	(8,815)	(11,989)	(87,989)
Proceeds from sales of tangible fixed assets	347	2,300	3,470
Purchases of intangible fixed assets	(2,557)	(4,015)	(25,521)
Net cash provided by investing activities	58,561	74,206	584,506
FINANCING ACTIVITIES:			
Repayment of subordinated loans	(6,000)	(18,000)	(59,886)
Issuance of subsidiary's securities to minority interests stockholders		20,000	
Dividends paid	(1,586)	(1,587)	(15,832)
Dividends paid to minority interests	(602)	(156)	(6,016)
Purchase of treasury stock	(174)	(145)	(1,743)
Proceeds from sales of treasury stock	35	15	358
Net cash (provided by) used in financing activities	(8,327)	125	(83,119)
Foreign currency translation adjustments on cash and cash equivalents	(33)	1	(331)
Net decrease in cash and cash equivalents	(7,984)	(3,766)	(79,697)
Cash and cash equivalents, beginning of year	48,420	52,186	483,285
Cash and cash equivalents, end of year (Note 3)	¥ 40,435	¥ 48,420	\$ 403,587

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2008 and 2007

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared based on the accounts maintained by THE SHIGA BANK, LTD. (“the Bank”) and its subsidiaries (together “the Group”) in accordance with the provisions set forth in the Corporate Law of Japan, the Japanese Financial Instruments and Exchange Law, and the Japanese Banking Law and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Finance Bureau in Japan have been reclassified in these accounts for the convenience of readers outside Japan.

Amounts in yen of respective accounts included in the

accompanying consolidated financial statements and notes thereto are stated in millions of yen by discarding fractional amounts less than ¥1 million. Therefore, total or subtotal amounts do not necessarily tie in with the aggregation of such account balances.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥100.19 to U.S.\$1, the rate of exchange at March 31, 2008 has been used in translation. The inclusion of such amounts are not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this rate or any other rates.

Certain reclassifications have been made in the 2007 consolidated financial statements to conform to the classifications used in 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

The accompanying consolidated financial statements for the years ended March 31, 2008 and 2007 include the accounts of the Bank and the 12 and 15 consolidated subsidiaries, respectively.

The consolidated subsidiaries’ fiscal period is also from April 1 to March 31.

Assets and liabilities of the consolidated subsidiaries at the time of investment are all valued at fair value. The goodwill or negative goodwill is amortized evenly over a 5-year period. The Bank has three other subsidiaries, however, these subsidiaries were excluded from the scope of consolidation using the equity method because their net income (the portion corresponding to the Bank’s equity), retained earnings (as above), and deferred hedge gains and losses (as above) have no material impact on the Bank’s financial position or business performance. All significant intercompany transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

(b) Cash Equivalents

For the purpose of reporting cash flows, cash and cash equivalents are defined as cash and due from the Bank of Japan.

(c) Trading securities

Trading securities held by the Bank are stated at market value at the fiscal year-end (cost of sales, in principle, is computed by the moving-average method).

(d) Investment Securities

i. Marketable securities held for trading purposes are stated at market value (cost of sales, in principle, is computed by the moving-average method).

Securities held to maturity are stated at amortized cost (straight-line method) using the moving-average method. Securities available for sale for which current value can be estimated are stated at market value at fiscal year-end. Securities available for sale of which current value cannot be estimated are stated at cost or amortized cost using the moving-average method. Valuation gains/losses on

securities available for sale are included in net assets, net of income taxes (cost of sales, in principle, is computed by the moving-average method).

ii. Marketable securities included in money held in trust by the Bank are treated as trust assets and are stated at market value at fiscal year-end. Marketable securities included in money held in trust by consolidated subsidiaries are treated as trust assets and are stated using the same methods described in (i) above.

iii. Beneficiary rights included in ‘call loans and bills bought’ are stated using the same methods described in (i) above.

(e) Derivatives and Hedging Activities

Under the Accounting Standards for Financial Instruments, derivatives are stated at fair value unless derivatives are used for hedging purposes.

i. Interest rate risk hedge

The Bank applies deferred hedge accounting to hedge transactions against interest rate risk arising from financial assets and liabilities. The Bank assesses the effectiveness of the hedges in offsetting the fluctuations of fair value caused by changes in interest rates by grouping the hedged items, such as deposits and loans, and the hedging instruments, such as interest rate swaps, by their maturity. As to cash flow fixing hedges, the Bank assesses their effectiveness by verifying the correlation between the hedged items and the hedging instruments.

ii. Currency exchange risk hedge

As for the hedge accounting method applied to hedging transactions against currency exchange risk arising from assets and liabilities in foreign currencies, the Bank applies deferred hedge accounting stipulated in ‘Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry’ (JICPA Industry Audit Committee Report No.25).

The Bank assesses the effectiveness of exchange swaps executed for reducing the risk of changes in currency exchange rates with fund swap transactions by verifying that there exist foreign currency positions of the hedging

instruments corresponding to the foreign currency monetary claims and debts to be hedged.

Fund swap transactions are foreign exchange transactions that are contracted for the purpose of lending or borrowing funds in different currencies. These transactions consist of spot foreign exchange either bought or sold and forward foreign exchange either bought or sold.

In addition to these hedge accounting methods, the Bank uses exceptional treatments permitted for interest rate swaps for part of its assets.

(f) Bills Discounted

Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No. 24, "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry." The Bank has rights to sell or pledge bank acceptance bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions. The total face values at March 31, 2008 and 2007 were ¥31,877 million (\$318,169 thousand) and ¥36,704 million, respectively.

(g) Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation for buildings and equipment of the Bank is computed using the declining-balance method at rate principally based on the estimated useful lives of the assets. However, buildings purchased on or after April 1, 1998, excluding fittings and equipment, are depreciated using the straight-line method.

The range of useful lives is principally from 3 to 50 years for buildings and from 3 to 20 years for equipment.

Tangible fixed assets acquired on and after April 1, 2007 are depreciated by the declining-balance method in accordance with the revised corporate tax law, which was effective for fiscal years beginning on and after April 1, 2007.

The effect of this treatment was to decrease income before income taxes and minority interests for the year ended March 31, 2008 by ¥536 million (\$5,350 thousand).

Depreciation of tangible fixed assets owned by subsidiaries is computed principally using the declining-balance method over the estimated useful lives of the assets.

Under certain conditions such as exchanges of fixed assets of similar kinds and sales and purchases resulting from expropriation, Japanese tax laws permit companies to defer the profit arising from such transactions by reducing the cost of the assets acquired or by providing special reserve in the equity section. The Bank adopted the former treatment and reduced the cost of the assets acquired by ¥4,144 million (\$41,363 thousand) and ¥4,144 million at March 31, 2008 and 2007, respectively.

(h) Long-lived Assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to

result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

Accumulated impairment loss is directly deducted from the respective fixed assets.

Additionally, the effect of adoption of such accounting standard on segment information is described in Note 9.

(i) Software

Software costs for internal use are capitalized (presented as other assets) and amortized by the straight-line method over the estimated useful life of 5 years.

(j) Allowance for Possible Loan Losses

Allowance for possible loan losses and other credits of the Bank is provided as detailed below, pursuant to internal rules for write-offs and an allowance.

For debtors who are legally bankrupt (bankrupt, under special liquidation, or subject to legal bankruptcy proceedings) or virtually bankrupt (in a similar situation), an allowance is provided based on the amount of claims, after the write-off stated below, net of amounts expected to be collected through disposal of collateral or execution of guarantees. For loans to debtors who are likely to go bankrupt, an allowance is provided for the amount considered to be necessary based on an overall solvency assessment performed for the amount of such loans, net of amounts deemed collectible through disposal of collateral or execution of guarantees. For other loans, an allowance is provided based on historical loan loss experience over a certain period of time.

All loans are assessed by the branches and the operating divisions based on the Bank's internal rules for self-assessment of assets. The Asset Assessment Division, which is independent from the branches and the operating divisions, subsequently conducts audits of their assessments, and an allowance is provided based on audit results.

For collateralized or guaranteed claims to debtors who are legally bankrupt or virtually bankrupt, the amount deemed unrecoverable, that is the amount of claims exceeding the estimated value of collateral or guarantees, has been written off and amounted to ¥20,596 million (U.S.\$ 205,572 thousand), ¥21,332 million as of March 31, 2008 and 2007, respectively.

Allowance for possible loan losses and other credits of the Bank's consolidated subsidiaries is provided based on historical loan loss experience in addition to amounts deemed necessary based on estimation of the collectibility of specific claims.

(k) Allowance for Possible Losses on Investment Securities

Allowance for possible losses on investment securities is provided for possible future losses on securities based on self-assessment by the Bank.

(l) Accrued Bonuses to Directors and Corporate Auditors
Accrued bonuses to directors and corporate auditors attributable to the fiscal year are recorded as expenses.

(m) Liability for Employees' Retirement Benefits

The Bank has a contributory funded pension plan and an unfunded lump-sum severance payment plan. They may

grant additional benefits in cases where certain requirements are met when employees retire. In addition, the Bank contributed some of its marketable equity securities to employee retirement benefit trusts.

The Bank provides for the liability for employees' retirement benefits based on projected benefit obligations and plan assets at the balance sheet date. Subsidiaries provide for the liability for employees' severance payments based on amounts which would be required to be paid if all eligible employees voluntarily terminated their employment at the balance sheet date.

(n) Liability for Retirement of Directors and Corporate Auditors

Liability for retirement of directors and corporate auditors are provided at the amount required if all of them retired at fiscal year-end, calculated based on the internal rules of the Group.

(o) Liability for Reimbursement of Deposits

Liability for reimbursement of deposits which were derecognized as liabilities under certain conditions is provided for the possible losses on the future claims of withdrawal based on the historical reimbursement experience.

(p) Allowance for Repayment of Excess Interest

Allowance for repayment of excess interest is provided at the estimated amount based on payment experience, required to refund upon customers' claims.

(q) Foreign Currency Transactions

Receivables and payables in foreign currencies and foreign branch accounts are translated into Japanese yen principally at the rates prevailing at the balance sheet dates.

(r) Lease transactions

Equipment used under finance lease agreements is accounted for as equipment leased under normal operating leases, except for leases in which the ownership of leased equipment is transferred to the lessee.

All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

(s) Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the

carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

(t) Appropriations of Retained Earnings

Consolidated Statements of Net Assets reflect the appropriation resolved by the Shareholders' Meeting when duly resolved and paid.

(u) Per Share Information

Basic net income per share is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share is not disclosed because no dilutive securities are outstanding.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

(v) New Accounting Pronouncements

Lease Accounting —

On March 30, 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions", which revised the existing accounting standard for lease transactions issued on June 17, 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Lessee

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions shall be capitalized recognizing lease assets and lease obligations in the balance sheet.

Lessor

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be treated as sale, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if sold" information is disclosed in the note to the lessor's financial statements. The revised accounting standard requires that all finance leases that deem to transfer ownership of the leased property to the lessee shall be recognized as lease receivables, and all finance leases that deem not to transfer ownership of the leased property to the lessee shall be recognized as investments in lease.

3. CASH AND CASH EQUIVALENTS

The reconciliation of “Cash and cash equivalents” and “Cash and due from banks” in the consolidated balance sheets at March 31, 2008 and 2007, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Cash and due from banks	¥42,211	¥50,322	\$421,313
Time deposits due from banks	(1,350)	(1,472)	(13,481)
Other due from banks	(425)	(429)	(4,245)
Cash and cash equivalents	¥40,435	¥48,420	\$403,587

4. INVESTMENT SECURITIES

Investment securities at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Japanese government bonds	¥ 351,024	¥ 399,568	\$ 3,503,586
Japanese local government bonds	125,934	126,027	1,256,953
Japanese corporate bonds	258,280	235,383	2,577,902
Corporate stocks	156,332	209,433	1,560,364
Other securities	333,559	384,608	3,329,272
Total	¥1,225,131	¥1,355,021	\$12,228,080

5. LOANS AND BILLS DISCOUNTED

Loans and bills discounted at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Bills discounted	¥ 31,521	¥ 36,262	\$ 314,616
Loans on bills	187,934	191,064	1,875,782
Loans on deeds	1,952,364	1,893,463	19,486,615
Overdrafts	379,548	352,674	3,788,285
Total	¥2,551,368	¥2,473,464	\$25,465,299

Loans in legal bankruptcy totaled ¥1,631 million (\$16,285 thousand) and ¥2,015 million as of March 31, 2008 and 2007, respectively. Nonaccrual loans totaled ¥40,050 million (\$399,743 thousand) and ¥22,785 million as of March 31, 2008 and 2007, respectively. Loans in legal bankruptcy are loans in which the interest accrual is discontinued (excluding the portion recognized as bad debts), based on management’s judgement as to the collectibility of principal or interest resulting from the delay in payments of interest or principal for a considerable period of time and other factors. Nonaccrual loans are loans in which the interest accrual is discontinued, other than loans in legal bankruptcy and loans granting deferral of interest payment to the debtors in financial difficulties to assist them in their recovery.

Accruing loans contractually past due three months or

more as to principal or interest payments totaled ¥1,876 million (\$18,729 thousand) and ¥1,646 million as of March 31, 2008 and 2007, respectively. Loans classified as loans in legal bankruptcy and past due loans are excluded.

Restructured loans totaled ¥38,529 million (\$384,561 thousand) and ¥34,613 million as of March 31, 2008 and 2007, respectively. Such restructured loans are loans on which creditors grant concessions (e.g., reduction of the stated interest rate, deferral of interest payment, extension of maturity date, waiver of the face amount, or other concessive measures) to the debtors to assist them to recover from the financial difficulties and eventually be able to pay creditors. Loans classified as loans in legal bankruptcy, nonaccrual loans and accruing contractually past due three months or more are excluded.

6. FOREIGN EXCHANGES

Foreign exchange assets and liabilities at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Assets:			
Due from foreign correspondents	¥4,184	¥6,423	\$41,766
Foreign bills of exchange purchased	90	102	908
Foreign bills of exchange receivable	591	1,934	5,902
Total	¥4,866	¥8,460	\$48,577
Liabilities:			
Foreign bills of exchange sold	¥ 106	¥ 58	\$ 1,060
Accrued foreign bills of exchange	8	4	80
Total	¥ 114	¥ 63	\$ 1,141

7. OTHER ASSETS

Other assets at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Prepaid expenses	¥ 54	¥ 118	\$ 541
Accrued income	5,569	6,549	55,584
Derivatives	8,867	803	88,508
Other (Note 10)	38,705	14,635	386,318
Total	¥53,196	¥22,106	\$530,952

8. TANGIBLE FIXED ASSETS

Tangible fixed assets at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Buildings	¥12,900	¥10,407	\$128,759
Land	41,149	43,307	410,718
Construction in progress	982	3,563	9,804
Other	17,727	18,975	176,936
Total	¥72,759	¥76,255	\$726,218

Accumulated depreciation on tangible fixed assets at March 31, 2008 and 2007 amounted to ¥75,017 million (\$748,748 thousand) and ¥74,176 million, respectively.

9. LONG-LIVED ASSETS

The Group recognized impairment losses for the year ended March 31, 2008 and 2007 as follows:

The Bank groups assets by branch, which are the minimum unit for management accounting. Subsidiaries group their assets by unit, which periodically manages profit and loss. The Bank wrote down the carrying amounts to the recoverable amounts, and recognized impairment losses of ¥2,010 million (\$20,065 thousand) and ¥3,313 million for the year ended March 31, 2008 and 2007, respectively, since the carrying amounts of the assets held by the above branches and other exceeded the sum of the undiscounted future cash flows. The recoverable amounts of these assets were measured at their net realizable selling prices, which were determined by quotations from real estate appraisal information, less estimated costs to dispose.

Location	Description	Classification	Impairment Losses		
			Millions of yen		Thousands of U.S. dollars (Note 1)
			2008	2007	2008
Shiga Prefecture	Branch offices and other	Buildings and equipments	¥ 26	¥1,137	\$ 261
Other	Branch offices and other	Land, buildings and equipments	1,984	2,176	19,803
Total			¥2,010	¥3,313	\$20,065

10. ASSETS PLEDGED

Assets pledged as collateral and related liabilities at March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Investment securities	¥133,950	¥142,361	\$1,336,960
Related liabilities			
Deposits	¥14,346	¥ 8,227	\$143,190
Call money	6,000		59,886
Payables under securities lending transactions	24,335	38,114	242,896
Other liabilities	60	60	598

In addition, investment securities totaling ¥67,225 million (\$670,976 thousand) and ¥61,541 million at March 31, 2008 and 2007, respectively were pledged as collateral for settlement of exchange and as securities for futures transactions

and others.

Other assets (see Note 7) include guarantee deposits of ¥925 million (\$9,240 thousand) and ¥924 million at March 31, 2008 and 2007, respectively.

11. COMMITMENT LINE

Loan agreements and commitment line agreements are agreements that oblige the Bank to lend funds up to a certain limit agreed in advance. The Bank makes the loans upon the request of an obligor to draw down funds under such loan agreements as long as there is no breach of the various terms and conditions stipulated in the relevant loan agreements. The unused commitment balance relating to these loan agreements at March 31, 2008 and 2007 amounted to ¥828,801 million (\$8,272,300 thousand) and ¥836,571 million, respectively, and the amounts of unused commitments, whose original contract terms are within one year or unconditionally cancelable at any time, were ¥812,326 million (\$8,107,860 thousand) and ¥819,587 million at March 31, 2008 and 2007, respectively. In many cases, the term of the agreement runs its course without the

loan ever being drawn down. Therefore, the unused loan commitment will not necessarily affect future cash flow. Conditions are included in certain loan agreements which allow the Bank to decline the request for a loan draw down or to reduce the agreed limit amount where there is due cause to do so, such as when there is a change in financial conditions or when it is necessary to do so in order to protect the Bank's credit. The Bank takes various measures to protect its credit. Such measures include having the obligor pledge collateral to the Bank in the form of real estate, securities, etc. on signing the loan agreements or, in accordance with the Bank's established internal procedures, confirming the obligor's financial condition etc. at regular intervals.

12. LAND REVALUATION

Under the "Law of Land Revaluation," promulgated on March 31, 1998 (final revised on May 30, 2003), the Bank elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 2002. The resulting land revaluation surplus represented unrealized appreciation of land and was stated, net of income taxes, as a component of equity. There was no effect on consolidated statement of income. Continuous

readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation surplus account and related deferred tax liabilities. At March 31, 2008, the carrying amount of the land after the above one-time revaluation was less than the market value by ¥17,607 million (\$175,745 thousand).

Method of revaluation

The fair values were determined by applying appropriate adjustments for land shape and analysis on the appraisal

specified in Article 2-4 of the Enforcement Ordinance of the Law of Land Revaluation effective March 31, 1998.

13. DEPOSITS

Deposits at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Current deposits	¥ 115,916	¥ 145,813	\$ 1,156,962
Ordinary deposits	1,393,309	1,438,403	13,906,674
Deposits at notice	14,697	35,633	146,696
Time deposits	1,949,502	1,847,673	19,458,051
Other deposits	121,624	118,277	1,213,939
Total	¥3,595,050	¥3,585,802	\$35,882,324

14. BORROWED MONEY

At March 31, 2008 and 2007, the weighted average interest rates applicable to the borrowed money were 1.82% and 1.92%, respectively.

Borrowed money at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Subordinated loans	¥ 8,000	¥14,000	\$ 79,848
Borrowing from banks and other	8,305	7,552	82,901
Total	¥16,305	¥21,552	\$162,749

Annual maturities of borrowed money at March 31, 2008, were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars (Note 1)
2009	¥ 3,928	\$ 39,213
2010	1,523	15,209
2011	1,374	13,721
2012	990	9,890
2013	427	4,261
2014 and thereafter	8,060	80,453
Total	¥16,305	\$162,749

15. OTHER LIABILITIES

Other liabilities at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Accrued income taxes	¥ 9,329	¥ 5,446	\$ 93,122
Accrued expenses	8,012	5,625	79,975
Unearned income	4,638	2,637	46,296
Derivatives	1,603	6,645	16,002
Other	36,090	24,023	360,222
Total	¥59,675	¥44,377	\$595,618

16. ACCEPTANCES AND GUARANTEES

All contingent liabilities arising from acceptances and guarantees are reflected in "Acceptances and guarantees." As a contra account, "Customers' liabilities for acceptances and guarantees," is shown as an asset representing the Bank's right of indemnity from the applicants.

The amounts "Acceptances and guarantees" and "Customers' liabilities for acceptances and guarantees," were set off ¥35,150 million, because which were relevant to corporate bonds, and the guaranteed bonds were held by the Bank itself.

17. EQUITY

Through May 1, 2006, Japanese banks were subject to the Commercial Code of Japan (the "Code") and the Banking Law of Japan (the "Banking Law").

On and after May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which reformed and replaced the Code with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the

fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the

Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Bank cannot do so because it does not meet all the above criteria.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Corporate Law requires that an amount equal to 10% (20% for banks pursuant to the Banking Law) of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a

component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% (100% for banks pursuant to the Banking Law) of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights
The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

18. OTHER OPERATING INCOME

Other operating income for the years ended March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Gains on foreign exchange transactions (-net)	¥ 444	¥ 407	\$ 4,438
Gains on sales of bonds	5,191	1,580	51,816
Other	8,423	10,040	84,071
Total	¥14,059	¥12,029	\$140,327

19. OTHER INCOME

Other income for the years ended March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Gains on sales of securities	¥11,952	¥2,677	\$119,298
Recovery of claims previously charged-off	1,408	1,139	14,054
Other	1,786	2,976	17,833
Total	¥15,147	¥6,793	\$151,186

20. OTHER OPERATING EXPENSES

Other operating expenses for the years ended March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Losses on sales of government bonds	¥ 1,053	¥ 1,630	\$ 10,518
Losses on redemption of bonds	886	186	8,846
Losses on write-down of bonds and other securities	6,272		62,609
Losses on financial derivatives	2,913	3,784	29,082
Other	7,937	9,005	79,225
Total	¥19,064	¥14,606	\$190,283

21. OTHER EXPENSES

Other expenses for the years ended March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Provision of allowance for possible loan losses	¥11,998	¥ 1,909	\$119,755
Write-off of loans and bills discounted	3,292	3,343	32,857
Losses on impairment of fixed assets	2,010	3,313	20,065
Other	3,322	2,048	33,163
Total	¥20,623	¥10,616	\$205,842

22. LEASES

Lessee

The Group leases certain equipment. Total rental expenses under the finance leases for the years ended March 31, 2008 and 2007, were ¥8 million (\$86 thousand) and ¥6 million, respectively.

Pro forma Information of leased property such as acquisition cost, accumulated depreciation, obligations under finance lease, depreciation expense and interest expense for finance leases that do not transfer ownership of the leased property to the lessee on an 'as if capitalized' basis for the years ended March 31, 2008 and 2007 was as follows:

	Millions of yen					
	2008			2007		
	Equipment	Other Assets	Total	Equipment	Other Assets	Total
Acquisition cost	¥60		¥60	¥55		¥55
Accumulated depreciation	(26)		(26)	(17)		(17)
Net leased property	¥33		¥33	¥37		¥37

	Thousands of U.S. dollars (Note 1)		
	2008		
	Equipment	Other Assets	Total
Acquisition cost	\$601		\$601
Accumulated depreciation	(266)		(266)
Net leased property	\$335		\$335

Obligations under finance leases at March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Due within one year	¥ 7	¥ 6	\$ 75
Due after one year	26	30	260
Total	¥33	¥37	\$335

The amounts of acquisition cost and obligations include the imputed interest expense portion.

Depreciation expense and interest expense under finance leases:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Depreciation expense	¥ 8	¥ 6	\$ 86
Interest expense	8	6	86
Total	¥17	¥12	\$173

Depreciation expense, which is not reflected in the accompanying consolidated statements of income, is computed by the straight-line method.

Lessor

One subsidiary leases certain equipment and other assets.

Lease receipts under finance leases amounted to ¥6,236 million (\$62,242 thousand) and ¥6,178 million respectively, for the years ended March 31, 2008 and 2007.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, lessor's receivables under finance lease, depreciation expense and interest income for finance leases for the years ended March 31, 2008 and 2007 was as follows:

	Millions of yen					
	2008			2007		
	Equipment	Other Assets	Total	Equipment	Other Assets	Total
Acquisition cost	¥22,528	¥6,098	¥28,627	¥22,025	¥5,982	¥28,009
Accumulated depreciation	(10,105)	(3,021)	(13,127)	(9,972)	(2,849)	(12,821)
Net leased property	¥12,422	¥3,077	¥15,499	¥12,053	¥3,133	¥15,187

	Thousands of U.S. dollars (Note 1)		
	2008		
	Equipment	Other Assets	Total
Acquisition cost	\$224,854	\$60,873	\$285,727
Accumulated depreciation	(100,864)	(30,160)	(131,025)
Net leased property	\$123,989	\$30,712	\$154,702

Lessor's receivables under finance leases as of March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Due within one year	¥ 4,896	¥ 4,698	\$ 48,876
Due after one year	11,243	11,064	112,216
Total	¥16,139	¥15,762	\$161,093

The imputed interest income portion which is computed using the interest method is excluded from the above lessor's receivables under finance leases.

Depreciation expense and interest income under finance leases:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Depreciation expense	¥5,216	¥5,196	\$52,069
Interest income	816	798	8,149
Total	¥6,033	¥5,994	\$60,219

The minimum rental commitments under noncancelable operating leases as of March 31, 2008 and 2007, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Due within one year	¥1		\$15
Due after one year	5		55
Total	¥7		\$71

23. EMPLOYEES' RETIREMENT BENEFITS

The Bank has a contributory funded pension plan and an unfunded lump-sum severance payment plan. Subsidiaries have unfunded lump-sum severance payment plans.

The liability for employees' retirement benefits at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Projected benefit obligation	¥(39,819)	¥(39,857)	\$(397,441)
Plan assets (fair value)	23,076	26,234	230,323
Unfunded projected benefit obligation	(16,743)	(13,622)	(167,118)
Unrecognized actuarial net loss	8,861	6,895	88,451
Unrecognized prior service cost	(103)	(119)	(1,028)
Liability for employees' retirement benefits	¥ (7,984)	¥ (6,846)	\$ (79,695)

The components of net periodic benefit costs for the years ended March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Service cost	¥1,487	¥1,521	\$14,850
Interest cost	795	793	7,943
Expected return on plan assets	(324)	(327)	(3,241)
Amortization of prior service cost	(16)	(16)	(162)
Recognized actuarial net loss	1,596	1,601	15,935
Net periodic retirements benefit costs	¥3,539	¥3,572	\$35,325

Assumptions used for the years ended March 31, 2008 and 2007 were set forth as follows:

	2008	2007
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.0%	2.0%
Amortization period of prior service cost	10 years	10 years
Recognition period of actuarial gain or loss	10 years	10 years

24. INCOME TAXES

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Deferred tax assets:			
Allowance for possible loan losses	¥ 15,635	¥ 12,078	\$ 156,055
Liability for employees' retirement benefits	5,528	5,029	55,177
Accrued enterprise tax	701	373	7,006
Devaluation of stocks and other securities	7,297	4,118	72,841
Depreciation	953	1,074	9,513
Tax loss carryforwards	72		721
Other	3,256	5,271	32,505
Less valuation allowance	(7,676)	(7,805)	(76,617)
Total	¥ 25,769	¥ 20,139	\$ 257,203
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	(17,114)	(34,320)	(170,817)
Other	(208)	(246)	(2,084)
Total	¥ (17,323)	¥ (34,567)	\$ (172,902)
Net deferred tax assets (liabilities)	¥ 8,446	¥ (14,428)	\$ 84,301

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the year ended March 31, 2008 is as follows:

	2008
Normal effective statutory tax rate	40.4%
Permanent differences - expenses	(4.3)
Permanent differences - income	0.8
Corporate inhabitant tax per capita	0.6
Decrease in deferred tax assets at fiscal year end	26.6
IT investment tax credit	(0.6)
Other	(2.9)
Actual effective tax rate	60.6%

For the year ended March 31, 2007, description is omitted as the difference between the normal statutory tax rates and effective tax rates was less than 5% of the normal statutory tax rates.

25. MARKET VALUE AND OTHER INFORMATION ON SECURITIES

Market value and other information on securities at March 31, 2008 and 2007 were as follows:

Securities

(1) Trading securities

	Millions of yen			
	2008		2007	
	Consolidated Balance Sheet Amount	Losses Included in Profit/Loss during the Fiscal Year	Consolidated Balance Sheet Amount	Losses Included in Profit/Loss during the Fiscal Year
Trading securities	¥10,330	¥(541)	¥17,326	¥(394)

Thousands of U.S. dollars (Note 1)

	2008	
	Consolidated Balance Sheet Amount	Losses Included in Profit/Loss during the Fiscal Year
	Trading securities	\$103,111

(2) No bonds classified as held-to-maturity securities that have market value were held by the Group.

(3) Available-for-sale securities that have market value

	Millions of yen									
	2008					2007				
	Cost	Consolidated Balance Sheet Amount	Net Unrealized Gains (Losses)	Unrealized Gains	Unrealized Losses	Cost	Consolidated Balance Sheet Amount	Net Unrealized Gains (Losses)	Unrealized Gains	Unrealized Losses
Stocks	¥ 92,496	¥ 153,152	¥60,655	¥67,089	¥ 6,434	¥ 97,755	¥ 205,917	¥108,162	¥108,602	¥ 439
Bonds:	727,934	724,583	(3,350)	3,698	7,049	757,418	750,035	(7,382)	1,424	8,806
Japanese government bonds	356,711	351,024	(5,687)	842	6,529	405,791	399,568	(6,223)	262	6,485
Japanese local government bonds	124,551	125,934	1,382	1,459	77	126,643	126,027	(615)	360	975
Japanese corporate bonds	246,671	247,625	954	1,396	442	224,982	224,439	(543)	801	1,345
Other	343,431	332,236	(11,195)	559	11,754	385,945	377,273	(8,672)	741	9,413
Total	¥1,163,862	¥1,209,972	¥46,109	¥71,347	¥25,238	¥1,241,119	¥1,333,227	¥ 92,107	¥110,767	¥18,659

Thousands of U.S. dollars (Note 1)

	2008				
	Cost	Consolidated Balance Sheet Amount	Net Unrealized Gains (Losses)	Unrealized Gains	Unrealized Losses
	Stocks	\$ 923,215	\$ 1,528,615	\$605,400	\$669,627
Bonds:	7,265,537	7,232,097	(33,444)	36,917	70,357
Japanese government Bonds	3,560,350	3,503,586	(56,764)	8,408	65,172
Japanese local government bonds	1,243,154	1,256,953	13,798	14,569	770
Japanese corporate bonds	2,462,032	2,471,557	9,524	13,940	4,415
Other	3,427,801	3,316,062	(111,738)	5,581	117,319
Total	\$11,616,554	\$12,076,775	\$460,221	\$712,126	\$251,905

Note: Market value is calculated by using the market prices at the fiscal year end for bonds and other except that of stocks which is calculated by average market prices for previous month of the fiscal year end.

(4) Bonds classified as held-to-maturity were not sold.

(5) Available-for-sale securities sold

	Millions of yen					
	2008			2007		
	Sales Amount	Gains on Sales	Losses on Sales	Sales Amount	Gains on Sales	Losses on Sales
Available-for-sales securities	¥320,071	¥17,135	¥13	¥246,612	¥4,249	¥1,265

	Thousands of U.S. dollars (Note 1)		
	2008		
	Sales Amount	Gains on sales	Losses on Sales
Available-for-sale securities	\$3,194,644	\$171,027	\$135

(6) Securities with no readily available market value

	Consolidated Balance Sheet Amount		
	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Available-for-sale securities:			
Non-listed corporate bonds	¥10,654	¥10,943	\$106,345
Non-listed stocks	3,180	3,515	31,749

(7) The classification of securities has not been changed.

(8) Redemption schedule on available-for-sale securities that have maturities and bonds classified as held-to-maturity was as follows:

	Millions of yen							
	2008				2007			
	1 Year or Less	1 to 5 Years	5 to 10 Years	Over 10 Years	1 Year or Less	1 to 5 Years	5 to 10 Years	Over 10 Years
Bonds:	¥129,065	¥342,584	¥210,346	¥ 53,242	¥91,478	¥360,342	¥247,859	¥ 61,299
Japanese government bonds	71,026	127,527	125,829	26,641	47,431	160,417	150,387	41,331
Japanese local government bonds	11,760	67,148	47,024		8,777	48,729	68,520	
Japanese corporate bonds	46,278	147,908	37,492	26,600	35,269	151,195	28,951	19,967
Other	10,097	127,173	111,288	46,787	1,089	120,416	154,089	46,515
Total	¥139,162	¥469,757	¥321,634	¥100,029	¥92,567	¥480,759	¥401,948	¥107,814

	Thousands of U.S. dollars (Note1)			
	2008			
	1 Year or Less	1 to 5 Years	5 to 10 Years	Over 10 Years
Bonds:	\$1,288,204	\$3,419,349	\$2,099,472	\$531,416
Japanese government bonds	708,915	1,272,852	1,255,905	265,912
Japanese local government bonds	117,384	670,213	469,355	
Japanese corporate bonds	461,904	1,476,284	374,210	265,503
Other	100,783	1,269,321	1,110,778	466,984
Total	\$1,388,987	\$4,688,671	\$3,210,250	\$998,401

Money held in trust

(1) Money held in trust classified as trading

	Millions of yen			
	2008		2007	
	Consolidated Balance Sheet Amount	Gains Included in Profit/Loss during the Fiscal Year	Consolidated Balance Sheet Amount	Gains (Losses) Included in Profit/Loss during the Fiscal Year
Money held in trust classified as trading	¥10,858	¥68	¥10,993	

	Thousands of U.S. dollars (Note 1)	
	2008	
	Consolidated Balance Sheet Amount	Gains Included in Profit/Loss during the Fiscal Year
Money held in trust classified as trading	\$108,383	\$680

(2) No money held in trust was classified as held-to-maturity.

(3) Other money held in trust (other than money held in trust for trading purposes and money in trust held to maturity)

	Millions of yen									
	2008					2007				
	Cost	Consolidated Balance Sheet Amount	Net Unrealized Losses	Unrealized Gains	Unrealized Losses	Cost	Consolidated Balance Sheet Amount	Net Unrealized Losses	Unrealized Gains	Unrealized Losses
Money held in trust	¥1,114	¥1,106	¥(7)		¥7	¥3,013	¥3,005	¥(7)		¥7

	Thousands of U.S. dollars (Note 1)				
	2008				
	Cost	Consolidated Balance Sheet Amount	Net Unrealized Losses	Unrealized Gains	Unrealized Losses
Money held in trust	\$11,120	\$11,042	\$(78)		\$78

Net Unrealized Gains/Losses on Available-for-sale Securities

Available-for-sale securities were valued at market and net unrealized gains/losses on valuation were as follows:

	Consolidated Balance Sheet Amount		
	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Net unrealized gains on investment securities	¥46,109	¥92,107	\$460,221
Other money held in trust	(7)	(7)	(78)
Deferred tax liabilities	(17,114)	(34,320)	(170,817)
Minority interests	(46)	(143)	(463)
Net unrealized gains on available-for-sale securities	28,940	57,635	288,861

26. MARKET VALUE INFORMATION ON DERIVATIVE TRANSACTIONS

Derivatives are subject to market risk, which is the possibility that a loss may result from fluctuations in market conditions, and credit risk, which is the possibility that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract.

Since most of the Bank's derivative transactions are conducted to hedge underlying business exposures, market gain or risk in the derivative instruments is expected to be offset by an opposite movement in the value of hedged assets or liabilities. These figures are the measures used in the calculation of risk-based capital ratios under the Japanese capital ratio guidelines. The Bank adopts the current exposure method stipulated by the guidelines in calculating the amount.

As a risk control system for derivatives, the Bank has established a risk management division that operates independently from divisions executing derivative transactions. Derivative transactions entered into by the Bank have been made in accordance with internal policies, which regulate the authorization and credit limit amounts. In addition, positions and related gains or losses from derivatives are reported to management on a daily basis for monitoring and evaluation purposes.

The contract amounts of forward exchange contracts and option agreements do not necessarily measure the Bank's exposure to credit or market risk.

(1) Interest-rate-related transactions

Interest-rate-related transactions as of March 31, 2008 and 2007 are excluded from disclosure because all the interest-rate-related transactions entered into by the Bank qualified for hedge-accounting.

(2) Currency-related transactions

Market value information on revalued currency-related derivatives as of March 31, 2008 and 2007 were as follows:

	Millions of yen							
	2008				2007			
	Contractual Value	Contractual Value Due after One Year	Fair Value	Net Unrealized Gains (Losses)	Contractual Value	Contractual Value Due after One Year	Fair Value	Net Unrealized Gains (Losses)
Over-the-counter:	¥259,270	¥235,396	¥7,129	¥7,129	¥203,858	¥164,213	¥(5,670)	¥(5,670)
Forward exchange contracts:								
Sold	7,257		400	400	5,647		(14)	(14)
Bought	6,598		(288)	(288)	5,368		63	63
Currency options:								
Sold	3,226	1,502	(76)	(5)	1,895		(1)	(1)
Bought	3,226	1,502	76	32	1,895		5	5
Total			¥7,242	¥7,268			¥(5,617)	¥(5,617)

	Thousands of U.S. dollars (Note 1)			
	2008			
	Contractual Value	Contractual Value Due after One Year	Fair Value	Net Unrealized Gains (Losses)
Over-the-counter:	\$2,587,788	\$2,349,502	\$71,164	\$71,164
Forward exchange contracts:				
Sold	72,436		3,998	3,998
Bought	65,856		(2,878)	(2,878)
Currency options:				
Sold	32,204	15,000	(766)	(57)
Bought	32,204	15,000	766	319
Total			\$72,284	\$72,546

Notes: 1. The above transactions were revalued at the end of each of the years and the related gain and loss are reflected in the accompanying consolidated statements of income.

2. Derivative transactions under hedge accounting, transactions reflected in financial assets and liabilities denominated in currencies and recognized in the consolidated balance sheets, or transactions denominated in foreign currencies which have been eliminated in the consolidation have been excluded from the above table.

- (3) Stock-related transactions are not performed.
(4) Bond-related transactions are not performed.
(5) Financial product-related transactions are not performed.
(6) Credit derivative transactions are not performed.

27. RELATED PARTY TRANSACTIONS

Related party transactions for the years ended March 31, 2008 and 2007 were as follows:

Related party	Category	Description of transactions	Millions of yen		Thousands of U.S. dollars (Note 1)
			2008	2007	2008
Yoshihisa Fujita	Director or relative	Lending operation loan	¥ 30		\$ 307
Nishikawa Sangyo Co., Ltd.	Companies, majority held by director or relative	Lending operation loan	1,220	¥ 1,145	12,176
Nishikawa Living Co., Ltd.	Companies, majority held by director or relative	Lending operation loan	1,337	1,459	13,354
		Customer's liabilities for acceptances and guarantees	80	178	803
Chiyoiko Yamakage	Director or relative	Lending operation loan		186	

28. NET INCOME PER SHARE

Calculation of net income per share ("EPS") for the years ended March 31, 2008 and 2007 is as follows:

	Millions of yen	Thousands of Shares	yen	U.S. dollars (Note 1)
	Net Income	Weighted Average Shares	EPS	
For the year ended March 31, 2008				
Basic EPS				
Net income available to common stockholders	¥3,597	264,318	¥13.60	\$0.135
For the year ended March 31, 2007				
Basic EPS				
Net income available to common stockholders	¥8,839	264,514	¥33.41	

29. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

On June 26, 2008, the Bank's general stockholders' meeting approved the payments of cash dividends to stockholders of record at March 31, 2008 of ¥3 (\$0.029) per share or a total of ¥792 million (\$7,912 thousand).

30. SEGMENT INFORMATION

i) Business Segment Information

Information about industry segments of the Group as of and for the years ended March 31, 2008 and 2007 is as follows:

a. Operating Income

Millions of yen						
2008						
	Banking	Leasing	Other	Total	Eliminations/ Corporate	Consolidated
Operating income:						
Outside customers	¥104,008	¥8,141	¥2,701	¥114,850		¥114,850
Intersegment income	395	839	2,083	3,318	¥(3,318)	
Total	104,403	8,980	4,785	118,168	(3,318)	114,850
Operating expenses	94,281	8,656	4,242	107,181	(3,212)	103,969
Net income for computation	¥ 10,121	¥ 323	¥ 542	¥ 10,987	¥ (105)	¥ 10,881

b. Total Assets, Depreciation, Impairment Loss and Capital Expenditures

Millions of yen						
2008						
	Banking	Leasing	Other	Total	Eliminations/ Corporate	Consolidated
Total assets	¥4,098,457	¥41,665	¥13,173	¥4,153,296	¥(38,186)	¥4,115,109
Depreciation	4,010	5,660	30	9,701		9,701
Impairment loss	2,010			2,010		2,010
Capital expenditures	5,390	5,952	11	11,354		11,354

a. Operating Income

Millions of yen						
2007						
	Banking	Leasing	Other	Total	Eliminations/ Corporate	Consolidated
Operating income:						
Outside customers	¥84,283	¥ 9,718	¥2,633	¥96,635		¥96,635
Intersegment income	475	482	2,053	3,011	¥(3,011)	
Total	84,758	10,201	4,687	99,646	(3,011)	96,635
Operating expenses	69,813	9,606	4,141	83,561	(2,988)	80,573
Net income for computation	¥14,945	¥ 594	¥ 545	¥16,084	¥ (23)	¥16,061

b. Total Assets, Depreciation, Impairment Loss and Capital Expenditures

Millions of yen						
2007						
	Banking	Leasing	Other	Total	Eliminations/ Corporate	Consolidated
Total assets	¥4,163,923	¥42,451	¥11,846	¥4,218,222	¥(38,886)	¥4,179,335
Depreciation	3,684	5,157	26	8,868		8,868
Impairment loss	3,313			3,313		3,313
Capital expenditures	8,763	7,199	35	15,998		15,998

a. Operating Income

Thousands of U.S. dollars (Note 1)						
2008						
	Banking	Leasing	Other	Total	Eliminations/ Corporate	Consolidated
Operating income:						
Outside customers	\$1,038,112	\$81,255	\$26,961	\$1,146,330		\$1,146,330
Intersegment income	3,942	8,377	20,797	33,117	\$(33,117)	
Total	1,042,055	89,633	47,759	1,179,448	(33,117)	1,146,330
Operating expenses	941,031	86,403	42,347	1,069,782	(32,060)	1,037,722
Net income for computation	\$ 101,024	\$ 3,229	\$ 5,412	\$ 109,666	\$ (1,057)	\$ 108,608

b. Total Assets, Depreciation, Impairment Loss and Capital Expenditures

Thousands of U.S. dollars (Note 1)						
2008						
	Banking	Leasing	Other	Total	Eliminations/ Corporate	Consolidated
Total assets	\$40,906,848	\$415,861	\$131,489	\$41,454,200	\$(381,144)	\$41,073,055
Depreciation	40,028	56,496	308	96,833		96,833
Impairment loss	20,065			20,065		20,065
Capital expenditures	53,804	59,408	116	113,329		113,329

Notes: 1. "Other" consists of other banking related activities such as credit guarantee, venture capital and entrusted account.

2. Operating income means total income less certain special income included in other income in the accompanying consolidated statements of income.

3. Operating expenses mean total expenses less certain special expenses included in other expenses in the accompanying consolidated statements of income.

ii) Segment Information by Geographic Area

Segment information by geographic area is not presented herein for the years ended March 31, 2008 and 2007, as such information is permitted not to be disclosed if domestic share of both total income and total assets exceeds 90%.

iii) Operating Income from International Operations

Disclosure of operating income arising from international operations for the years ended March 31, 2008 and 2007 is not presented herein, as such information is permitted not to be disclosed if operating income arising from international operations is less than 10% of consolidated operating income.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of The Shiga Bank, Ltd.:

We have audited the accompanying consolidated balance sheet of The Shiga Bank, Ltd. and consolidated subsidiaries as of March 31, 2008, and the related consolidated statements of income, changes in equity, and cash flows for the year then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of The Shiga Bank, Ltd. and subsidiaries for the year ended March 31, 2007 were audited by other auditors whose report, dated June 26, 2007, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Shiga Bank, Ltd. and consolidated subsidiaries as of March 31, 2008, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 12, 2008

Non-Consolidated Balance Sheets (Unaudited)

March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1 to Consolidated Financial Statements)
	2008	2007	2008
Assets			
Cash and due from banks	¥ 42,163	¥ 50,292	\$ 420,839
Call loans and bills bought	125,967	151,744	1,257,289
Trading account securities	1,020	1,012	10,185
Money held in trust	11,951	13,985	119,284
Securities	1,225,169	1,354,903	12,228,458
Loans and bills discounted	2,558,984	2,481,394	25,541,317
Foreign exchange assets	4,866	8,460	48,577
Other assets	43,139	13,373	430,576
Tangible fixed assets	59,998	61,512	598,850
Intangible fixed assets	7,965	7,967	79,500
Deferred tax assets	7,771	—	77,571
Customers' liabilities for acceptances and guarantees	35,150	36,625	350,834
Reserve for possible losses on loans and other credits	(25,694)	(17,404)	(256,459)
Reserve for possible losses on securities	(0)	(0)	(3)
Total assets	¥4,098,454	¥4,163,868	\$40,906,822
Liabilities			
Deposits	¥3,699,465	¥3,710,201	\$36,924,500
Call money	6,200	14,166	61,883
Deposits received for bonds lending/borrowing transactions	24,335	38,114	242,896
Borrowed money	28,600	34,600	285,457
Foreign exchange liabilities	114	63	1,141
Other liabilities	50,230	35,337	501,355
Accrued bonuses to directors and corporate auditors	—	35	—
Reserve for employee retirement and severance benefits	7,919	6,784	79,044
Reserve for retirement benefits to directors and corporate auditors	231	235	2,313
Reserve for repayment for prescribed deposits	661	418	6,602
Reserve for other contingent losses	988	—	9,870
Acceptances and guarantees	35,150	36,625	350,834
Deferred tax liabilities	—	14,739	—
Deferred taxes liabilities relating to land revaluation	11,381	12,292	113,603
Total liabilities	3,865,280	3,903,613	38,579,503
Net assets			
Common stock	33,076	33,076	330,142
Additional paid-in capital	23,951	23,946	239,056
Legal reserve	7,958	7,641	79,436
Voluntary reserves	123,840	115,619	1,236,056
Retained earnings	5,601	11,083	55,907
Treasury stock	(748)	(604)	(7,466)
Total stockholders' equity	193,680	190,762	1,933,132
Unrealized gains on securities available for sale, net of taxes (Note 23)	28,924	57,584	288,694
Deferred hedge losses, net of taxes	(4)	(7)	(41)
Excess of land revaluation, net of taxes (Note 10)	10,573	11,915	105,532
Total valuation and translation adjustments	39,493	69,491	394,185
Total net assets	233,174	260,254	2,327,318
Total liabilities and net assets	¥4,098,454	¥4,163,868	\$40,906,822

Non-Consolidated Statements of Income (Unaudited)

March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1 to Consolidated Financial Statements)
	2008	2007	2008
Income			
Interest income			
Interest on loans and bills discounts	¥ 52,073	¥44,948	\$ 519,746
Interest and dividends on securities	20,643	20,888	206,039
Other interest income	641	330	6,399
Total interest income	73,357	66,167	732,185
Fees and commissions	11,706	12,481	116,844
Other operating income	5,685	2,051	56,742
Other income	15,067	6,711	150,392
Total income	105,817	87,412	1,056,165
Expenses			
Interest expenses			
Interest on deposits	12,082	5,677	120,595
Interest on borrowings and rediscounts	1,375	2,054	13,724
Other interest expenses	1,705	1,564	17,023
Total interest expenses	15,163	9,296	151,343
Fees and commissions	4,102	3,744	40,949
Other operating expenses	11,127	5,604	111,061
General operating expenses	46,150	44,150	460,631
Other expenses	19,914	10,330	198,771
Total expenses	96,458	73,126	962,758
Income before income taxes	9,358	14,285	93,407
Income taxes — current	12,365	7,028	123,422
Income taxes — deferred	(6,307)	(1,313)	(62,958)
Net income	¥ 3,300	¥ 8,570	\$ 32,942

Non-Consolidated Statements of Net Assets (Unaudited)

March 31, 2008

	Millions of yen						Total
	Stockholders' equity						
As of March 31, 2008	Common stock	Additional paid-in capital	Legal reserve	Voluntary reserves	Retained earnings	Treasury stock	
Balance at beginning of the year	¥33,076	¥23,946	¥7,641	¥115,619	¥11,083	¥(604)	¥190,762
Changes during the year:							
Cash dividends			317		(1,903)		(1,586)
Transfer to voluntary reserves				9,000	(9,000)		
Reversal of voluntary reserves				(778)	778		
Net income					3,300		3,300
Purchase of treasury stock						(174)	(174)
Sales of treasury stock		4				31	35
Reversal of excess of land revaluation					1,342		1,342
Other changes							
Total increase (decrease)		4	317	8,221	(5,481)	(143)	2,917
Balance at end of the year	¥33,076	¥23,951	¥7,958	¥123,840	¥ 5,601	¥(748)	¥193,680

	Millions of yen				
	Valuation and translation adjustments				
	Unrealized gains on securities	Deferred hedge losses	Excess of land revaluation	Total	Total net assets
Balance at beginning of the year	¥57,584	¥(7)	¥11,915	¥69,491	¥260,254
Changes during the year:					
Cash dividends					(1,586)
Transfer to voluntary reserves					
Reversal of voluntary reserves					
Net income					3,300
Purchase of treasury stock					(174)
Sales of treasury stock					35
Reversal of excess of land revaluation					1,342
Other changes	(28,659)	3	(1,342)	(29,998)	(29,998)
Total increase (decrease)	(28,659)	3	(1,342)	(29,998)	(27,080)
Balance at end of the year	¥28,924	¥(4)	¥10,573	¥39,493	¥233,174

	Thousands of U.S.dollars (Note 1 to Consolidated Financial Statements)						Total
	Stockholders' equity						
As of March 31, 2008	Common stock	Additional paid-in capital	Legal reserve	Voluntary reserves	Retained earnings	Treasury stock	
Balance at beginning of the year	\$330,142	\$239,007	\$76,270	\$1,154,002	\$110,620	\$(6,033)	\$1,904,009
Changes during the year:							
Cash dividends			3,166		(18,998)		(15,832)
Transfer to voluntary reserves				89,829	(89,829)		
Reversal of voluntary reserves				(7,775)	7,775		
Net income					32,942		32,942
Purchase of treasury stock						(1,743)	(1,743)
Sales of treasury stock		48				310	358
Reversal of excess of land revaluation					13,396		13,396
Other changes							
Total increase (decrease)		48	3,166	82,054	(54,712)	(1,432)	29,123
Balance at end of the year	\$330,142	\$239,056	\$79,436	\$1,236,056	\$ 55,907	\$(7,466)	\$1,933,132

	Thousands of U.S.dollars (Note 1 to Consolidated Financial Statements)				
	Valuation and translation adjustments				
	Unrealized gains on securities	Deferred hedge losses	Excess of land revaluation	Total	Total net assets
Balance at beginning of the year	\$574,748	\$(78)	\$118,929	\$693,599	\$2,597,608
Changes during the year:					
Cash dividends					(15,832)
Transfer to voluntary reserves					
Reversal of voluntary reserves					
Net income					32,942
Purchase of treasury stock					(1,743)
Sales of treasury stock					358
Reversal of excess of land revaluation					13,396
Other changes	(286,053)	36	(13,396)	(299,413)	(299,413)
Total increase (decrease)	(286,053)	36	(13,396)	(299,413)	(270,290)
Balance at end of the year	\$288,694	\$(41)	\$105,532	\$394,185	\$2,327,318

Capital Ratios (BIS Standard; consolidated basis)

March 31, 2008

In March 2007, together with other top-rank Japanese regional banks, the Bank was authorized to employ the Foundation IRB approach for the calculation of its credit risk under the Basel II regulatory capital framework, with the aim of realizing higher-level risk management.

At the end of the term ended March 2008 the Bank's capital ratio stood at 11.16% on consolidated basis and at 11.14% on non-consolidated basis. Tier I capital ratio stood at 9.91% on consolidated basis and at 9.84% on non-consolidated basis.

Capital Ratio (consolidated basis)

	Millions of yen	Thousands of U.S. dollars
	2008	2008
(a) Capital ratio	11.16%	
Tier I capital ratio	9.91%	
(b) Tier I capital	¥ 205,150	\$ 2,047,612
50% of the excess amount of expected future loss over qualified reserve	11,365	113,442
(c) Tier II capital	38,883	388,094
45% of the difference between balance sheet values and book values of securities available for sale	20,745	207,064
45% of the surplus from land revaluation	9,879	98,611
Reserve for possible loan losses, excluding specific reserve	257	2,571
Subordinated debt	8,000	79,848
(d) Deductions	12,910	128,859
Shareholding by other financial institutions to ensure fund procurement capability	500	4,990
Investments outside the scope of consolidation	900	8,984
50% of the excess amount of expected losses over qualified reserves	11,365	113,442
Expected future loss on exposure (primarily of equity shares) under PD/LGD approach	36	367
On-balance sheet exposure to securitization and credit-enhancing IO strips	107	1,073
(e) Total regulatory capital (b + c - d)	231,123	2,306,848
(f) Risk-weighted assets	2,069,506	20,655,822

Note: Amounts less than ¥1 million are discarded and percentage figures are calculated to the second decimal place.

For reference:	2008	2007	Comparison
(on consolidated basis)			
Capital ratio	11.16%	12.20%	(1.04)
Tier I capital ratio	9.91%	9.60%	0.31
(on non-consolidated)			
Capital ratio	11.14%	12.20%	(1.06)
Tier I capital ratio	9.84%	9.54%	0.3

Stock Information

As of March 31, 2008

Major shareholders

	Number of shares held (thousand)	As a percentage of total number of issued shares (%)
Northern Trust Company (AVFC) Sub-account American Client	13,304	5.01
Nipponkoa Insurance Co., Ltd.	11,651	4.38
Nippon Life Insurance Company	9,475	3.56
Mizuho Corporate Bank, Ltd.	8,895	3.35
Meiji Yasuda Life Insurance Company	6,199	2.33
Shiga Bank Employees' Shareholding Association	6,044	2.27
The Dai-ichi Mutual Life Insurance Company	5,626	2.11
Japan Trustee Services Bank, Ltd.	5,577	2.10
The Chuo Mitsui Trust & Banking Co., Ltd.	5,521	2.07
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,461	2.05
Total	77,756	29.29

Number of shares held by type of shareholder (thousand shares)

Government (incl. local governments)

63 (0.02%)

Individuals and others

71,504 (27.31%)

Non-residents

29,059 (11.10%)

Financial institutions

96,584 (36.89%)

Securities houses

1,457 (0.55%)

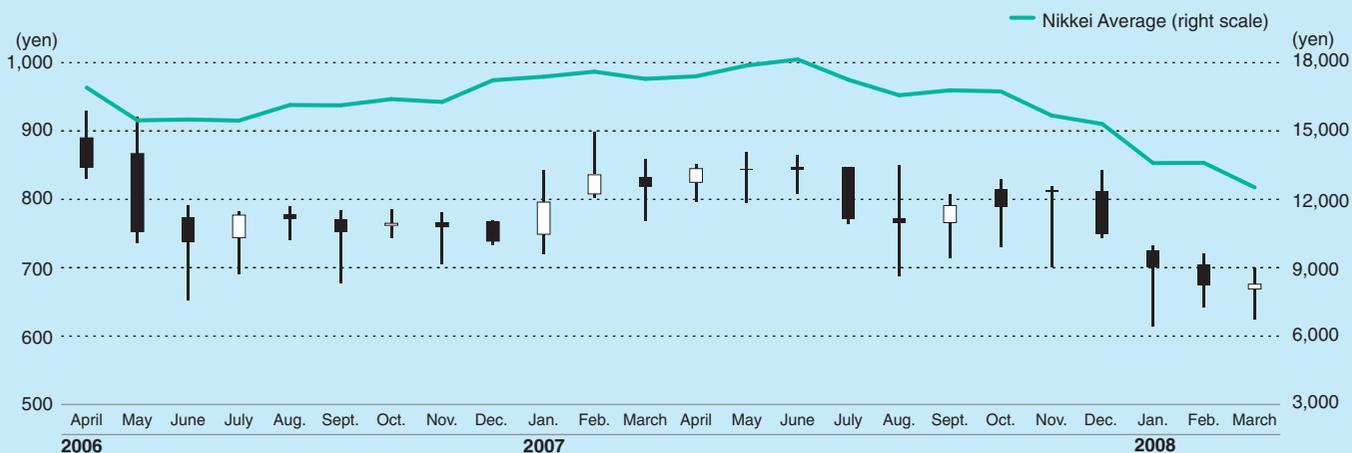
Other corporations

63,173 (24.13%)

Total voting rights: 261,840

Note: Figures in parentheses represent voting rights as a percentage of the total voting rights held by each shareholder segment.

Monthly Share Price Movements



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