

# Internal Control System

## Internal Control System Status

In accordance with Companies Act and the Regulations for Enforcement of the Companies Act, 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 & Liabilities Managing Department to plan, supervise and evaluate the 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 Companies Act. 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.