

SHIGA BANK

ANNUAL REPORT 2010

Year ended March 31, 2010



CSR Charter (Management Principles)

The Shiga Bank has its own motto of “Be tough on ourselves, kind to others and serve society,” which forms the starting point for corporate social responsibility (CSR). As a member of society, the Bank will work for mutual prosperity with society. The Bank’s motto carries on the “Sampo yoshi” philosophy, a management philosophy embraced by Merchants in the Omi region of central Japan, which means to bring happiness to three sides: being good for the seller, the buyer, and society.

Mutual prosperity with the regional community

As a bank that advances hand-in-hand with society, in order to win customer confidence and meet customer expectations, we maintain a sound and enterprising bank and work for the development of regional communities.

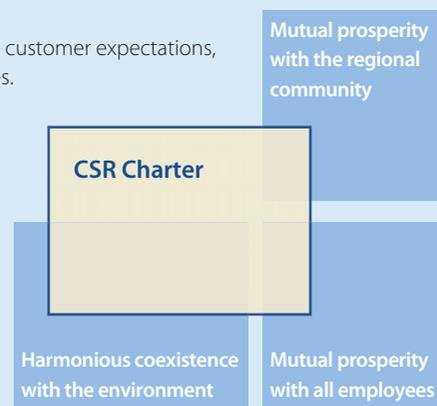
Mutual prosperity with all employees

Respecting the human rights and individuality of each and every executive and regular employee, we will build a satisfying workplace, and turn our bank into “Clean Bank Shigagin.” *

Harmonious coexistence with the environment

The social mission of our company, which is headquartered next to Lake Biwa, is environmental management. We are committed to protection of the global environment and the building of a sustainable society.

(Instituted in April 2009)



*Clean Bank Shigagin

Under its motto Clean Bank Shigagin, since 1999 Shiga Bank has sought to raise environmental awareness among all employees, and is committed to improving transparency of disclosure and realizing its aim of being a “clean bank”

There are four aspects to being clean:

1. Creating “eco-offices” with low resource and energy consumption
2. Promote regional environmental conservation activities through “development and supply of environmentally-responsible financial products and services”
3. Fostering employee with a strong sense of ethics
4. Highly transparent disclosure

Profile (As of March 31, 2010, on non-consolidated)

Corporate Name: The Shiga Bank, Ltd.

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

Established: October 1, 1933

Total Assets: ¥4,285.6 billion

Deposits (including negotiable certificates of deposits): ¥3,890.9 billion

Loans: ¥2,721.5 billion

Common Stock: ¥33 billion

Employees: 2,352

Offices and Branches: 137 (including 8 agents)

Rating: JCR A⁺

R&I A⁺

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Consolidated Financial Highlights

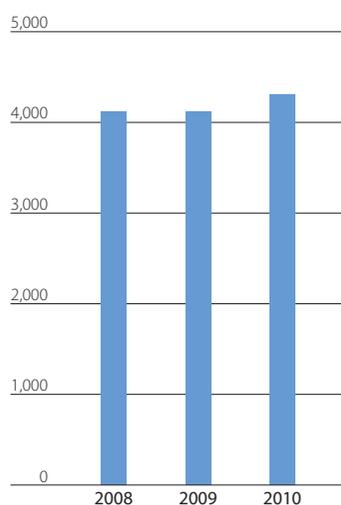
	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
As of March 31				
Total assets	¥4,302,261	¥4,123,026	¥4,115,109	\$46,240,982
Investment securities	1,339,054	1,113,812	1,225,131	14,392,244
Loans and bills discounted	2,714,367	2,710,948	2,551,368	29,174,204
Deposits	3,781,025	3,654,781	3,595,050	40,638,707
Total equity	257,738	218,948	256,868	2,770,187
Years ended March 31				
Total income	98,269	96,103	116,258	1,056,208
Total expenses	88,490	113,592	106,138	951,098
Income (loss) before income taxes and minority interests	9,779	(17,488)	10,120	105,110
Net income (loss)	4,322	(16,218)	3,597	46,453
Per share data (in yen, dollar)				
Cash dividends	¥ 6.00	¥ 6.00	¥ 6.00	\$ 0.06
Net income (loss)	16.37	(61.40)	13.60	0.18
Net equity	889.50	743.58	887.14	9.56
Ratio				
Capital ratio	12.42%	10.34%	11.16%	
ROE	2.00%	(7.53%)	1.45%	

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

2. U.S. dollar amounts represent translation of Japanese yen at the rate of ¥93.04 to US\$1.00 on March 31, 2010, the final business day of the term.

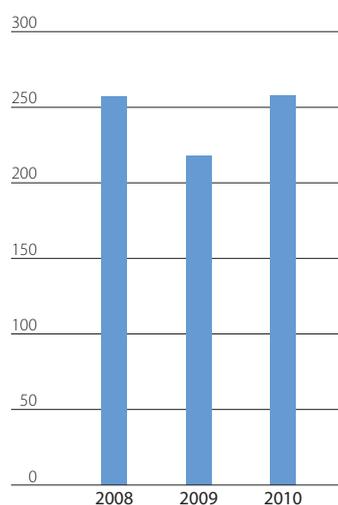
Total assets

(Billions of yen)



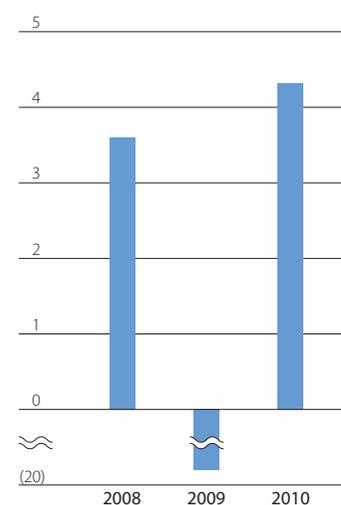
Total equity

(Billions of yen)



Net income (loss)

(Billions of yen)



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.

Our Operating Area

Geographically advantageous Shiga Prefecture; located in the center of Japan

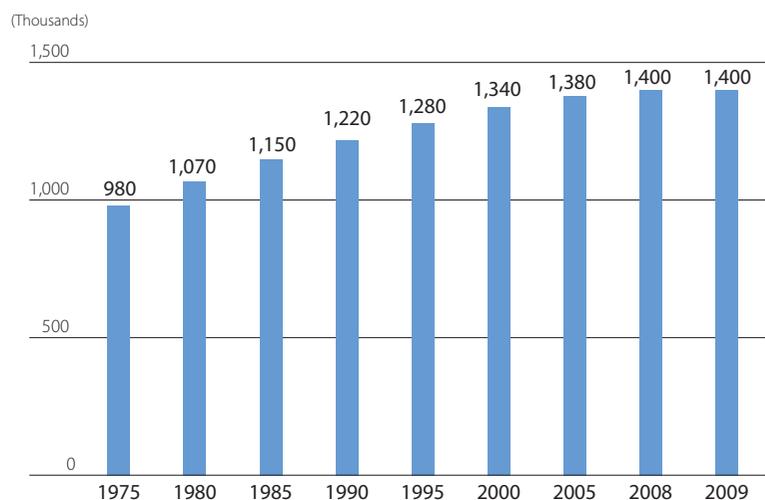


Leading population growth rates in Japan

	Prefecture	Growth rate
1	Tokyo	0.63%
2	Aichi	0.59%
3	Shiga	0.43%

Population Estimates for 2008, Oct. 2007 to Sept. 2008, Ministry of Internal Affairs and Communications

Population exceeded 1.4 million in the year ended March 31, 2009



High population of youth: advantageous for securing future labor force

	Prefecture	Ratio of youth among population
1	Okinawa	18.40%
2	Shiga	15.20%
3	Aichi	14.70%

Population Estimates for 2008, Oct. 2007 to Sept. 2008, Ministry of Internal Affairs and Communications

High educational level; advantageous for obtaining future high-grade human resources

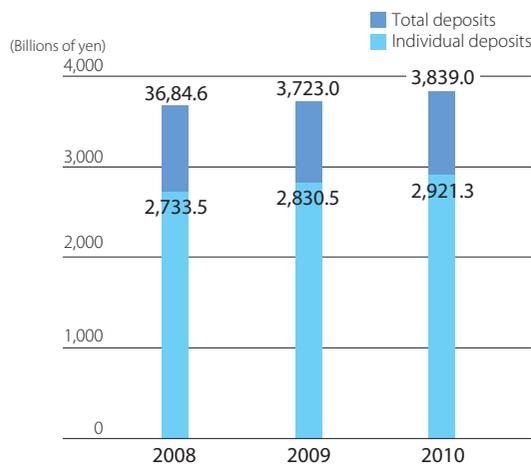
	Prefecture	Number of students per 100,000 population
1	Kyoto	6,080
2	Tokyo	5,564
3	Shiga	2,648

Population Estimates for 2008, Oct. 2007 to Sept. 2008, Ministry of Internal Affairs and Communications

Expanding deposits and savings underpinned by high growth market

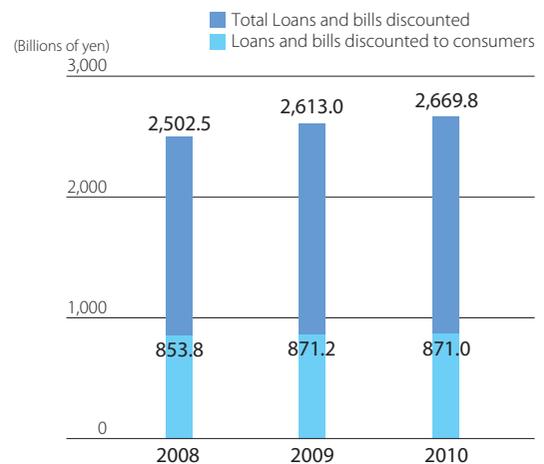
Deposits (including negotiable certificate of deposits)

(Average balances during the period)



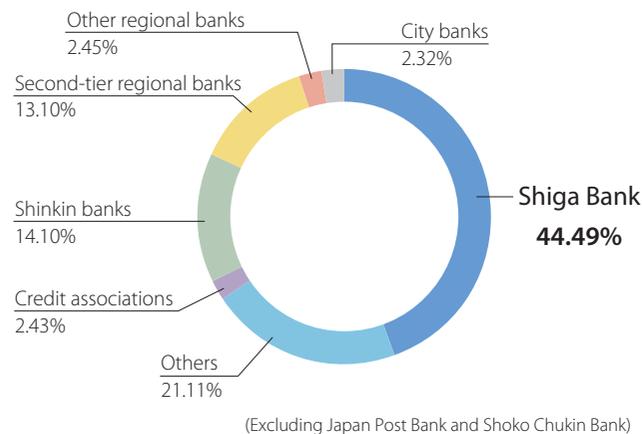
Loans and bills discounted

(Average balances during the period)



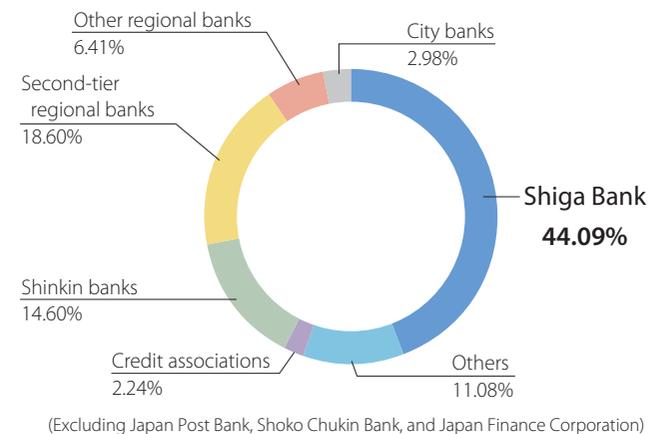
Deposit balances (share in Shiga Prefecture)

(As of September 30, 2009)



Balances of loans and bills discounted (share in Shiga Prefecture)

(As of September 30, 2009)



Message from TOP



While there are signs of a recovery in the Japanese economy from a macroeconomic viewpoint, the traditional pattern of a recovery in large corporations gradually spreading to small and medium-sized enterprises is changing radically. We could say that the Japanese economy and society are facing a major transformation. In these circumstances, we will promote community-based management and propose solutions, taking full advantage of our strengths under our three brand-building strategies (Being strong in networks, Being strong in Asia, and Being highly CSR-conscious) while bolstering the trust we share with the regional economy.

Aiming at mutual prosperity with the regional community

Looking at the domestic banking sector, there have been eleven business mergers involving regional banks in the past five years, which shows that building management strength is an urgent issue for regional banks. We will make efforts throughout our organization to reinforce our management strength and to achieve sustainable growth under a more robust structure.

Fortunately, we have strengths that we have cultivated over many years as a wide-area regional bank: the trust of the community, a network of branches, and our people. Making the most of these assets, we will develop community-based management, aiming at further mutual prosperity with the regional community, as stated in our CSR charter established in April 2007.

Promoting and tapping new business currents

In the 3rd Medium-Term Business Plan for the 21st Century (from April 2007 to March 2010), we have striven to create “business currents”^{*1} by implementing our “seeding strategy.”^{*2} Business currents are business channels including not only distribution and funding channels but also people in the community and information. We will continue to focus on the growth and prosperity of our customers by promoting and tapping new business currents in this age of great transformation. Shiga Prefecture is located at the center of an economic area covering the Kyoto-Osaka-Kobe area and the Tokai area. As the only regional bank based in Shiga Prefecture, we will seek to boost the economic strength of the entire area by playing a crucial role in terms of providing financial services and channels for funds and information.

*1 Business currents: Generating new business activities among our customers

*2 Seeding strategy: Expanding business areas outside prefectural borders based on our existing offices and branches

4th Medium-Term Business Plan

We initiated the 4th Medium-Term Business Plan (from April 2010 to March 2013) as a roadmap to developing community-based management.

Under a basic vision of “Meeting the Challenge of the Next Stage—Greater mutual prosperity through strengthened dialogue,” we are distinguishing ourselves from competitor banks and bolstering our role in the community while ensuring provision of financial services that deliver high added value.

To develop community-based management, the Bank aims to **bolster dialogue with customers to promote greater two-way understanding**. We will get to know our customers even better through communication, enabling us to fully understand their needs, resolve their issues and provide high value-added services.

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

1. **Being strong in networks**: We will actively seek to improve enterprise value at our customers by offering solutions including business matching, using our network of branches.
2. **Being strong in Asia**: We will strongly support our customers in their development of operations in Asia, using our superiority as the only regional bank in the Kinki region having a branch overseas (Hong Kong Branch).
3. **Being highly CSR-conscious**: We will further provide customers with environmental financing products and services and will forcefully help our customers develop environmental business to support both the environment and economy.

Under the slogan “We grow with our customers,” “Strengthening dialogue” based on our commitment to understanding our customers and sharing with them new values in an evolving market, to deepen mutual prosperity—this is what we mean by “Next Stage.” We will unite to achieve the goals of the upcoming plan.

August 2010



Koichi Takata, *Chairman*



Yoshio Daido, *President*

4th Medium-Term Business Plan

Policies

In addition to the three brand-building strategies, we are pursuing the following initiatives to realize the goals of the new business plan.

Strengthening the top line

(1) Marketing strategy

We will get to know our customers even better through communication at the most detailed level, enabling us to fully understand their diversifying needs, resolve their issues and provide high value-added services.

To step up our commitment to relationship banking, we are clarifying the roles of individual Bank employees and optimizing strategic staff deployment within branches.

Corporate banking

To improve enterprise value at our business partners, we will upgrade solution services (such as business matching) and our **consulting services** (under our "Business Currents" concept) mainly in the environmental and tourism sectors. Through this comprehensive approach, we will enhance our role in our region.

Banking for individuals

We are improving services and convenience for customers by strengthening our retail strategy through expansion of consulting functions (asset formation and management), and using "**Shigagin networks.**" (branches, Group resources and products)

(2) Branch strategy

To create a branch network that responds to the diversifying needs of customers, we will review the *modus operandi* of branches mainly in Shiga Prefecture, supplementing conventional banking services with upgraded consulting services. We also have branches specializing in certain services, depending on regional characteristics.

In June 2010, as part of our strategic expansion into growth markets, we will move to Yokkaichi our unit set up at Tsuchiyama Branch dedicated to serving corporate customers in Mie Prefecture.

We continue to unroll our "**seeding strategy.**"*

***Seeding strategy:** Expanding business areas outside prefectural borders based on our existing offices and branches

Managing credit risk

By supporting customers in building up their enterprise value, we will manage Credit Risk. Specific measures include support through our "**Communication Service**" (proprietary internal rating disclosure service in which advice is given to customers on how to improve their profitability, management capability, and financial position, based on disclosure to the customers of their credit rating) and planning support for **management improvement** at customer companies.



Productivity improvement

We plan to reduce administrative costs and enhance operational quality through measures such as procedural overhauls and streamlining, and outsourcing to Group companies. At the same time, we will enhance a comprehensive productivity through strengthened marketing capabilities.

Personnel training

It is extremely important to foster human resources enabling us to respond to customer needs that are growing increasingly diverse and sophisticated. We train staff to provide high value-added services based on the concept of **mutual prosperity** with the customers and regional community.

Numerical targets in our commitment to relationship banking (April 2010 to March 2013)

Specific Initiatives	Targets for the year ending March 31, 2013
Providing expertise and care under three brand-building strategies	
Initiatives for “providing expertise and care”	
Number of times we provided new business support: acting as coordinator	100
Number of times we set up business matching meetings	2,400
Number of proposals submitted for business succession	360
Number of instances of support through our “Communication Service”	3,400
Number of borrowers whose borrower categories have been upgraded*1	60
Number of instances of use of the Small and Medium Enterprise Rehabilitation Support Association	24
Initiatives for “being strong in Asia”	
Number of instances of support being provided by our Asia Desk and overseas offices	3,600
Number of advisory contracts with companies entering China	10
Number of instances of overseas study tours, overseas business talks	3 each
Number of times we arranged business matching meetings with Japanese and overseas companies	100
Initiatives for “being highly CSR-conscious”	
Eco-Plus Time Deposit	650,000
Total number of loans under the PLB Fund/Eco-Clean Loan Program*2	1,400
Total amount made under the PLB Fund/Eco-Clean Loan Program	18 billion yen
Number of instances of assessment for PLB rating BD*3 purposes	3,800
Number of risk consulting cases relating to disasters	100

*1 Number of borrowers whose borrower categories have been upgraded: The Company Management Support Office under the Credit Supervision Department handles extension of support and keeps records of numbers of recipients

*2 PLB Fund: Principles for Lake Biwa Support Fund

*3 PLB rating BD: Interest-rate incentive based on rating customers’ measures to protect biodiversity
The aim is to support biodiversity through financial services

Basic vision: Meeting the Challenge of the Next Stage – Greater Mutual

Strategy for strengthening the top line

Financial services that deliver Enhance customers' enterprise value ↔ Bolster

Three brand-building strategies
Providing expertise and customer care

Being strong in networks

Being

From "area-based marketing" to "area management"

Marketing Strategy

Strengthening profitability through closer ties with the local community
Activities with a focus on marketing channels

Corporate banking

Support customers with enhancement of enterprise value:

- Promoting and tapping new business currents *2
- Provide solution services (e.g. business matching)
- Support for new business currents model based on environmental and tourist sectors

➡ Volume expansion with quality improvement
Sustained of risk-based pricing

Banking for individuals

Improve services and convenience for customers through Shiga Bank networks

- Attract more deposits by individuals
- Promote mortgage loans
- Improve the liquidity ratio
- Improve asset management consulting
- Promote salary, pension and settlement accounts

More committed front-line employees

Strategy-based staffing

- Appropriate deployment of core personnel at each branch and strategic personnel

Branch strategy

Within Shiga Prefecture

- Defend and increase regional share

Outside Shiga Prefecture

- Implement the "seeding strategy" *3

Revamp role of branches within the marketing areas

Asia strategy

- Through alliances with overseas units, actively support customers with businesses in other Asian countries
- Create business flows with overseas market

Toward a more
effective FIRB approach

Strengthen portfolio management (marketable securities)

- CSR
- Promote environmental banking as a recipient of "Eco-First Enterprise" certification
 - Support environmental businesses
 - Introduce ISO26000 (Social Responsibility) standard

Productivity improvement

More transparent IT investments

- Comprehensive management of costs taking account of investment payback
- Effective use of IT systems
- Measures to adopt electronically recorded monetary claims

Streamline branch operations

- Have branches specialize in certain services, depending on market needs
- Rationalize the branch network

Upgrade Head Office functions

- Redeploy core personnel in each department (shift to personnel system that adapts flexibly to change)
- Develop skills of head office personnel

Low-cost and better quality administrative operations

- Complete Business Process Reengineering (BPR)
- Review operational flows for loan operations
- Outsource to Group companies

Business plan promotion committee

Business plan promotion team

Strategic personnel deployment review team

CSR charter (management principles)

Mutual prosperity with the regional community

*1 Meeting the Challenge of the Next Stage – Greater mutual prosperity through strengthened dialogue: By enhancing communication with our customers, we seek to develop greater mutual prosperity between Shiga Bank and our customers

*4 Communication Service: Proprietary internal rating disclosure service in which advice is given to customers on how to improve their financial position, based on disclosure to the customer of their credit rating

Prosperity Through Strengthened Dialogue *1

Strategy for managing credit risk

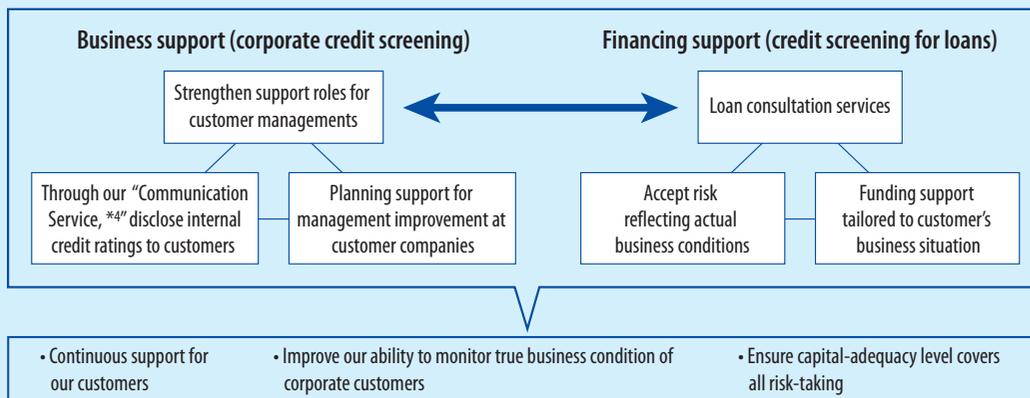
high added value
role of Shiga Bank in community

strong in Asia

Being highly CSR-conscious

that meets customer needs

Relationship banking: We grow with our customers



- Reduce CO₂ emissions
- Commit to protection of biodiversity (encourage adoption of PLB rating BD**5)

- Improve customer satisfaction**
- Service upgrades from the customer's perspective

Group strategies

- More efficient overall personnel deployment
- Strengthen Group alliances
- Develop new businesses on Groupwide basis

Personnel training

- Develop ability to make contributions to the local community
- Strengthen career support systems for female employees
- Strengthen training of subordinates and upgrade management skills
- Strengthen initial training of younger employees and develop skills of mid-level employees
- Place personnel where potential is realized
- Realize a better work-life balance

Meet International Financial Reporting Standards (IFRS)

Enhance IR

Numerical Targets

- Tier 1 ratio (consolidated) **9.0% or higher**
- ROE (consolidated) **3.5% or higher**
- OHR (non-consolidated) **65% or lower**
- Emissions of CO₂ **25% cut** (from FY06)

Compliance commitment

A more advanced system of internal auditing

Cost management structure review team

IT system utilization reconfiguration team

Loan BPR promotion team

Mutual prosperity with all employees

Harmonious coexistence with the environment

*2 Business currents: Generating new business activities among our customers

*3 Seeding strategy: Expanding business areas outside prefectural borders based on our existing offices and branches

*5 PLB rating BD: Interest-rate incentive based on rating customers' measures to protect biodiversity. The aim is to support biodiversity through financial services.



We support our corporate customers with a “solutions business,” in which we share and solve problems with them in a way that meets their “business life-cycle,” encompassing foundation, growth, and maturity.

Developing new businesses

With the aspiration that our initiatives will vitalize the economy in the region where we operate, we engage in activities to assist in the development of new businesses such as (1) coordinating new business alliances (industry-industry and industry-university alliances) and (2) providing support and counseling services for new business operators.

Organizing an environmental business forum under the “Saturday School for Entrepreneurship” program

Working in cooperation with industry, government, academia and the financial sector, every year since 2000 we have been offering a study program called the “Saturday School for Entrepreneurship” to support entrepreneurs who are seeking to launch new businesses.

The specialized theme for this year’s program is environmental business. In an attempt to help participants identify business opportunities, we invite corporate personnel and experts actively working in the field to come and speak about topical, frontline environmental business trends, and the latest eco-ideas being generated by universities.



Business matching service

Leveraging the robust “Shiga Bank Networks,” an extensive network of companies we have built as a regional bank operating across a wide area, we offer business matching services to help our customers improve their results.

We select companies that satisfy the demands of our customers, including corporations and sole proprietors, and introduce them as candidate partners, making full use of our branch network to create new “business currents” through the matching of enterprise seeds and needs.



Services for business succession

Partly due to the aging of business managers, problems associated with business succession have been under the spotlight in recent years.

At the Bank, experienced small and medium enterprise consultants, and financial planners holding a level one qualification, propose optimum solutions to customers covering areas that include capital policies, business succession plans, and methods for transferring treasury stock.



Our support services (examples)

Selection of a business successor and provision of management training

Examination of schemes for splitting assets, including private assets

Measures for securing funds to pay inheritance tax

Measures for protecting treasury stock

Measures for securing voting rights that take advantage of class stocks

Provision of information relating to recent tax system

Offering M&A advisory service

We are proactively resolving the business challenges faced by customers in the field of mergers and acquisitions (M&A), which is one of the management strategies adopted by small and medium sized enterprises. We offer an advisory service to respond to diverse customer needs, including the need to buy a company to enter new businesses and strengthen core businesses, the need to sell a company to deal with the absence of a successor and focus on core businesses, and the need to restructure a company for merger and streamlining purposes.

Supporting medical business launch and management

We assist our customers operating in the fields of medical treatment and nursing care with services that encompass the provision of real estate information for those starting practice, fund procurement, medical corporation establishment, and medical services succession (handovers of transferred business).

Performing financial intermediary functions smoothly

We aim to achieve mutual prosperity with the regional community by sharing our customers' business challenges and management visions; "offering expertise and customer care" according to the needs of our customers; and "performing smooth financial

intermediary functions." To achieve these goals, we propose and support measures to address any weaknesses and problems we identify based on our understanding of our customers' management visions.

Assisting in the development of management improvement plans

For customers requiring this kind of support, we assist in establishing management improvement plans. We support their management improvement initiatives with timely monitoring of the progress of established plans.

Supporting business management

We offer extensive support to customers working to improve their management. The Company Management Support Office, operating within the Credit Supervision Department, is at the center of these activities. Qualified employees, including certified small and medium enterprise management consultants, comprise this Office. The Office members provide management support to our corporate customers by making active use of their expertise and collaborating with external experts.



Upgrading borrower categories (ranks)

As a result of the above initiatives, the borrower categories (borrower ranks) of 152 corporate customers have been upgraded in the period through March 2010.



Initiatives to prevent global warming and to preserve biodiversity are essential for a company's sustainable development. Under the slogan of "Protecting the global environment through financial flows," Shiga Bank helps its customers develop their environmental business to achieve compatibility between their environmental and the economic concerns.

Shiga Bank Principles for Lake Biwa (PLB)

As environmental conservation initiatives conducted jointly with its customers, the Bank has established the Shiga Bank Principles for Lake Biwa (PLB) for customers.

The Three Principles of PLB: Declaration by Customers

1. We will establish production, sales and service standards that will contribute to environmental conservation.
2. We will aim to achieve a coexistence of environmentally friendly activities and business opportunities.
3. We will seek to develop sustainable communities by reducing risks to the environment.

Adoption of the PLB rating (environmental rating)

As part of its initiatives for preserving the environment, the Bank rates customers who have agreed with the principles of the PLB. It uses five grades (L1 through L5) for the ratings, which are based on its unique evaluation standards developed in accordance with "CSR Management Documents with an Environmental Focus."

Rating evaluation items

Acquisition of ISO14001 certification	Initiatives for green procurement and green purchase
Adoption of environmental accounting	Establishment of departments that promote compliance
Measures to deal with issues, such as land contamination, noise and vibration	
Handling of environmentally friendly products and goods	Issuance of environmental reports
Establishment of policies to comply with laws and regulations	Consideration of the environment when determining investment projects
Establishment of environmental policies	Initiatives to cut the emissions of the global greenhouse gas (CO ₂)
Volunteer activities for environmental preservation	
Initiatives to conserve energy and resources	Initiatives for recycling

Commencement of initiatives for biodiversity rating (PLB rating BD)

In recent years, as a result of environmental changes and excessive hunting, a number of wild animals are in danger of becoming extinct. Companies are now required to contribute to the preservation and the sustainable use of biodiversity through their overall business activities.

In November 2009, the Bank established a "Biodiversity Rating (PLB rating-BD)"—a rating system unique to the Bank—with the anticipation that this rating system will become a benchmark for customers when they engage in activities for the preservation of the biodiversity.

The Biodiversity Rating consists of evaluation items in four categories, with eight items in total. Items include the development of biodiversity preservation policies and the establishment of structures to promote and manage such policies.

Categories	Evaluation Items (Outline)
Management policies	1. Development of biodiversity preservation policies
Promotional and management structure	2. Establishment of structures to promote and manage the policies
Implementation of actions	3. Consideration of environmental impacts and the actions to reduce or avoid environmental risks
	4. Integration of actions in business activities
	5. Degree of contribution to the restoration of nature and to activities to preserve traditional culture
	6. Collaboration with research organizations that possess professional expertise
Promotion and disclosure of actions	7. Development of opportunities in which all employees and customers can understand the importance of biodiversity preservation
	8. Disclosure of actions and results

Principles for Lake Biwa Support Fund (PLB Fund)

When extending loans to customers who adopt initiatives to preserve the environment and biodiversity, the Bank examines the status of the initiatives and offers a discount—up to a maximum of 0.6% per annum—on annual interest rates on loans, in accordance with the applicable PLB rating and PLB rating BD.

PLB rating-BD	PLB Interest Rate Discount	Biodiversity Interest Rate Discount	Total Interest Rate Discount
L1 +	0.5%	0.1%	0.6%
L2 +	0.4%	0.1%	0.5%
L3 +	0.3%	0.1%	0.4%
L4 +	0.2%	0.1%	0.3%
L5 +	Not Applicable	Not Applicable	Not Applicable

Carbon Neutral Loan, *Mirai-Yoshi* (Bright future)

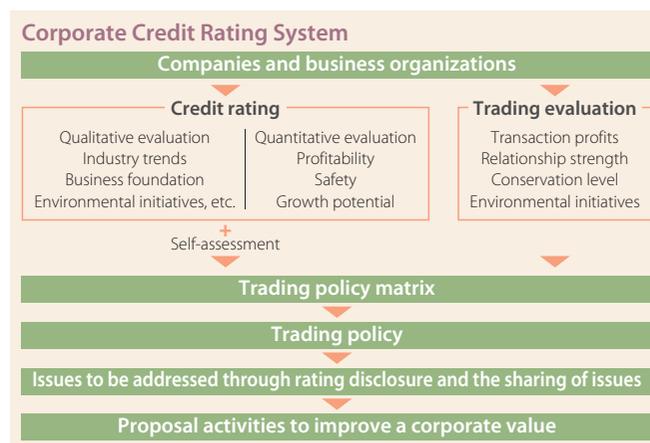
To preserve the environment and the ecological system of Lake Biwa, the Bank offers a Carbon Neutral Loan, *Mirai-Yoshi*, which is designed to encourage customers to reduce emissions of greenhouse gas.

Under this initiative, the Bank estimates the reduction in greenhouse gas emissions achieved by its customers through their introduction of solar power generation systems and other environmentally friendly systems made possible by using the Bank's environmental preservation financial products, such as loans under the Eco-Clean Loan Program, and the Principles for Lake Biwa Support Fund (PLB Fund). The Bank then converts the reduced emission amount into a monetary value based on emissions trading prices. This is then used as funds for the release program of *Nigorobuna* fish, an endangered indigenous species of Lake Biwa, and thus contributes to the conservation of the ecological system of Lake Biwa.

Promoting environmental preservation with the Corporate Credit Rating System

In the process of rating companies, the Bank takes the degree of customers' environmental initiatives into consideration, and reflects the consideration in credit ratings as an "item for evaluating environmental concern."

As a regional financial institution based near the shores of Lake Biwa, the Bank is committed to providing environmental preservation financing products and services through collaboration with customers and local communities.



The Bank's CSR initiatives based on the environment

In accordance with the CSR Charter (page 1), a new philosophy set forth in April 2007, and the Environmental Policies established in 1999, the Bank has been operating as a highly CSR-conscious bank. Based on environmental management, its unique management approach that incorporates the environment into its business management, the Bank has been pursuing direct initiatives under which it aims to establish resource and energy saving eco-offices, mainly through reductions in the use of paper and electricity associated with the Bank's operations. It has also actively engaged in indirect initiatives that include the provision of environmental preservation financial products and services at lower interest rates to customers who have taking steps to preserve the environment, and the extension of support to local environment conservation activities.

Environmental policies of Shiga Bank

— Shiga Bank aims to become an environmentally friendly bank —

1. Shiga Bank considers the preservation of the global environment and the reduction of the burden on the environment as the basis for its corporate activities. It strives to continuously improve its environmental management systems, and prevent environmental pollution, aiming to achieve a harmonious coexistence with the environment.
2. Shiga Bank complies with environmental related laws and regulations, as well as other standards it approves of.
3. By promoting its eco-office initiative, Shiga Bank will achieve resource and energy saving.
4. By developing and promoting environmental preservation financial products, Shiga Bank will take steps to preserve the natural environment of Lake Biwa and other areas through collaboration with local communities.
5. All employees of Shiga Bank take the environment into consideration in their work, based on these environmental policies.



Providing products and services tailored for each life stage

Shiga Bank provides a wide range of products and services meeting requirements from customers who have different objectives and visions for the future.

Age	20s	30s and 40s	50s	60s
Life stage	Marriage and employment	Home purchase and childcare expenses	Second-life planning	Living in retirement
Personal loans	Mortgage loans and home improvement loans Unsecured loans STIO, a cash card with credit card functions			
Settlement bases	Salary payments		Pension preparation	Pension payments
Savings and insurance	Saving products and medical and cancer insurance			Pension time deposits

Deployment of asset management advisors

In April 2010, Shiga Bank assigned asset management advisors who have extensive expertise in finance, taxes, and inheritance, to all of its branches in Shiga and Kyoto prefectures.

In cooperation with branch and head office staff, these advisors act as specialists in asset management at each branch. Taking a long-term view, they respond to the varied requirements of our customers in regard to their valuable assets.

Personal office

Shiga Bank has established “personal offices,” which are branches tailored to individual customers. Individual customers can simply visit these offices—even on holidays—and receive advice from staff about their asset management. At present, the Bank has established booths specializing in asset management consulting at two locations: Minami Kusatsu and Kusatsu. The booths offer comprehensive asset management consulting services in a variety of areas including investment trusts, insurance.

e-Shigagin Plaza

Shiga Bank has established e-Shigagin Plazas in 11 locations in Shiga Prefecture offering comprehensive services to meet all loan-related needs, including repayment schedule proposals, loan consulting, and loan applications. To meet differing customer lifestyles, e-Shigagin Plazas operate not only on weekdays, but also on weekends and holidays (excluding year-end/New Year holidays which includes bank holidays).



Shigagin Direct

Customers who hold accounts with cash cards are eligible to use Shigagin Direct, which offers comprehensive services in internet banking, mobile phone banking, and telephone banking.



Being strong in Asia

Through its network comprising the Head Office and Branch Offices in Japan, the Hong Kong Branch, and the Shanghai Representative Office, the Bank provides support to customers that are expanding business abroad. Examples of the kind of support offered by the Bank include helping customers expand business into Asian markets, holding various seminars, and quickly providing the latest local information obtained through our overseas offices. In fiscal 2009, the number of instances of support provided to customers in the area of business expansion into Asian markets reached 1,445.

Supporting businesses in other Asian countries

In recent years, we have been receiving an increasing number of customer queries regarding business expansion into China and Southeast Asian countries, international trade, restructuring of overseas business M&As and other related matters. While handling these queries the Bank, through its Asia Desk in the International Department in Japan, is also providing finely-tuned support for its local customers' businesses in other Asian countries through its Overseas Expansion Advisory Services, Asia Seminars, Overseas Study Tours, and other initiatives.

Asia Network



Overseas offices

As the only overseas branch operated by a regional bank in the Kinki region, Shiga Bank's Hong Kong Branch provides full banking services (deposits, loans, exchange), and serves as a partner to our customers' overseas subsidiaries. The Branch's lending services meet customer funding needs not only within Hong Kong, but also in mainland China and Southeast Asian countries.

Business partnerships

Leveraging our business tie-ups with the Industrial and Commercial Bank of China, the Bank of China, Thailand's Kasikorn Bank, and the Bangkok Bank, we are meeting the financing, trade, and investment needs of our customers operating in those areas. In addition, our partnerships with Japanese leasing companies also service the overseas leasing requirements of those customers.



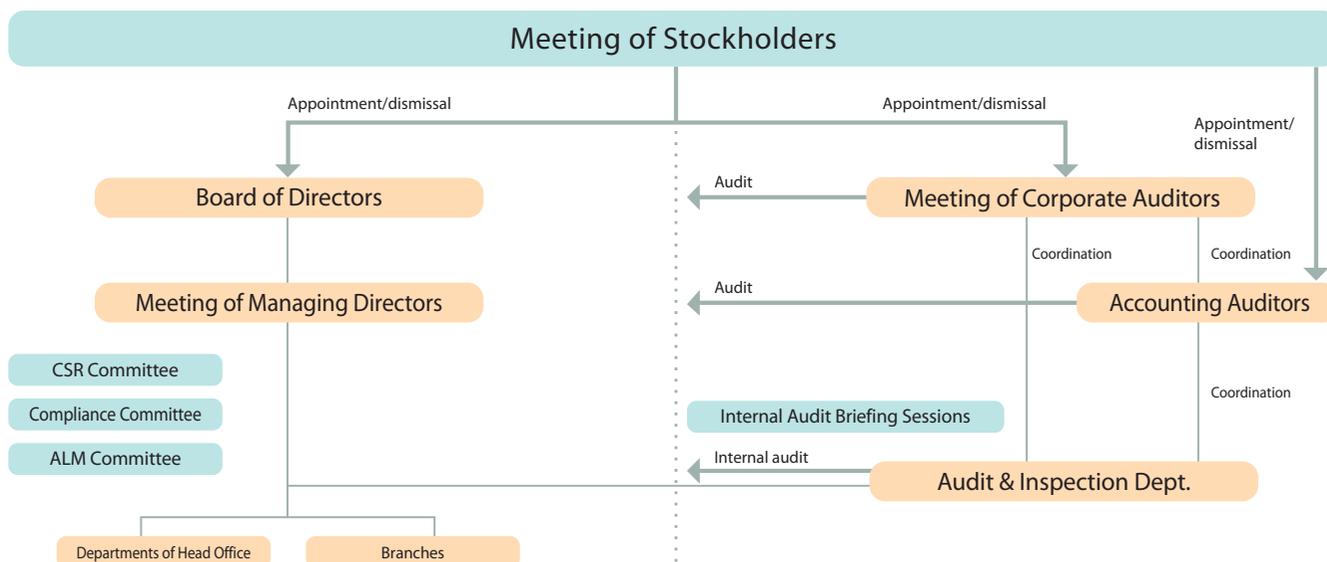
International business / Services

The Bank has correspondent agreements with 621 branches of 148 foreign-based banks and facilitates financial settlements between its customers and overseas entities. We also offer a lineup of products that meet client needs, such as foreign currency deposits and foreign exchange risk hedging instruments.

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 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 full 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 June 30, 2010) 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.

Internal Control System

Internal control system status

At the Bank, 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.

Response to internal control reporting system

According to the Internal Control Reporting System provided in the Financial Instruments and Exchange Law, listed companies are obliged to submit an "Internal Control Report," after receiving external audits and conducting self-evaluation of the validity of internal control systems, to ensure appropriate disclosure on financial matters.

The Bank Group, in order to improve the reliability of its end-of-year financial reporting, established an Internal Controls Group in its Assets & Liabilities Managing Department to plan, supervise and evaluate the internal controls reports.

Timely and appropriate disclosure

We have made every effort to establish more transparent management and improve communications with customers, shareholders, and regional communities by positively and fairly disclosing management 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 its "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. 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, it 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, uses 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 in their tasks, said employees shall be treated pursuant to stipulations in Article 100, Paragraph 3, Item 1 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.

Enhancing Legal Compliance

What is important for a company fulfilling its corporate social responsibility is, in addition to legal compliance, a sense of ethics and honest corporate activities.

We are making Company-wide efforts led by the Legal Affairs Office of the Assets and Liabilities Managing Department to fulfill this important responsibility.

Legal compliance system

Regarding comprehensive legal compliance, the entire Shiga Bank Group is addressing this issue. We have set up a Legal Compliance Committee chaired by the senior managing director of the Bank.

Specifically, to respond to changes in social conditions, we draw up a program for bolstering our legal compliance system at the beginning of each fiscal half year, the implementation of which is reviewed by the Board of Directors six months later. At each department, branch and affiliate, the legal compliance officer leads training within the organization and monitoring to check the results of the training, thereby enhancing the legal compliance system.

We have posted our legal compliance manual, which includes laws and regulations that financial institutions need to comply with,

on our intranet “∞ (Mugen) Net” so that every employee can peruse them any time.

Whistle-blowing system established

To detect violations of laws and regulations in the Bank at an early stage through a whistle-blower function and to solve problems appropriately, we have established a legal compliance help line (24 hours a day) in the Legal Affairs Office of the Assets and Liabilities Managing Department.

We have also established a system that allows employees to consult with lawyers and solve problems early when they face legal problems.

Code of conduct of the Shiga Bank (established in April 2007)

1. Establishing trust and fulfilling corporate social responsibility

Fully aware of the public and social mission of banks and our need to fulfill our corporate social responsibility, we will strive to establish unwavering trust.

2. Providing high-quality financial services

We will always provide imaginative and ingenious goods and services and will contribute to the development of society.

3. Strictly complying with laws and regulations

Strictly complying with all laws and regulations, we will carry out honest and fair corporate activities.

4. Enhancing communication with society

We will communicate with our customers and shareholders, and regional society through the proactive and fair disclosure of management information and will endeavor to achieve transparent management.

5. Respecting the human rights of all employees and giving them job satisfaction

We will respect the human rights and individuality of all employees and will strive to create vigorous workplaces where each employee can fully demonstrate his or her abilities.

6. Promoting environmentally-friendly management

We will strive to conserve resources and will promote environmentally friendly management to contribute to environmental preservation in cooperation with the regional society.

7. Undertaking philanthropic activities

As a good corporate citizen that is close to its local community and operates hand-in-hand with society, we will strive to promote a range of philanthropic activities including cultural and welfare activities.

8. Excluding antisocial forces

We will be resolute in our stance against antisocial forces that could threaten sound civil society.

Toward a Stronger Risk Management System

Based on the Bank's policy that "Shiga Bank must be sound in order for the local community to be healthy," we are building a Comprehensive Risk Management System and Internal Rating System in order to accurately assess and control risk using rational criteria without undue reliance on personal intuition or experience.

Risk Management System



Outline of Risk Management System

The Shiga Bank's Board of Directors have established risk management rules, specified the types of risk that should be managed, and defined the roles and responsibilities of the sections responsible for those risks. At the same time, Risk Management Rules prescribe risk management methods.

Furthermore, in light of the Bank's strategic goals and risk status, "risk management policies" are instituted semiannually at the board of directors' meeting.

Risk management status is properly managed by having it reported to management through the ALM Committee, the Meeting of Managing Directors, and the Board of Directors.

Comprehensive risk management

Comprehensive risk management means to appropriately manage risks by looking at various types of risk as a whole, and comparing them to capital adequacy which represents the strength of the financial institution.

The Bank's Assets & Liabilities Managing Department is

responsible for unified monitoring of all risks, including quantitative monitoring and management of loan concentration risk, which is outside the scope of capital adequacy requirements, and interest rate risk in the Bank's own accounts.

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.

The Bank conducts its business based on the capital allocation system, controlling risk by keeping it within the specified ratio to both 1) regulatory capital and 2) economic capital.

We are creating a structure that complements the capital allocation system for 1) regulatory capital and 2) economic capital, by additionally controlling price change risk in investments in securities by keeping it within a specified range.

- Regulatory Capital: Amount of risk derived by multiplying the risk asset by 8%
- Economic Capital: Amount of risk calculated using internal control mechanisms such as Value at Risk (VaR)

Credit risk management

Credit risk is the risk that the Bank will suffer losses due to the worsening financial conditions of clients, etc.

(1) Outline of the Corporate Credit Ratings System

In December 1998, the Bank introduced its own corporate credit ratings system as a comprehensive communication tool for the Bank and its customers to use together to raise enterprise value. Over the 11-year period since then, the Bank has added to its management experience and made further improvements. Notably, the Bank adopted Basel II's "Foundation Internal Ratings Based-Approach" in March 2007, thus upgrading its credit risk management and improving its capital ratio.

The Bank has established a rating system that measures credit risk—its main source of risk for sound Bank management. The Bank believes that controlling risk through the use of a rational benchmark is essential in the pursuit of mutual prosperity with regional communities, and is therefore focusing its efforts on the further improvement of the credit rating system.

(2) Corporate Credit Rating

Corporate credit ratings are conducted using both quantitative and qualitative assessments. After financial analyses based on the financial statements of client companies (quantitative assessment), qualitative assessments are also performed based on the Bank's proprietary assessment know-how and decisions are made in light of the company's current status.

In addition, the Bank routinely measures the effectiveness of the corporate credit ratings system using statistical methods, and then validates, analyzes and upgrades the system.

(3) Shigagin Ratings Communications Service

As a "rational dialogue tool," the service provides analyses of each client's internal credit rating to each of them. The Bank shares with its clients their respective "strengths" and "weakness" which were discovered through the rating process. The service also supports the clients in enhancing sustainable management infrastructures by working together with them to solve the problems and improve their financial conditions.

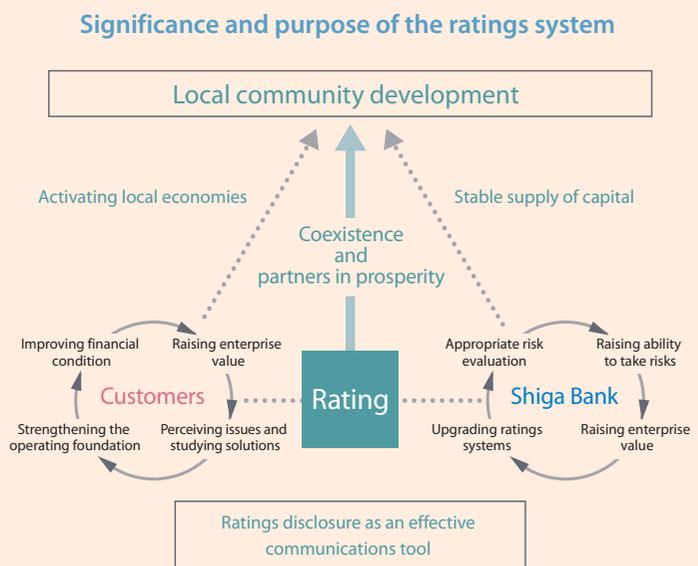
The significance and purpose of the Corporate Credit Rating System

Reasons for adopting Basel II's Foundation Internal Ratings Based-Approach (FIRB)

Based on its conviction to adhere to our "responsible management" system, and with the aim of sophisticating credit risk management, the Bank introduced its own corporate credit ratings system in December 1998 as a rational communication tool for the Bank and its customers to use together to raise enterprise value.

Based on its belief that Basel II is ultimately a tool for pursuing mutual prosperity with regional communities, the Bank recognizes that the building of a solid internal ratings system is essential for consistent implementation of the responsible management model. Therefore, it will do its utmost to further improve its risk management system.

From this viewpoint, the Bank, in adopting Basel II, has selected the Internal Ratings-Based Approach founded on the principle of accountability, has proactively committed itself to a credit-based business and its own credit ratings system, and wants to contribute on a broad basis to the further development of regional communities.



(4) Outline of credit risk management

In managing credit risk, the Bank has regulatory approval to use the Foundation Internal Ratings Based (FIRB) approach under the Basel II framework. The credit risk that the Bank faces is analyzed in its own risk management models from the perspective of controlling “credit loss” as well as from the perspectives of 1) PD: Probability of Default and 2) LGD: Loss Given Default.

- 1) PD: The credit risk that the Bank is exposed to is controlled strictly by assigning internal credit ratings to each client on the basis of the risk management models. Additionally, through “Shigagin ratings Communications Service,” the Bank provides its clients disclosures and analyses of the internal credit ratings.
- 2) LGD: A basic credit policy is not excessively dependent on pledges and guarantees, but rather makes a comprehensive credit judgment based on the clients’ business situations, the proposed uses for the funds and probabilities of recovering the loan.

(5) Credit portfolio management

Regarding management of the credit portfolio, appropriate risk management is carried out through a system which caters to the certain characteristics of various types of risk such as credit concentration risk associated with larger clients and the risk associated with retail dealings typified by home mortgages.

Additionally, from the perspective of forward-looking risk evaluation, the bank assesses the impact of its clients’ financial conditions measured by the stress testing with multiple economic scenarios. Afterwards the result of the assessment is used for credit risk management and capital adequacy ratio management across the entire Bank.

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 Risk-Control-Self-Assessment (RCSA) 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. Furthermore, we are controlling, transferring and avoiding risk to increase the effectiveness of risk management, we are adopting the Plan-Do-Check-Act (PDCA) cycle.

Market risk management

To ensure stability of earnings, 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, front office, back office, and middle office (risk management) operations are conducted by separate departments, each of which checks the operations of the others.

Liquidity risk management

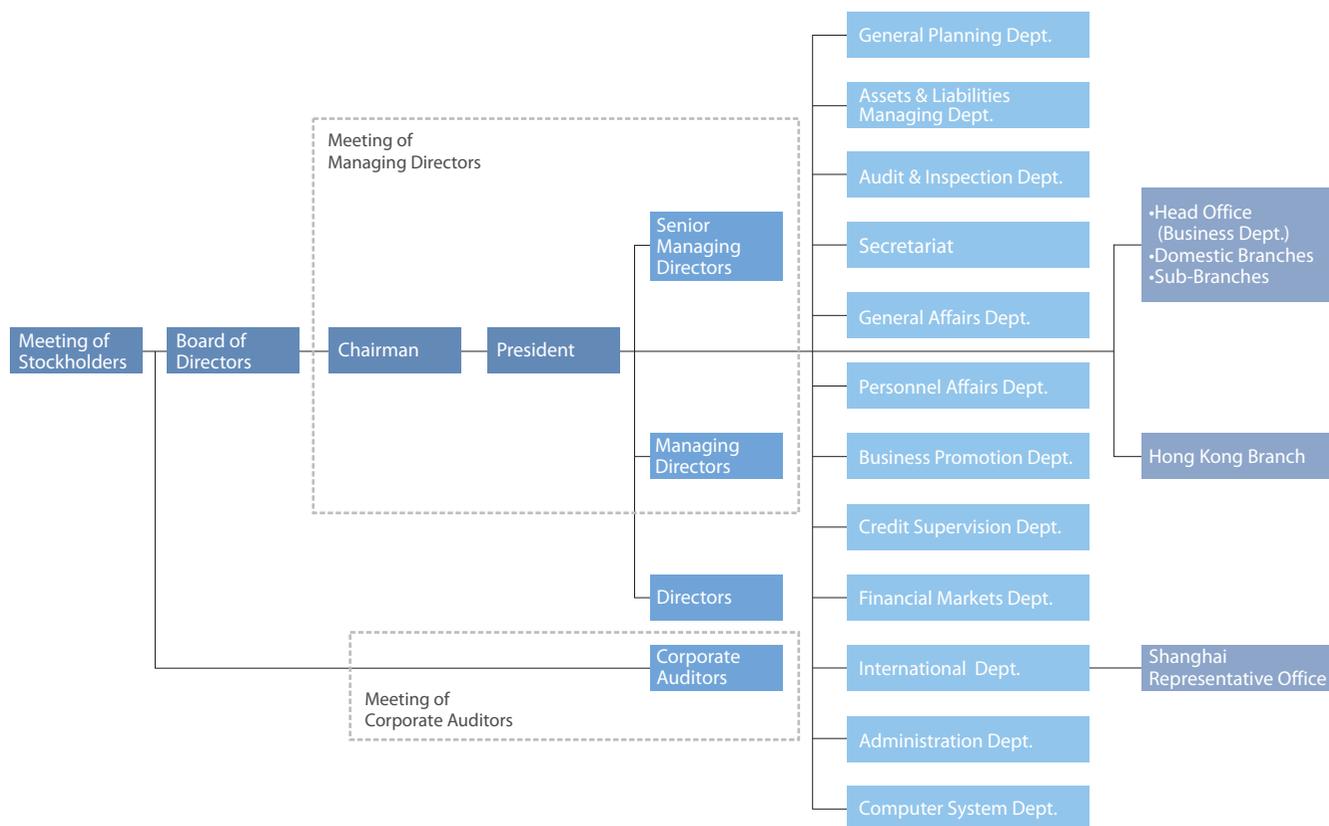
In managing the flows of funds, the Financial Markets Department monitors the financial environment, balance of liquid assets, expected cash outflows, and other fund-raising factors, and acts as appropriate. At the same time, the Assets & Liabilities Managing Department keeps track of day-to-day risk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

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.

Organization Chart

As of June 30, 2010



Board of Directors

As of June 25, 2010

Chairman

Koichi Takata

President

Yoshio Daido

Senior Managing Director

Kazuo Isobe

Managing Directors

Etsuo Mori

Yasuhiko Inoue

Hiroshi Nakagawa

Ikuo Yoshida

Yukio Nishizawa

Directors

Susumu Ota

Norio Inoue

Shojiro Takahashi

Shinichi Kodama

Kenzaburo Nishikawa

Hiroshi Oku

Hajime Moroto

Etsuo Imai

Keiichi Moritani

Hiroshi Iwasaki

Corporate Auditors

Minoru Fujii

Masamichi Mizutani

Jingoro Nishikawa

Tadashi Yasuhara

Financial Section

The Shiga Bank, Ltd. and Consolidated Subsidiaries

Consolidated five-year summary

	Millions of yen				
	2010	2009	2008	2007	2006
As of March 31					
Total assets	¥4,302,261	¥4,123,026	¥4,115,109	¥4,179,335	¥4,082,911
Investment securities	1,339,054	1,113,812	1,225,131	1,355,021	1,426,683
Loans and bills discounted	2,714,367	2,710,948	2,551,368	2,473,464	2,378,949
Deposits	3,781,025	3,654,781	3,595,050	3,705,751	3,624,279
Total equity	257,738	218,948	256,868	283,997	247,333
Years ended March 31					
Total income	98,269	96,103	116,258	99,356	99,914
Total expenses	88,490	113,592	106,138	83,956	77,892
Income (loss) before income taxes and minority interests	9,779	(17,488)	10,120	15,399	22,021
Net income (loss)	4,322	(16,218)	3,597	8,839	10,209
Per share data (in yen)					
Cash dividends	¥ 6.00	¥ 6.00	¥ 6.00	¥ 6.00	¥ 5.50
Net income (loss)	16.37	(61.40)	13.60	33.41	38.43
Net equity	889.50	743.58	887.14	987.98	934.66
Ratio					
Capital ratio	12.42%	10.34%	11.16%	12.20%	11.25%
ROE	2.00%	(7.53%)	1.45%	3.47%	4.35%

Financial review (Consolidated basis)

As in the previous fiscal year, the Japanese economy continued to face adverse conditions, with both corporate earnings and capital investments declining due to the impact of the global financial crisis, as well as a worsening employment picture and a deflationary economy. Despite signs of an overall recovery on the back of an overseas economic rally, personal consumption remained sluggish amid flat growth in consumer incomes.

Nevertheless, a range of measures were taken to help bring about an economic recovery. These included the implementation of the Act on Provisional Measures for the Facilitation of Financing to Small and Medium Sized Businesses (the "Moratorium Act") and emergency economic measures to address employment, environmental and economic issues.

Balance sheets

Deposits including negotiable certificate of deposits, rose ¥119,273 million from the previous term-end to ¥3,883,930 million (US\$41,744 million) (of which ¥3,781,025 million were deposits only). The balance of loans and bills discounted increased ¥3,419 million to ¥2,714,367 million (US\$29,174 million), while investment securities surged ¥225,242 million to ¥1,339,054 million (US\$14,392 million). Total assets at the fiscal year-end stood at ¥4,302,261 million (US\$46,240 million), a year-on-year increase of ¥179,234 million. Total equity came to ¥257,738 million (US\$2,770 million), up ¥38,789 million from the previous term-end.

Statements of operations

Despite a decrease in interest income due to falling market interest rates, total income for the reporting period increased ¥1,859 million to ¥96,662 million, (US\$1,038 million) thanks to an increase in other operating income including proceeds from sales of bonds including Japanese government bonds. Although in the previous year the Bank was forced to amortize stocks and other investment securities due to the drastic decline in stock prices stemming from the global financial crisis, total expenses dropped ¥24,095 million to ¥87,781 million (US\$943 million) due to the absence of those same influences during the reporting period.

As a result, the Bank posted ordinary income of ¥8,881 million (US\$95 million), a ¥25,954 million increase, reversing the previous years' loss. The Bank also posted net income of ¥4,322 million (US\$46 million), a ¥20,540 million increase, reversing the previous years' loss.

Cash flows

Cash and cash equivalents at the reporting term-end, on a consolidated basis, amounted to ¥49,666 million (US\$533 million), down by ¥6,707 million from the previous term-end.

Cash flows from operating activities

Net cash provided by operating activities during the term amounted to ¥145,573 million (US\$1,564 million), a turnaround of ¥200,300 million from the ¥54,727 million used in operating activities in the previous term, due primarily to a slow increase in loans and bills discounted.

Cash flows from investing activities

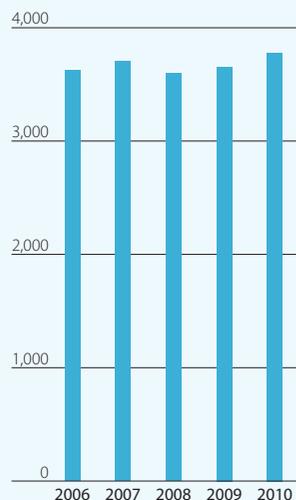
Net cash used in investing activities amounted to ¥162,053 million (US\$1,741 million), a ¥215,049 million turnaround from the ¥52,995 million provided by investing activities in the previous term. This was mainly the result of an increase in the purchases of securities.

Cash flows from financing activities

Net cash provided by financing activities amounted to ¥9,780 million (US\$105 million), a decrease of ¥7,893 million compared with the previous year. This decline was mainly attributable to the repayment of subordinated loans.

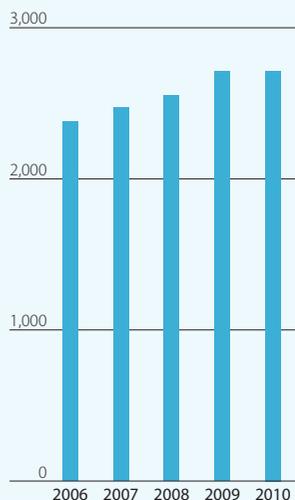
Deposits

(Billions of yen)



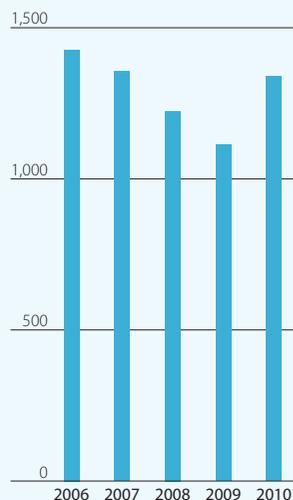
Loans and bills discounted

(Billions of yen)



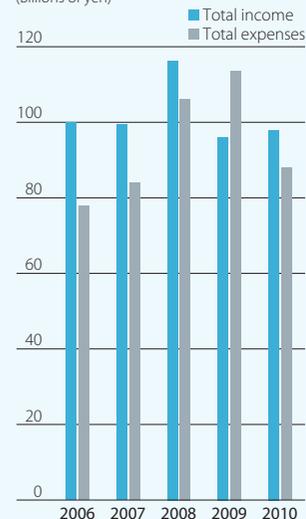
Investment securities

(Billions of yen)



Total income and expenses

(Billions of yen)



Consolidated Balance Sheets

As of March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Assets			
Cash and due from banks (Note 4)	¥ 50,063	¥ 56,807	\$ 538,086
Call loans and bills bought (Note 29)	64,523	57,828	693,507
Debt purchased	18,122	18,697	194,776
Trading securities (Note 5).....	1,046	1,118	11,246
Money held in trust (Note 6).....	5,776	9,379	62,081
Investment securities (Notes 5, 13 and 29).....	1,339,054	1,113,812	14,392,244
Loans and bills discounted (Notes 8 and 29).....	2,714,367	2,710,948	29,174,204
Foreign exchange assets (Note 9).....	3,669	3,303	39,445
Other assets (Notes 10 and 13).....	43,341	53,765	465,834
Tangible fixed assets (Notes 11, 12 and 15).....	59,159	59,885	635,850
Intangible fixed assets.....	4,638	6,227	49,857
Deferred tax assets (Note 28).....	1,244	24,131	13,373
Customers' liabilities for acceptances and guarantees (Note 20).....	30,001	33,686	322,461
Allowance for possible loan losses.....	(32,735)	(26,566)	(351,844)
Allowance for possible losses on investment securities.....	(13)	(1)	(142)
Total assets	¥4,302,261	¥4,123,026	\$46,240,982
Liabilities			
Deposits (Notes 13, 16 and 29).....	¥3,781,025	¥3,654,781	\$40,638,707
Negotiable certificate of deposits (Note 29)	102,904	109,875	1,106,028
Call money and bills sold	309	196	3,331
Payables under securities lending transactions (Note 13).....	16,332	4,116	175,538
Borrowed money (Notes 13, 17 and 29).....	30,388	45,527	326,615
Foreign exchange liabilities (Note 9).....	43	69	472
Bonds (Notes 18 and 29).....	20,000		214,961
Other liabilities (Note 19).....	39,756	33,604	427,310
Liability for employees' retirement benefits (Note 27).....	11,092	8,978	119,228
Liability for retirement of directors and corporate auditors.....	247	256	2,663
Liability for reimbursement of deposits.....	691	609	7,428
Allowance for repayment of excess interest.....	191	145	2,053
Reserve for other contingent losses.....	366	1,132	3,939
Deferred tax liabilities (Note 28).....	150		1,622
Deferred tax liabilities for land revaluation (Note 15).....	10,959	11,096	117,791
Negative goodwill	59		640
Acceptances and guarantees (Note 20).....	30,001	33,686	322,461
Total liabilities	4,044,522	3,904,077	43,470,795
Equity (Note 21)			
Common stock, authorized, 500,000,000 shares; issued, 265,450,406 shares as of March 31, 2010 and 2009.....	33,076	33,076	355,513
Capital surplus.....	23,970	23,970	257,633
Retained earnings.....	123,762	120,936	1,330,209
Net unrealized gains on available-for-sale securities (Note 5).....	44,550	8,782	478,829
Deferred loss on derivatives under hedge accounting.....	(0)	(2)	(6)
Land revaluation surplus (Note 15).....	10,359	10,448	111,346
Treasury stock - at cost 1,479,844 shares and 1,421,566 shares as of March 31, 2010 and 2009, respectively	(916)	(884)	(9,855)
Total.....	234,802	196,326	2,523,669
Minority interests.....	22,935	22,621	246,517
Total equity	257,738	218,948	2,770,187
Total liabilities and equity	¥4,302,261	¥4,123,026	\$46,240,982

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Common stock			
Balance at the beginning of the year.....	¥ 33,076	¥ 33,076	\$ 355,513
Changes during the year:			
Net change in the year			
Balance at the end of the year	¥ 33,076	¥ 33,076	\$ 355,513
Capital surplus			
Balance at the beginning of the year.....	¥ 23,970	¥ 23,971	\$ 257,635
Changes during the year:			
Sales of treasury stock	(0)	(0)	(1)
Net change in the year	(0)	(0)	(1)
Balance at the end of the year	¥ 23,970	¥ 23,970	\$ 257,633
Retained earnings			
Balance at the beginning of the year.....	¥120,936	¥138,614	\$1,299,829
Changes during the year:			
Net income (loss).....	4,322	(16,218)	46,453
Cash dividends, ¥6.00 (\$0.06) per share	(1,584)	(1,585)	(17,025)
Reversal of land revaluation surplus	88	125	951
Net change in the year	2,826	(17,678)	30,379
Balance at the end of the year	¥123,762	¥120,936	\$1,330,209
Net unrealized gains on available-for-sale securities			
Balance at the beginning of the year.....	¥ 8,782	¥ 28,940	\$ 94,391
Changes during the year:			
Net change in the year	35,768	(20,158)	384,437
Balance at the end of the year	¥ 44,550	¥ 8,782	\$ 478,829
Deferred loss on derivatives under hedge accounting			
Balance at the beginning of the year.....	¥ (2)	¥ (4)	\$ (22)
Changes during the year:			
Net change in the year	1	2	16
Balance at the end of the year	¥ (0)	¥ (2)	\$ (6)

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Land revaluation surplus			
Balance at the beginning of the year.....	¥ 10,448	¥ 10,573	\$ 112,297
Changes during the year:			
Net change in the year	(88)	(125)	(951)
Balance at the end of the year	¥ 10,359	¥ 10,448	\$ 111,346
Treasury stock			
Balance at the beginning of the year.....	¥ (884)	¥ (748)	\$ (9,510)
Changes during the year:			
Purchase of treasury stock.....	(33)	(174)	(359)
Sales of treasury stock.....	1	37	14
Net change in the year	(32)	(136)	(344)
Balance at the end of the year	¥ (916)	¥ (884)	\$ (9,855)
Total			
Balance at the beginning of the year.....	¥196,326	¥234,425	\$2,110,134
Changes during the year:			
Net income (loss).....	4,322	(16,218)	46,453
Cash dividends, ¥6.00 (\$0.06) per share.....	(1,584)	(1,585)	(17,025)
Purchase of treasury stock.....	(33)	(174)	(359)
Sales of treasury stock.....	1	37	12
Reversal of land revaluation surplus.....	88	125	951
Other changes.....	35,680	(20,281)	383,501
Net change in the year	38,475	(38,096)	413,535
Balance at the end of the year	¥234,802	¥196,326	\$2,523,669
Minority interests			
Balance at the beginning of the year.....	¥ 22,621	¥ 22,442	\$ 243,142
Changes during the year:			
Net change in the year	314	179	3,374
Balance at the end of the year	¥ 22,935	¥ 22,621	\$ 246,517
Total equity			
Balance at the beginning of the year.....	¥218,948	¥256,868	\$2,353,277
Changes during the year:			
Net income (loss).....	4,322	(16,218)	46,453
Cash dividends, ¥6.00 (\$0.06) per share.....	(1,584)	(1,585)	(17,025)
Purchase of treasury stock.....	(33)	(174)	(359)
Sales of treasury stock.....	1	37	12
Reversal of land revaluation surplus.....	88	125	951
Other changes.....	35,995	(20,102)	386,876
Net change in the year	38,789	(37,919)	416,910
Balance at the end of the year	¥257,738	¥218,948	\$2,770,187

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Operating activities:			
Income (loss) before income taxes and minority interests.....	¥ 9,779	¥ (17,488)	\$ 105,110
Depreciation.....	4,451	5,271	47,845
Losses on impairment of long-lived assets.....	459	1,080	4,938
Amortization of negative goodwill.....		(29)	
Increase (decrease) in allowance for possible loan losses.....	6,169	(33)	66,311
Increase in allowance for possible losses on investment securities.....	11	1	122
(Decrease) increase in reserve for other contingent losses.....	(765)	143	(8,230)
Increase in liability for employees' retirement benefits.....	2,114	994	22,723
(Decrease) increase in liability for retirement of directors and corporate auditors.....	(8)	12	(90)
Increase (decrease) in liability for reimbursement of deposits.....	81	(51)	872
Increase in allowance for repayment of excess interest.....	45	31	493
Interest income.....	(66,451)	(70,037)	(714,226)
Interest expense.....	10,088	12,565	108,430
(Gain) losses on sales and write-down of investment securities.....	(5,938)	20,523	(63,825)
(Gain) losses on money held in trust.....	(184)	447	(1,980)
Foreign exchange losses.....	8	5	95
Losses on disposal of fixed assets-net.....	247	441	2,660
Net increase in loans and bills discounted.....	(3,419)	(159,580)	(36,749)
Net increase in deposits.....	126,244	59,731	1,356,881
Net (decrease) increase in negotiable certificate of deposits.....	(6,970)	9,870	(74,922)
Net (decrease) increase in borrowed money (excluding subordinated loans).....	(7,138)	9,221	(76,728)
Net decrease in due from banks (excluding deposits in Bank of Japan).....	37	1,341	399
Net (increase) decrease in call loans and others.....	(6,120)	49,441	(65,778)
Net increase (decrease) in call money and bills sold.....	113	(6,003)	1,217
Net increase (decrease) in payables under securities lending transactions.....	12,215	(20,218)	131,289
Net (increase) decrease in foreign exchanges assets.....	(366)	1,563	(3,936)
Net decrease in foreign exchanges liabilities.....	(25)	(45)	(272)
Interest received (cash basis).....	66,249	69,778	712,056
Interest paid (cash basis).....	(8,268)	(9,729)	(88,873)
Other.....	13,632	(4,230)	146,524
Subtotal.....	146,292	(44,984)	1,572,361
Income taxes - paid.....	(719)	(9,742)	(7,730)
Net cash provided by (used in) operating activities.....	145,573	(54,727)	1,564,631
Investing activities:			
Purchases of securities.....	(600,193)	(352,783)	(6,450,922)
Proceeds from sales of securities.....	215,157	181,598	2,312,528
Proceeds from redemptions of securities.....	222,377	226,145	2,390,131
Decrease in money held in trust.....	3,613	2,506	38,841
Purchases of tangible fixed assets.....	(2,616)	(3,620)	(28,117)
Proceeds from sales of tangible fixed assets.....	74	0	805
Purchases of intangible fixed assets.....	(410)	(851)	(4,410)
Purchases of investment in subsidiaries.....	(57)		(620)
Net cash (used in) provided by investing activities.....	(162,053)	52,995	(1,741,763)
Financing activities:			
Borrowing of subordinated loans.....		20,000	
Repayment of subordinated loans.....	(8,000)		(85,984)
Proceeds from issuance of subordinated corporate bonds.....	20,000		214,961
Dividends paid.....	(1,584)	(1,585)	(17,025)
Dividends paid to minority interests.....	(602)	(602)	(6,477)
Purchase of treasury stock.....	(33)	(174)	(359)
Proceeds from sales of treasury stock.....	1	37	12
Net cash provided by financing activities.....	9,780	17,674	105,126
Foreign currency translation adjustments on cash and cash equivalents.....	(7)	(5)	(83)
Net increase (decrease) in cash and cash equivalents.....	(6,707)	15,937	(72,088)
Cash and cash equivalents, beginning of year.....	56,373	40,435	605,903
Cash and cash equivalents, end of year (Note 4).....	¥ 49,666	¥ 56,373	\$ 533,814

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Years ended March 31, 2010 and 2009

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 Companies Act of Japan, the Japanese Financial Instruments and Exchange Act, and the Japanese Banking Act 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.

2. Summary of significant accounting policies

(a) Principles of consolidation

The accompanying consolidated financial statements for the years ended March 31, 2010 and 2009 include the accounts of the Bank and the 11 consolidated subsidiaries, respectively.

One consolidated subsidiary's fiscal period ends January 24 and 10 consolidated subsidiaries' fiscal period end March 31 for the year ended March 31, 2010. 11 consolidated subsidiaries' fiscal period end March 31 for the year ended March 31, 2009.

One consolidated subsidiary, Shiga Preferred Capital Cayman Limited changed its fiscal year end to January 24 in 2010 and its financial statements are consolidated based on the provisional financial statements closed as of 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 five-year period. The Bank has three other non-consolidated subsidiaries, in which investments are not accounted for by equity method, because their net income (the portion corresponding to the Bank's equity) and retained earnings (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 fair 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 fair

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 ¥93.04 to U.S.\$1, the rate of exchange at March 31, 2010 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 2009 consolidated financial statements to conform to the classifications used in 2010.

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 fair value at fiscal year-end. Securities whose fair value cannot be reliably determined are stated at 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 fair value at fiscal year-end.

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.

(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, 2010 and 2009 were ¥17,977 million (\$193,223 thousand) and ¥23,485 million, respectively.

(g) Tangible fixed assets (except for lease 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.

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 acts 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 ¥4,140 million (\$44,501 thousand) and ¥4,144 million at March 31, 2010 and 2009, 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.

(i) Intangible fixed assets (except for lease assets)

Depreciation for intangible fixed assets is computed under the straight-line method. Development cost for internally used software are capitalized and depreciated under the straight-line method over the estimated useful lives of 5 years.

(j) Lease assets

Lease assets in "Tangible fixed assets" or "Intangible fixed assets" of the finance leases other than those that were deemed to transfer the ownership of leased property to the lessee is computed under the straight-line method over the lease term with zero residual value unless residual value is guaranteed by the corresponding lease contracts.

(k) 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 ¥30,333 million (\$326,027 thousand), ¥26,142 million as of March 31, 2010 and 2009, 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.

(l) 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.

(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.

Prior service cost is amortized using the straight-line method over the employees' average remaining service period (mainly 10 years) at incurrence. Actuarial gain and loss is amortized using the straight-line method over a period within the employees' average remaining service period (mainly 10 years) commencing from the next fiscal year after incurrence.

In July 2008, the ASBJ issued ASBJ Statement No.19, "Partial Amendments to Accounting Standard for Retirement Benefits (Part3)." The Bank applied this partial amendment to the standard from the year ended March 31, 2010. The effect of this change was to increase unrecognized actuarial net loss by ¥2,661 million (\$28,601 thousand), and nil to consolidated financial statements because unrecognized actuarial net loss will be charged to income from next fiscal year.

(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) Reserve for other contingent losses

The Bank provides reserve for contingent liabilities not covered by other reserves in an amount deemed necessary based on estimated losses in the future.

(r) 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.

(s) Accounting for lease

In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," and ASBJ Practical Solutions Report

No.16, "Practical Solutions for the Accounting standard for Lease Transactions" which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is 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.

i. As lessee

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance-leases were 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 should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Group applied the revised accounting standard effective April 1, 2008. In addition, the Group accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. The effect of this change to consolidated financial statements was nil.

ii. As lessor

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be treated as sales. However, other finance leases were 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 should be recognized as lease receivables, and all finance leases that deem not to transfer ownership of the leased property to the lessee should be recognized as investments in lease.

The Group applied the revised accounting standard effective April 1, 2008. The effect of this change was to decrease total income by ¥1,063 million, total expenses by ¥2,188 million and loss before income taxes and minority interests by ¥931 million, which included a cumulative effect of ¥193 million at March 31, 2008. The cumulative effect was included in other expenses in the 2009 consolidated statements of operations.

	Millions of yen
Income from sales of lease receivables	¥ 701
Valuation loss of supplies in lease	(895)
Net loss	¥(193)

(t) Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. 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 acts to the temporary differences.

(u) Appropriations of retained earnings

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

(v) 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 operations are dividends applicable to the respective years including dividends to be paid after the end of the year.

(w) New Accounting Pronouncements

Business Combinations — In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No.21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows:

(1) The current accounting standard for business combinations allows companies to apply the pooling of interests method of accounting when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. The revised standard requires to account for such business combination by the purchase method and the pooling of interests method of accounting is no longer allowed.

(2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, an in-process research and development (IPR&D) acquired by the business combination is capitalized as an intangible asset.

(3) The current accounting standard accounts for a bargain purchase gain (negative goodwill) to be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

This standard is applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Asset Retirement Obligations — In March 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No.18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No.21 "Guidance on Accounting

Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

Accounting Changes and Error Corrections — In December 2009, ASBJ issued ASBJ Statement No.24 "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No.24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) Changes Accounting Policies

When a new accounting policy is applied with revision of accounting standards, a new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in Presentations

When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior Period Errors

When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

Segment Information Disclosures — In March 2008, the ASBJ revised ASBJ Statement No.17 “Accounting Standard for Segment Information Disclosures” and issued ASBJ Guidance No.20 “Guidance on Accounting Standard for Segment Information Disclosures.” Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such

information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

3. Accounting change

The ASBJ revised ASBJ Statement No.10 “Accounting Standard for Financial Instruments” and issued ASBJ Guidance No.19 “Guidance on Accounting Standard for Financial Instruments and Related Disclosures.” The Group applied the revised accounting standard and the new guidance from the year ended March 31, 2010.

The effect of the accounting change was to increase investment securities by ¥57 million (\$619 thousand), to increase deferred tax liabilities by ¥23 million (\$250 thousand), and to increase net unrealized gains on available-for-sale securities by ¥34 million (\$369 thousand), and as a result to increase income before income taxes and minority interest by ¥101 million (\$1,090 thousand), respectively, in comparison to previous treatments.

4. 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, 2010 and 2009, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Cash and due from banks	¥50,063	¥56,807	\$538,086
Time deposits due from banks	(132)	(166)	(1,420)
Other due from banks	(265)	(268)	(2,851)
Cash and cash equivalents	¥49,666	¥56,373	\$533,814

5. Investment securities

Investment securities at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Japanese government bonds.....	¥ 493,194	¥ 347,268	\$ 5,300,883
Japanese local government bonds.....	223,177	157,507	2,398,721
Japanese corporate bonds.....	293,272	261,438	3,152,108
Corporate stocks.....	126,543	102,082	1,360,101
Other securities.....	202,867	245,514	2,180,429
Total.....	¥1,339,054	¥1,113,812	\$14,392,244

Fair value and other information on securities at March 31, 2010 and 2009 were as follows:

Securities

(1) Trading securities

	Millions of yen			Thousands of U.S. dollars
	2010	2009		2010
	Gain (losses) included in profit/(loss) during the fiscal year	Consolidated balance sheet amount	Losses included in profit/(loss) during the fiscal year	Gain (losses) included in profit/(loss) during the fiscal year
Trading securities	¥170	¥5,579	¥(128)	\$1,835

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

(3) Available-for-sale securities

Available-for-sale securities as of March 31, 2010, were as follows:

	Millions of yen			Thousands of U.S. dollars		
	2010			2010		
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)	Consolidated balance sheet amount	Cost	Unrealized gains (losses)
Consolidated balance sheet amount exceeding cost:						
Stocks	¥ 118,147	¥ 60,233	¥57,913	\$ 1,269,852	\$ 647,390	\$622,461
Bonds:	829,203	815,653	13,550	8,912,334	8,766,692	145,641
Japanese government bonds	416,173	409,806	6,367	4,473,063	4,404,621	68,441
Japanese local government bonds	157,903	154,515	3,388	1,697,161	1,660,740	36,420
Japanese corporate bonds.....	255,125	251,331	3,794	2,742,110	2,701,330	40,779
Other.....	85,829	84,915	914	922,500	912,672	9,827
Subtotal.....	¥1,033,180	¥ 960,801	¥72,378	\$11,104,686	\$10,326,755	\$777,931
Consolidated balance sheet amount not exceeding cost:						
Stocks	¥ 5,047	¥ 6,048	¥ (1,001)	\$ 54,253	\$ 65,012	\$ (10,759)
Bonds:	180,439	181,209	(769)	1,939,378	1,947,652	(8,273)
Japanese government bonds	77,020	77,268	(248)	827,820	830,485	(2,665)
Japanese local government bonds	65,273	65,613	(340)	701,560	705,215	(3,654)
Japanese corporate bonds.....	38,146	38,327	(181)	409,997	411,951	(1,953)
Other.....	119,309	121,961	(2,652)	1,282,349	1,310,854	(28,505)
Subtotal.....	¥ 304,797	¥ 309,220	¥ (4,422)	\$ 3,275,981	\$ 3,323,519	\$ (47,537)
Total	¥1,337,977	¥1,270,021	¥67,955	\$14,380,668	\$13,650,274	\$730,393

Available-for-sale securities that have fair value as of March 31, 2009, were as follows:

	Millions of yen				
	2009				
	Cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Stocks.....	¥ 73,697	¥ 98,701	¥25,004	¥27,074	¥ (2,070)
Bonds:	753,882	756,063	2,181	4,543	(2,362)
Japanese government bonds.....	344,919	347,268	2,349	2,646	(296)
Japanese local government bonds.....	156,894	157,507	612	789	(177)
Japanese corporate bonds.....	252,068	251,287	(780)	1,107	(1,888)
Other.....	262,327	247,971	(14,356)	891	(15,248)
Total.....	¥1,089,907	¥1,102,736	¥12,829	¥32,509	¥(19,680)

Note: Fair 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			Thousands of U.S. dollars		
	2010			2010		
	Sales amount	Gains on sales	Losses on sales	Sales amount	Gains on sales	Losses on sales
Stocks	¥ 9,505	¥2,730	¥ 177	\$ 102,164	\$29,344	\$ 1,904
Bonds:	139,924	3,828	104	1,503,913	41,154	1,127
Japanese government bonds.....	43,595	895		468,567	9,622	
Japanese local government bonds.....	81,660	2,682		877,696	28,831	
Japanese corporate bonds.....	14,667	251	104	157,650	2,700	1,127
Other	61,061	1,018	763	656,291	10,945	8,204
Total.....	¥210,490	¥7,577	¥1,045	\$2,262,369	\$81,444	\$11,236

	Millions of yen		
	2009		
	Sales amount	Gains on sales	Losses on sales
Available-for-sale securities.....	¥124,999	¥2,324	¥1,693

(6) Impairment loss on securities

For available-for-sale securities with market quotations, in cases where the fair value has fallen substantially from the acquisition cost and there is believed to be little likelihood of a recovery to the acquisition cost level, said securities are shown on the balance sheets at fair value and the difference between the fair value and the acquisition cost is posted as a loss (hereinafter "impairment loss").

Impairment losses amounted to ¥788 million (\$8,478 thousand) of which equities accounted for the same amount for the year ended March 31, 2010. Impairment losses amounted to ¥18,975 million of which equities accounted for ¥13,517 million and others for ¥5,458 million for the year ended March 31, 2009.

The Bank recognized impairment losses on available-for-sale securities whose fair value on the balance sheet date had declined by 50% or more compared with the acquisition cost, and also recognized losses on securities whose fair value had declined by 30% or more, taking into consideration price movements of the securities in question, and the business performance and creditworthiness of the companies that issued the said securities.

6. Money held in trust

(1) Money held in trust classified as trading

	Millions of yen				Thousands of U.S. dollars	
	2010		2009		2010	
	Consolidated balance sheet amount	Gains included in profit/(loss) during the fiscal year	Consolidated balance sheet amount	Gains included in profit/(loss) during the fiscal year	Consolidated balance sheet amount	Gains included in profit/(loss) during the fiscal year
Money held in trust classified as trading	¥4,880	¥11	¥8,488	¥(457)	\$52,455	\$125

(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									
	2010					2009				
	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
Money held in trust	¥900	¥895	¥(4)		¥(4)	¥900	¥891	¥(8)		¥(8)

	Thousands of U.S. dollars				
	2010				
	Cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Money held in trust	\$9,673	\$9,625	\$(47)		\$(47)

7. 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
	2010	2009	2010
Net unrealized gains on investment securities	¥67,955	¥12,829	\$730,393
Other money held in trust	(4)	(8)	(47)
Deferred tax liabilities	(23,369)	(4,030)	(251,173)
Minority interests	31	8	343
Net unrealized gains on available-for-sale securities	¥44,550	¥ 8,782	\$478,829

8. Loans and bills discounted

Loans and bills discounted at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Bills discounted.....	¥ 17,627	¥ 23,147	\$ 189,459
Loans on bills	156,562	159,971	1,682,748
Loans on deeds	2,182,841	2,094,112	23,461,327
Overdrafts.....	357,335	433,717	3,840,668
Total.....	¥2,714,367	¥2,710,948	\$29,174,204

Loans in legal bankruptcy totaled ¥3,862 million (\$41,516 thousand) and ¥6,148 million as of March 31, 2010 and 2009, respectively. Nonaccrual loans totaled ¥46,139 million (\$495,905 thousand) and ¥40,005 million as of March 31, 2010 and 2009, 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 ¥2,109 million (\$22,671 thousand) and ¥2,355 million as of March 31, 2010 and 2009, respectively. Loans classified as loans in legal bankruptcy and past due loans are excluded.

Restructured loans totaled ¥11,981 million (\$128,773 thousand) and ¥12,234 million as of March 31, 2010 and 2009, 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.

9. Foreign exchanges

Foreign exchange assets and liabilities at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Assets:			
Due from foreign correspondents.....	¥3,128	¥2,608	\$33,625
Foreign bills of exchange purchased.....	58	63	630
Foreign bills of exchange receivable.....	482	631	5,189
Total.....	¥3,669	¥3,303	\$39,445
Liabilities:			
Foreign bills of exchange sold.....	¥ 38	¥ 63	\$ 411
Accrued foreign bills of exchange.....	5	5	61
Total.....	¥ 43	¥ 69	\$ 472

10. Other assets

Other assets at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Prepaid expenses.....	¥ 52	¥ 61	\$ 561
Accrued income.....	5,326	5,343	57,247
Derivatives	7,145	9,867	76,804
Other (Note 13).....	30,816	38,492	331,220
Total.....	¥43,341	¥53,765	\$465,834

11. Tangible fixed assets

Tangible fixed assets at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Buildings.....	¥14,863	¥14,577	\$159,748
Land.....	40,178	40,347	431,838
Construction in progress.....	58	459	633
Other.....	4,059	4,502	43,629
Total.....	¥59,159	¥59,885	\$635,850

Accumulated depreciation on tangible fixed assets at March 31, 2010 and 2009 amounted to ¥44,801 million (\$481,533 thousand) and ¥44,083 million, respectively.

12. Long-lived assets

The Group recognized impairment losses for the year ended March 31, 2010 and 2009 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 ¥459 million (\$4,938 thousand) and ¥1,080 million for the years ended March 31, 2010 and 2009, 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		Thousands of U.S. dollars
			Millions of yen		2010
			2010	2009	
Shiga Prefecture	Branch offices and other	Land, buildings and equipment.....	¥157	¥ 288	\$1,694
Other	Branch offices and other	Land, buildings and equipment.....	301	792	3,243
Total.....			¥459	¥1,080	\$4,938

Impairment losses are included in other expenses (Note 25).

13. Assets pledged

Assets pledged as collateral and related liabilities at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Investment securities.....	¥148,345	¥140,709	\$1,594,429
Other assets (investments in lease).....	3,533	2,801	37,974

Related liabilities	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deposits.....	¥14,376	¥12,742	\$154,522
Payables under securities lending transactions.....	16,332	4,116	175,538
Borrowed money.....	3,087	3,010	33,186

In addition, investment securities totaling ¥67,486 million (\$725,348 thousand) and ¥65,460 million at March 31, 2010 and 2009, respectively were pledged as collateral for settlement of exchange and as securities for futures transactions and others.

Other assets (Note 10) include guarantee deposits of ¥916 million (\$9,855 thousand) and ¥921 million at March 31, 2010 and 2009, respectively.

14. Overdrafts and commitment lines

Overdraft 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, 2010 and 2009 amounted to ¥835,741 million (\$8,982,603 thousand) and ¥769,249 million, respectively, and the amounts of unused commitments, whose original contract terms are within one year or unconditionally cancelable at any time, were ¥814,363 million (\$8,752,827 thousand) and ¥751,541 million at March 31, 2010 and 2009, 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.

15. Land revaluation

Under the "Act 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 operations. 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, 2010 and 2009, the carrying amount of the land after the above one-time revaluation was more than the fair value by ¥9,259 million (\$99,516 thousand) and ¥16,742 million, respectively.

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 Act of Land Revaluation effective March 31, 1998.

16. Deposits

Deposits at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Current deposits.....	¥ 120,175	¥ 113,404	\$ 1,291,658
Ordinary deposits.....	1,425,009	1,398,684	15,316,091
Deposits at notice.....	13,440	12,790	144,458
Time deposits.....	2,114,937	2,029,130	22,731,486
Other deposits.....	107,462	100,771	1,155,013
Total.....	¥3,781,025	¥3,654,781	\$40,638,707

17. Borrowed money

At March 31, 2010 and 2009, the weighted average interest rates applicable to the borrowed money were 1.88% and 1.92%, respectively.

Borrowed money at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Subordinated loans.....	¥20,000	¥28,000	\$214,961
Borrowing from banks and other.....	10,388	17,527	111,654
Total.....	¥30,388	¥45,527	\$326,615

Annual maturities of borrowed money at March 31, 2010, were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2011	¥ 5,075	\$ 54,556
2012	2,295	24,675
2013	1,689	18,163
2014	896	9,638
2015	405	4,352
2016 and thereafter.....	20,025	215,230
Total	¥30,388	\$326,615

18. Bonds

Bonds at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars	Interest rate	Due
	2010	2009	2010		
Subordinated bonds	¥20,000	—	\$214,961	1.89%	July 27, 2019

19. Other liabilities

Other liabilities at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Accrued income taxes.....	¥ 638	¥ 582	\$ 6,859
Accrued expenses.....	10,729	9,711	115,317
Unearned income	5,549	5,052	59,648
Derivatives	2,288	1,857	24,599
Other	20,551	16,399	220,889
Total	¥39,756	¥33,604	\$427,310

20. 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," amounting to ¥9,224 million (\$99,140 thousand) and ¥9,897 million as of March 31, 2010 and 2009, were set off because those which were relevant to corporate bonds, and the guaranteed bonds were held by the Bank itself.

21. Equity

(1) Capital stock and capital surplus

Changes in the number of common shares of the years ended March 31, 2010 and 2009, consisted of the following:

	Thousands	
	Common stock	
	Issued number of shares	
	2010	2009
Beginning of the year	265,450	265,450
Increase		
Decrease		
End of the year	265,450	265,450

(2) Companies Act and Banking Act of Japan

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

On and after May 1, 2006, Japanese companies are subject to a new companies act of Japan (the "Companies Act"), 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 Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, 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 Companies Act 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 Companies Act 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 Companies Act requires that an amount equal to 10% (20% for banks pursuant to the Banking Act) 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 Act) of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act 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 Companies Act 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 Companies Act, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Companies Act 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.

(3) Appropriations of retained earnings

On June 25, 2010, the Bank's general stockholders' meeting will approve the payments of cash dividends to stockholders of record at March 31, 2010 of ¥3.00 (\$0.032) per share or a total of ¥791 million (\$8,510 thousand).

22. Other operating income

Other operating income for the years ended March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Gains on foreign exchange transactions-net.....	¥ 592	¥ 692	\$ 6,369
Gains on sales of bonds.....	5,155	1,424	55,414
Other	8,372	8,181	89,987
Total.....	¥14,120	¥10,298	\$151,771

23. Other income

Other income for the years ended March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Gains on sales of securities.....	¥2,730	¥ 904	\$29,344
Recovery of claims previously charged-off.....	874	1,300	9,399
Other	2,197	1,184	23,616
Total.....	¥5,802	¥3,389	\$62,360

24. Other operating expenses

Other operating expenses for the years ended March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Losses on sales of government bonds.....	¥ 990	¥ 424	\$10,649
Losses on redemption of bonds.....		2,309	
Losses on write-down of bonds and other securities		5,458	
Losses on financial derivatives	56	1,147	610
Other	6,347	6,040	68,223
Total.....	¥7,395	¥15,379	\$79,483

25. Other expenses

Other expenses for the years ended March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Provision of allowance for possible loan losses.....	¥ 9,045	¥ 8,560	\$ 97,226
Write-off of loans and bills discounted.....	6,324	5,192	67,972
Losses on impairment of long-lived assets (Note 12).....	459	1,080	4,938
Valuation loss of investment in stocks	802	13,577	8,623
Net loss on adjustment for changes of accounting standard (Note 2 (s) ii).....		193	
Other	1,865	3,486	20,053
Total.....	¥18,497	¥32,088	\$198,814

26. Leases

Lessee

The Group leases certain equipment. Total rental expense under the finance leases for the years ended March 31, 2010 and 2009, was ¥6 million (\$73 thousand) and ¥7 million, respectively.

Finance lease transactions which commenced prior to April 1, 2008 are accounted for based on the former accounting standard.

Pro forma Information of leased property such as acquisition cost, accumulated depreciation, obligations, under financial lease, depreciation expense and interest expense under finance leases that do not transfer ownership of the leased property to the lessee on a 'as if capitalized' basis for the years ended March 31, 2010 and 2009 were as follows:

	Tangible fixed assets		
	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Acquisition cost.....	¥46	¥51	\$498
Accumulated depreciation.....	(33)	(31)	(362)
Net leased property.....	¥12	¥19	\$135

Obligations under finance leases at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
	Due within one year.....	¥ 5	¥ 6
Due after one year.....	6	12	75
Total.....	¥12	¥19	\$135

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

Lease payments and depreciation expense under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
	Lease payments.....	¥6	¥7
Depreciation expense.....	6	7	73

Lessor

One subsidiary leases certain equipment and other assets.

As stated in Note 2 (s) ii, finance lease transactions other than those of which ownership is fully transferred to the lessee are accounted for in the similar manner to ordinary sales and transactions, effective from the year ended March 31, 2009.

Investments in lease included in other assets on the balance sheets as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
	Gross lease receivables.....	¥16,954	¥15,988
Unguaranteed residual values.....	788	781	8,477
Unearned interest income.....	(3,415)	(4,171)	(36,706)
Investments in lease.....	¥14,327	¥12,596	\$153,994

Maturities of lease receivables for finance leases that deem to transfer ownership of the leased property to the lessee are as of March 31, 2010 are as follows:

	Millions of yen	Thousands of U.S. dollars
2011	¥4	\$43
2012	3	36
2013	1	14
2014	0	1
2015	0	0
2016 and thereafter.....		

Maturities of gross lease receivables related to investments in lease as of March 31, 2010 are as follows:

	Millions of yen	Thousands of U.S. dollars
2011	¥5,284	\$56,798
2012	4,464	47,987
2013	3,458	37,173
2014	2,289	24,612
2015	1,086	11,677
2016 and thereafter.....	369	3,973

With regard to finance lease transactions entered into prior to April 1, 2008, that do not deem to transfer ownership of the property to the lessee, leased investment assets are recognized at the book value of leased assets as of March 31, 2008.

As a result, loss before income taxes and minority interests for the fiscal year ended March 31, 2010 and 2009 was increased by ¥970 million (\$10,427 thousand) and ¥2,145 million more than it would have been if the revised accounting standard was applied retroactively to all the finance lease transactions.

The minimum rental commitments under noncancelable operating leases as of March 31, 2010 and 2009, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Due within one year.....	¥ 4	¥1	\$ 45
Due after one year.....	10	4	114
Total	¥14	¥5	\$159

27. 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, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Projected benefit obligation	¥(43,644)	¥(40,590)	\$(469,096)
Plan assets (fair value)	22,642	19,774	243,362
Unfunded projected benefit obligation	(21,002)	(20,816)	(225,733)
Unrecognized actuarial net loss	9,979	11,924	107,263
Unrecognized prior service cost	(70)	(86)	(757)
Liability for employees' retirement benefits	¥(11,092)	¥ (8,978)	\$(119,228)

The components of net periodic benefit costs for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Service cost	¥1,594	¥1,522	\$17,135
Interest cost	810	795	8,709
Expected return on plan assets	(179)	(306)	(1,934)
Amortization of prior service cost	(16)	(16)	(174)
Recognized actuarial net loss	2,454	1,952	26,379
Net periodic retirements benefit costs	¥4,662	¥3,948	\$50,116

Assumptions used for the years ended March 31, 2010 and 2009 were set forth as follows:

	2010	2009
Discount rate	1.50%	2.0%
Expected rate of return on plan assets	1.25%	2.0%
Amortization period of prior service cost	10 years	10 years
Recognition period of actuarial gain or loss	10 years	10 years

28. Income taxes

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deferred tax assets:			
Allowance for possible loan losses	¥ 19,356	¥16,647	\$ 208,040
Liability for employees' retirement benefits	6,856	5,970	73,694
Accrued enterprise tax	85		922
Devaluation of stocks and other securities.....	7,200	12,457	77,390
Depreciation	1,629	1,642	17,513
Tax loss carryforwards.....	946	1,607	10,176
Other.....	2,988	3,952	32,124
Less valuation allowance	(14,340)	(13,335)	(154,129)
Total	¥ 24,723	¥28,941	\$ 265,733
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	(23,369)	(4,030)	(251,173)
Enterprise tax refundable		(417)	
Reserve for advanced depreciation of fixed assets	(208)	(208)	(2,244)
Other.....	(52)	(152)	(564)
Total	¥(23,630)	¥ (4,809)	\$(253,981)
Net deferred tax assets	1,244	24,131	13,373
Net deferred tax liabilities	¥ (150)	¥ —	\$ (1,622)

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of operations for the years ended March 31, 2010 and 2009 is as follows:

	2010	2009
Normal effective statutory tax rate.....	40.4%	40.4%
Permanent differences - income	(4.1)	3.1
Permanent differences - expenses.....	0.8	(0.4)
Corporate inhabitant tax per capita	0.6	(0.4)
Change in valuation allowance for deferred tax assets.....	10.3	(32.7)
Tax rate difference in special purpose company.....	(2.5)	
Other		1.9
Actual effective tax rate	45.5%	11.9%

29. Financial instruments and related disclosures

On March 10, 2008, the ASBJ revised ASBJ Statement No.10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No.19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

1. Overall situation concerning financial instruments

(1) Basic policy for financial instruments

As a regional financial institution, the Group provides financial services, principally with loans to corporations and individuals within its business area. To raise funds for its business, not only does the Group accept deposits and negotiable certificates of deposit from local customers, it uses borrows from other financial institutions and by issuing corporate bonds, while adjusting to market conditions and regulating the balance between long- and short-terms. The majority of the Group's transactions are denominated in yen, but a portion of the funds that it raises and manages is denominated in foreign currencies. Most of the foreign-denominated funds that it raises are from foreign currency deposits, while the funds are mainly used for loans and for foreign exchange credit (import usance and export letters of credit) associated with import transactions.

In order to gain stable earnings while emphasizing liquidity, the Group—as a part of its fund management—invests in securities, especially yen-denominated bonds and other financial instruments.

Because the Group has financial assets and liabilities that are largely subject to interest rate volatility, it conducts Asset Liability Management (ALM) so that no harm is incurred from interest-rate volatility.

(2) Nature and extent of risks arising from financial instruments

The financial assets held by the Group are primarily loans to corporation and individuals within its business area and are subject to credit risk caused by the contractual default of its customers. The Group's domestic loan portfolio attempts to distribute risk by industry sector to eliminate its exposure to credit risk caused by changes in the business environment in certain industries.

The Group holds investment securities for the following purposes: to sell them to customers, for investment and for policy investment. Japanese government bonds and Japanese local government bonds are held for the purpose of selling them to customers. Bonds, especially Japanese government bonds and Japanese local government bonds and investment-grade corporate bonds as well as investment trusts, are held as investment while corporate stocks are held as policy investment. These are subject to interest-rate volatility risks, market price volatility risks and the credit risks of the issuer. Foreign currency-denominated bonds held as investments are managed so as to reduce foreign exchange risk. This is done by procuring foreign currency funds through currency swaps, repurchase transactions, or call transactions.

Borrowed money and corporate bonds are—under certain conditions such as when the Group is unable to access the market—subject to losses incurred due to an inability to secure required funds, or being forced to raise funds at unusually higher than normal interest rates. Moreover, some of the Group's borrowings are extended at variable interest rates and are subject to losses from increasing fund procurement costs associated with rising interest rates.

In order to respond to customer needs and hedge market risks for assets and liabilities, the Group uses derivative transactions including interest-rate swaps, currency swaps, currency options, and forward exchange contracts. To a portion of these transactions the Group applies hedge accounting based on internal regulations that comply with "Practical Guidelines for Financial Instruments" of the Japanese Institute of Certified Public Accountants and our hedging policies.

To obtain short swing profits, the Group transacts bond futures contracts, bond options and stock price index futures trading after setting position limit and loss limit amounts.

These derivative transactions include the market risk of incurring potential losses due to market fluctuation, such as for interest rates and exchange rates, as well as the credit risk of incurring potential losses when the party to the transaction defaults on contract.

(3) Risk management for financial instruments

(i) Credit risk management

Recognizing credit risk as the most important risk to business management from the standpoint of its size and scope, the Group has established regulations and standards for credit risk. It has also developed a borrower rating system based on Foundation Internal Ratings Based-approach and has built a risk management system appropriate to its needs.

Notably, the Group has developed a rating system that conducts proper rating self-assessments. Under this system, for example, the Assets & Liabilities Managing Department reports the results of its verification of the operating effectiveness of the rating system to the Meeting of Managing Directors.

With respect to individual credit management, the Group has instituted "Basic Rules of Loan Business" in which it has clearly defined the way of

thinking and code of conduct that all employees involved in the loan business should adhere to. It has also established basic procedures to follow when making credit decisions or managing credit and has put in place a system that enables executives and employees to make credit decisions in accordance with the principles of public utility, security, profitability, liquidity and growth potential. More specifically, the Group has developed and is operating a credit management system that handles credit assessment, credit limits, credit information management, internal ratings, sets guarantees and collateral, and deals with problem debts of companies (or corporate groups) or individual projects. This credit management system is being implemented in every bank branch and Credit Supervision Department. When extending credit to overseas borrowers, the Group sets a credit limit each fiscal year for each country at the Meeting of Managing Directors, after taking into account the foreign currency conditions and the political and economic situation of the country in which the borrower resides. The Financial Markets Department is in charge of the day-to-day management of this function.

When conducting market transactions for securities or other instruments, a limit is set semiannually at the Meeting of Managing Directors for bond issuer credit risk for financial institutions and counterparty risk for derivative and financial transactions, and this is managed on a daily basis. The Financial Markets Department and the Assets & Liabilities Managing Department monitor credit status and market prices. In addition, a limit is set for bond issuer credit risk for business corporations by internal rating at the Meeting of Manager Directors semiannually. A system is in place whereby the Financial Markets Department routinely reports about those risks to the Meeting of Managing Directors.

(ii) Market risk management

From the standpoint of bank management, market risk is viewed as a major risk, and due to its nature it must be immediately dealt with, therefore a system needs to be built to properly manage it.

The Group has established risk management rules with the goal of upgrading market risk management, strengthening internal controls and ensuring sound management. To achieve stable profits, the Group institutes an asset and liability plan (ALM) and risk management policy semiannually, and is working to build an appropriate risk management system.

1) Interest-rate risk management

As interest-rate risk inevitably arises in the Group's business operations, it manages all assets and liabilities (including off-balance transactions), such as deposits, loans and securities, in a comprehensive manner through ALM.

The Group has established market risk management rules and standards for risk management methods and reporting procedures. It monitors risk management using such models as Value at Risk (VaR) and the maturity ladder approach, and reports to the ALM Committee on a regular basis.

2) Exchange rate risk management

In order to manage positions that are subject to foreign currency risk, the Group sets position limits at the Meeting of Managing Directors. The Group controls positions by using derivative transactions including foreign currency transactions and currency swaps.

At the Board of Directors, the Group establishes an acceptable level of risk using VaR, and the Financial Markets Department manages the level of risk so that it stays within an acceptable range.

3) Price volatility risk management

In order to rigorously manage price volatility risk for transactions including securities, the Group has divided the market sector organization into front office, (market transaction sector), back office (business management sector) and mid office (risk management sector).

After taking into account overall Group risk and return, the Group has formulated a business management plan in the market sector for market transactions including securities based on an ALM plan drawn up by the Board of Directors and a risk management policy.

When making investments, the Group calculates position amounts, gains and losses, as well as VaR and BPV based on the above-mentioned policy and plan. The Financial Markets Department and the Assets & Liabilities Managing Department manage the extent to which the Group is complying with the established acceptable risk limit on a daily basis. The Financial Markets Department reports position amounts, profits and losses and risk levels to management and the Asset & Liabilities Managing Department, which is in charge of risk. In addition, the operational status, such as position amounts and profits and losses, is reported to the Board of Directors on a monthly basis.

4) Derivative transaction management

With respect to derivative transactions, the divisions concerned with the execution of transactions, the evaluation of hedge effectiveness, and business management have been separated and internal checks and balances established. Because a majority of the Group's derivative transactions are for hedging purposes, market risks are managed so that derivative transaction risks and asset and liability risks offset each other.

(4) Supplementary explanation on fair value of financial instruments

The fair value of financial instruments includes a value based on market price as well as a reasonable estimate fair value in case there is no market price. Because specific preconditions are used in the calculation of said fair value, said value may vary when differing preconditions are used.

2. Fair value of financial instruments

Fair value and Consolidated balance sheet amount of as of March 31, 2010 are shown below. Immaterial accounts on the consolidated balance sheet are not included in the table below. Some instruments, such as unlisted stocks, whose fair value cannot be reliably determined, are not included in the table below (see note 2).

	Millions of yen			Thousands of U.S. dollars		
	2010			2010		
	Consolidated balance sheet amount	Fair value	Difference	Consolidated balance sheet amount	Fair value	Difference
Call loans and bills bought.....	¥ 64,523	¥ 64,523		\$ 693,507	\$ 693,507	
Investment securities						
Trading securities.....	3,768	3,768		40,505	40,505	
Available-for-sale securities.....	1,331,935	1,331,935		14,315,734	14,315,734	
Loans and bills discounted.....	2,714,367			29,174,204		
Allowance for possible loan losses (*1).....	(31,183)			(335,165)		
	2,683,184	2,698,166	¥14,982	28,839,038	29,000,068	\$161,029
Assets total.....	4,083,412	4,098,394	14,982	43,888,786	44,049,816	161,029
Deposits.....	3,781,025	3,786,596	5,571	40,638,707	40,698,589	59,881
Negotiable certificate of deposits.....	102,904	102,948	43	1,106,028	1,106,500	472
Borrowed money.....	30,388	30,672	284	326,615	329,669	3,053
Bonds.....	20,000	20,391	391	214,961	219,165	4,203
Liabilities total.....	3,934,318	3,940,609	¥ 6,290	42,286,312	42,353,924	\$ 67,611
Derivative transactions (*2)						
Deferred hedge accounting is not applied.....	4,947	4,947		53,172	53,172	
Deferred hedge accounting is applied.....	(32)	(32)		(351)	(351)	
Derivative transactions total.....	¥ 4,914	¥ 4,914		\$ 52,821	\$ 52,821	

(*1) General allowance for loan losses and specific allowance for loan losses provided to "Loans and bills discounted" are separately presented in the above table.

(*2) Derivatives transactions recorded in "Other assets" and "Other liabilities" are aggregated and shown herein. Assets and liabilities attributable to the derivative transactions are totally offset and the net liability position as a consequence of offsetting would be represented with brackets.

(Note 1) Valuation method of financial instruments

Assets

(1) Call loans and bills bought

Since contractual terms of these instruments are short (i.e., less than one year) and fair values of these instruments approximate book values, the Group deem the book values to be fair values.

(2) Investment securities

Fair values of securities that have market prices are based on their market prices. However, taking into account recent market conditions, a judgement has been made by management that current market prices of floating Japanese government bonds are not indicative of fair value. The fair values of these bonds were determined based on the values reasonably estimated by a broker dealer. The effect of the decision was to increase investment securities by ¥5,387 million (\$57,908 thousand), to decrease deferred tax assets by ¥2,178 million (\$23,412 thousand) and to increase net unrealized gains on available-for-sale securities by ¥3,209 million (\$34,495 thousand) compared to the valuation based on the market price as of March 31, 2010. As of March 31, 2009, the effect was to increase investment securities by ¥7,086 million, to decrease deferred tax assets by ¥2,864 million and to increase net unrealized gains on available-for-sale securities by ¥4,221 million.

As the rationally calculated amounts cannot be estimated by the Group, those are obtained from a broker dealer.

It is difficult for the Group to reasonably estimate fair values of the floating rate Japanese government bonds by itself. Accordingly, the Group employs theoretical floating rate Japanese government bonds prices based on values reasonably estimated by a securities broker for the determination of fair values of the floating rate Japanese government bonds. The simulation model used for the calculation of reasonably estimated fair values and the price decision variables are summarized below.

i. Simulation model

The model enables the calculation of present values of the floating rate Japanese government bonds based on future cash flows. Future cash flows, in turn, are estimated using an interest fluctuation model, which is primarily based on discount rates that are compatible with price movements of the government bonds and dispersion of interest rates that are consistent with the implied volatility of swaptions.

ii. Price decision variables

The principal price decision variables are yields on and prices of Japan's treasury bills, and the government bonds with maturities of 10 years, 20 years, and 30 years. Swaption volatility is calculated on the assumption of maturities from 1 month to 10 years and swap periods ranging from 1 to 10 years.

With respect to market prices of securities that do not have market prices, the Group use the present value calculated by discounting the future cash flows of the principal based on contracts, using an interest rate obtained by adjusting interest rates available in the interbank market in accordance with categories of internal ratings and terms, taking into account the credit risk premium and the liquidity risk premium.

The information for investment securities by classification is included in Note 5 (Investment securities).

(3) Loans and bills discounted

As fair values of loans and bills discounted with short contractual terms (i.e., less than one year) approximate book values, the Group deem the book values to be fair values.

Of loans with long contract terms (i.e., 1 year or longer), those with floating interest rates reflect the market rate in the short term. Consequently, unless the credit conditions of borrowers have not significantly changed after the execution of loans, the book value of the loans is presented as the fair value, as the fair value approximates the book value. With respect to fair values of loans with long contract terms with fixed interest rates, the Group use the present value that is calculated by discounting the future cash flows of the principal based on contracts, using an interest rate obtained by adjusting interest rates available in the interbank market in accordance with categories of internal ratings and terms, taking into account the credit risk premium and the liquidity risk premium. Meanwhile, the fair value of certain loans (including consumer loans) is calculated by discounting the future cash flows of the principal based on contracts, using an interest rate considered to be applicable in cases when similar loans are executed.

With respect to claims against legally bankrupt debtors, virtually bankrupt debtors and debtors who are likely to go bankrupt (potentially bankrupt debtors), since credit loss is calculated based on the present value of the expected future cash flows or the estimated amounts that the Group would be able to collect from collateral and guarantees, fair values approximate the consolidated balance sheet amount net of the currently expected credit loss amount, and the Group thus deem such amounts to be fair values.

Of loans, for those without a fixed maturity due to loan characteristics such as limiting loans to within the value of collaterals, the Group deem the book value to be the fair value, since the fair value is expected to approximate the book value based on the estimated repayment period, interest rate, and other conditions.

Liabilities

(1) Deposits and (2) Negotiable certificate of deposits

For demand deposits, the Group deem the payment amounts required on the consolidated balance sheet date (i.e., book values) to be the fair value.

The fair value of time deposits and negotiable certificate of deposits with short deposit terms (i.e., less than one year) approximate the book value, and the Group deem the book value to be the fair value. With respect to deposits with long deposit terms (i.e., one year or longer), the Group use the present value calculated by discounting future cash flows of the principal based on contracts, using the interest rate that would apply to newly accepted deposits in accordance with the categories of deposit terms.

(3) Borrowed money

As the fair value of borrowed money with short contractual terms (i.e., less than one year) approximates the book value, the Group deem the book value to be the fair value.

Of borrowed money with long contractual terms (i.e., one year or longer), for floating rate borrowings, the book value is presented as the fair value, because the fair value approximates book value. This is because the basis that floating rate borrowings reflect the market interest rate in a short period and that there has been no significant change in our credit conditions or in the credit conditions of our consolidated subsidiaries before and after the borrowings were made. With respect to fixed rate borrowings, the Group use the present value calculated by discounting the future cash flows of the principal based on contracts, using an interest rate obtained by adjusting interest rates available in the interbank market in accordance with categories of terms, taking into account the Bank's credit risk premium.

Meanwhile, fair values of borrowings of consolidated subsidiaries are calculated by discounting the future cash flows of the principal based on contracts, using interest rates considered to be applicable in cases when the similar borrowings are made.

(4) Bonds

The fair value of corporate bonds issued by the Group is determined based on their market price.

Derivatives

The information of the fair value for derivatives is included in Note 30 (Fair value information on derivative transactions).

(Note 2) Financial instruments whose fair value cannot be reliably determined

The following instruments are not included in "Assets Available-for-sales securities" in the above table showing the fair value of financial instruments.

	Consolidated balance sheet amount	
	Millions of yen	Thousands of U.S. dollars
	2010	2010
Unlisted stocks (*1)(*2).....	¥3,349	\$35,995

(*1) Fair value of unlisted stocks is exempt from disclosure because they do not have a market price and their fair value cannot be reliably determined.

(*2) For the year ended March 31, 2010, impairment losses for unlisted stocks amounted to ¥14 million (\$151 thousand).

(Note 3) Maturity analysis for financial assets and securities with contractual maturities

	Millions of yen					
	2010					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Call loans and bills bought.....	¥ 64,523					
Investment securities (*1).....	112,191	¥268,389	¥213,365	¥140,804	¥353,183	¥ 99,865
Japanese government bonds.....	58,000	61,830	66,450	87,706	189,800	21,000
Japanese local government bonds.....	8,599	34,863	53,107	27,439	95,775	
Japanese corporate bonds.....	31,531	75,056	57,819	14,267	49,695	60,604
Loans and bills discounted (*2).....	839,167	545,391	330,674	208,347	218,776	493,616
Total	¥1,015,882	¥813,780	¥544,040	¥349,152	¥571,960	¥593,482

	Thousands of U.S. dollars					
	2010					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Call loans and bills bought.....	\$ 693,507					
Investment securities (*1).....	1,205,841	\$2,884,672	\$2,293,271	\$1,513,376	\$3,796,040	\$1,073,362
Japanese government bonds.....	623,387	664,552	714,208	942,669	2,039,982	225,709
Japanese local government bonds.....	92,424	374,713	570,802	294,919	1,029,404	
Japanese corporate bonds.....	338,899	806,711	621,448	153,342	534,125	651,384
Loans and bills discounted (*2).....	9,019,423	5,861,898	3,554,114	2,239,334	2,351,426	5,305,425
Total	\$10,918,773	\$8,746,571	\$5,847,385	\$3,752,710	\$6,147,466	\$6,378,787

(*1) Bonds classified as held-to-maturity are not included in securities.

(*2) Loans in legal bankruptcy, virtual bankruptcy and potential bankruptcy amounting to ¥50,001 million (\$537,422 thousand) and loans and bills discounted without contractual maturities amounting to ¥28,391 million (\$305,158 thousand) are excluded from the table above.

(Note 4) Maturity analysis for bonds, borrowed money and other interesting bearing liabilities

	Millions of yen					
	2010					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (*).....	¥3,180,021	¥567,839	¥33,164			
Negotiable certificate of deposits.....	102,904					
Borrowed money.....	5,075	3,985	1,301	¥25	¥20,000	
Bonds.....					20,000	
Total	¥3,288,002	¥571,824	¥34,466	¥25	¥40,000	

	Thousands of U.S. dollars					
	2010					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (*).....	\$34,179,078	\$6,103,172	\$356,457			
Negotiable certificate of deposits.....	1,106,028					
Borrowed money.....	54,556	42,838	13,991	\$268	\$214,961	
Bonds.....					214,961	
Total	\$35,339,662	\$6,146,010	\$370,448	\$268	\$429,922	

(*) Demand deposits are included in "1 Year or Less."

30. Fair value information on derivative transactions

Derivative transactions to which hedge accounting is not applied

The following is the fair value information for derivative transactions to which hedge accounting is not applied at March 31, 2010.

The contractual value of swap agreements and the contract amounts of forward exchange contracts, option agreements and other derivatives do not necessarily measure the Bank's exposure to market risk.

(1) Interest-rate-related transactions are not performed.

(2) Currency-related transactions

	Millions of yen				Thousands of U.S. dollars			
	2010				2010			
	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:								
Currency swap:	¥236,520	¥146,000	¥4,955	¥4,955	\$2,542,133	\$1,569,244	\$53,257	\$53,257
Forward exchange contracts:								
Sold:								
.....	3,528		(84)	(84)	37,923		(903)	(903)
Bought:								
.....	3,893		76	76	41,850		818	818
Currency options:								
Sold:								
.....	30,692	17,250	(1,235)	31	329,889	185,413	(13,279)	337
Bought:								
.....	30,692	17,250	1,235	278	329,889	185,413	13,279	2,996
Total			¥4,947	¥5,257			\$53,172	\$56,507

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 operations.

2. Fair value is calculated using discounted cash flow.

(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.

Derivative transactions to which hedge accounting is applied

The following is the fair value information for derivative transactions to which hedge accounting is applied at March 31, 2010.

The contract amounts do not necessarily measure the Bank's exposure to market risk:

(1) Interest-rate-related transactions

	Millions of yen				Thousands of U.S. dollars			
	2010				2010			
	Hedged items	Contractual value	Contractual value due after one year	Fair value	Hedged items	Contractual value	Contractual value due after one year	Fair value
Interest rate swaps:								
Receive floating rate/pay fixed rate:								
.....	Deposits	¥174		¥(1)	Deposits	\$1,880		\$(13)
Other								

Notes: 1. Deferred hedge accounting is mainly applied in accordance with the JICPA Industry Audit Committee Report No.24.

2. The fair values of above derivatives are principally based on quoted market prices, such as those of Tokyo Financial Exchange Inc., or discounted values of future cash flows.

(2) Currency-related transactions

	Millions of yen				Thousands of U.S. dollars			
	2010				2010			
	Hedged items	Contractual value	Contractual value due after one year	Fair value	Hedged items	Contractual value	Contractual value due after one year	Fair value
Forwards exchange contract.....	Loans denominated in foreign currencies	¥2,085		¥(31)	Loans denominated in foreign currencies	\$22,415		\$(338)

Notes: 1. Deferred hedge accounting is mainly applied in accordance with the JICPA Industry Audit Committee Report No.25.
2. Fair value is calculated using discounted cash flow.

(3) Stock-related transactions are not performed.

(4) Bond-related transactions are not performed.

Derivative information for the year ended March 31, 2009:

(1) Interest-rate-related transactions

Interest-rate-related transactions as of March 31, 2009 are excluded from disclosure because all the interest-rate-related transactions entered into by the Bank qualified for hedge-accounting.

(2) Currency-related transactions

Fair value information on revalued currency-related derivatives as of March 31, 2009 were as follows:

	Millions of yen			
	2009			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the-counter:				
Currency swap:	¥265,170	¥233,113	¥8,113	¥8,113
Forward exchange contracts:				
Sold.....	3,326		(61)	(61)
Bought.....	2,712		108	108
Currency options:				
Sold.....	21,730	16,843	(881)	119
Bought.....	21,730	16,843	881	78
Total.....			¥8,160	¥8,358

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 operations.
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.

31. Net income per share

Calculation of net income per share ("EPS") for the years ended March 31, 2010 and 2009 are as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net income (loss)	Weighted average shares	EPS	
For the year ended March 31, 2010				
Basic EPS				
Net income available to common stockholders.....	¥ 4,322	263,994	¥ 16.37	\$ 0.175
For the year ended March 31, 2009				
Basic EPS				
Net income available to common stockholders.....	¥(16,218)	264,138	¥(61.40)	\$(0.625)

32. Segment information

i) Business Segment Information

Information about industry segments of the Group as of and for the years ended March 31, 2010 and 2009 are as follows:

a. Operating Income

	Millions of yen					
	2010					
	Banking	Leasing	Other	Total	Eliminations/ Corporate	Consolidated
Operating income:						
Outside customers.....	¥86,002	¥8,074	¥2,584	¥ 96,662		¥96,662
Intersegment income.....	336	739	2,424	3,500	¥(3,500)	
Total.....	86,339	8,813	5,009	100,162	(3,500)	96,662
Operating expenses.....	79,446	7,308	4,479	91,234	(3,453)	87,781
Net operating income	¥ 6,893	¥1,505	¥ 529	¥ 8,927	¥ (46)	¥ 8,881

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

	Millions of yen					
	2010					
	Banking	Leasing	Other	Total	Eliminations/ Corporate	Consolidated
Total assets.....	¥4,285,699	¥42,235	¥13,795	¥4,341,730	¥(39,469)	¥4,302,261
Depreciation.....	4,384	27	39	4,451		4,451
Impairment loss.....	459			459		459
Capital expenditures.....	2,761	17	76	2,855		2,855

a. Operating Income

	Millions of yen					
	2009					
	Banking	Leasing	Other	Total	Eliminations/ Corporate	Consolidated
Operating income:						
Outside customers.....	¥ 84,670	¥7,431	¥2,700	¥ 94,802		¥ 94,802
Intersegment income.....	343	840	2,135	3,319	¥(3,319)	
Total.....	85,013	8,272	4,836	98,122	(3,319)	94,802
Operating expenses.....	103,896	7,056	4,277	115,230	(3,354)	111,876
Net operating income (loss)	¥ (18,882)	¥1,215	¥ 559	¥ (17,107)	¥ 34	¥ (17,073)

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

	Millions of yen					
	2009					
	Banking	Leasing	Other	Total	Eliminations/ Corporate	Consolidated
Total assets.....	¥4,107,786	¥41,305	¥13,343	¥4,162,435	¥(39,409)	¥4,123,026
Depreciation.....	5,215	27	27	5,271		5,271
Impairment loss.....	1,080			1,080		1,080
Capital expenditures.....	4,375	56	17	4,449		4,449

a. Operating Income

Thousands of U.S. dollars						
2010						
	Banking	Leasing	Other	Total	Eliminations/ Corporate	Consolidated
Operating income:						
Outside customers.....	\$924,362	\$86,790	\$27,782	\$1,038,934		\$1,038,934
Intersegment income.....	3,618	7,943	26,057	37,618	\$(37,618)	
Total.....	927,980	94,733	53,839	1,076,553	(37,618)	1,038,934
Operating expenses.....	853,893	78,557	48,145	980,596	(37,118)	943,478
Net operating income	\$ 74,087	\$16,176	\$ 5,694	\$ 95,957	\$ (500)	\$ 95,456

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

Thousands of U.S. dollars						
2010						
	Banking	Leasing	Other	Total	Eliminations/ Corporate	Consolidated
Total assets.....	\$46,062,977	\$453,951	\$148,270	\$46,665,199	\$(424,216)	\$46,240,982
Depreciation.....	47,125	300	419	47,845		47,845
Impairment loss.....	4,938			4,938		4,938
Capital expenditures.....	29,675	192	818	30,686		30,686

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 operations.

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

ii) Segment Information by Geographic Area

Segment information by geographic area is not presented herein for the years ended March 31, 2010 and 2009, 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, 2010 and 2009 are 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.

33. Related party transactions

The Bank and related party transactions for the years ended March 31, 2010 and 2009 were as follows:

Related party	Category	Description of transactions	Millions of yen		Thousands of U.S. dollars
			2010	2009	2010
Yoshihisa Fujita	Director and relative	Lending operation loan.....	¥ 29	¥ 30	\$ 312
Nishikawa Sangyo Co., Ltd.	Companies, majority held by auditor and relative	Lending operation loan.....	1,270	1,310	13,650
Nishikawa Living Co., Ltd.	Companies, majority held by auditor and relative	Lending operation loan.....	1,183	1,183	12,718
		Customer's liabilities for acceptances and guarantees	25	59	268

Related party transactions involving consolidated subsidiaries of the Bank for the years ended March 31, 2010 and 2009 were as follows:

Related party	Category	Description of transactions	Millions of yen		Thousands of U.S. dollars
			2010	2009	2010
Nishikawa Living Co., Ltd.	Companies, majority held by auditor or relative	Receiving lease payments.....	¥128	¥148	\$1,386

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of The Shiga Bank, Ltd. and consolidated subsidiaries (the "Company") as of March 31, 2010 and 2009, and the related consolidated statements of operations, changes in equity, and cash flows for the years 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 audits.

We conducted our audits 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 audits provide 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, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits 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 7, 2010

Capital Ratios (BIS Standard; Consolidated Basis)

As of March 31, 2010

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 2010 the Bank's capital ratio stood at 12.42% on consolidated basis and at 12.31% on non-consolidated basis. Tier I capital ratio stood at 8.99% on consolidated basis and at 8.86% on non-consolidated basis.

Capital Ratio (consolidated basis)

	Millions of yen	Thousands of U.S. dollars
	2010	2010
(a) Capital ratio.....	12.42%	
Tier I capital ratio.....	8.99%	
(b) Tier I capital.....	¥ 198,084	\$ 2,129,027
50% of the excess amount of expected future loss over qualified reserve.....	3,600	38,695
(c) Tier II capital.....	80,799	868,438
45% of the difference between balance sheet values and book values of securities available for sale.....	30,577	328,650
45% of the surplus from land revaluation.....	9,593	103,111
Reserve for possible loan losses, excluding specific reserve.....	628	6,752
Subordinated debt.....	40,000	429,922
(d) Deductions.....	5,427	58,333
Shareholding by other financial institutions to ensure fund procurement capability.....	1,000	10,748
Investments outside the scope of consolidation.....	690	7,423
50% of the excess amount of expected losses over qualified reserves.....	3,600	38,695
Expected future loss on exposure (primarily of equity shares) under PD/LGD approach.....	65	705
On-balance sheet exposure to securitization and credit-enhancing IO strips.....	70	761
(e) Total regulatory capital (b + c - d).....	273,456	2,939,131
(f) Risk-weighted assets.....	2,201,462	23,661,463

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

For reference:	2010	2009	Comparison
(on consolidated basis)			
Capital ratio.....	12.42%	10.34%	2.08%
Tier I capital ratio.....	8.99%	8.73%	0.26%
(on non-consolidated)			
Capital ratio.....	12.31%	10.26%	2.05%
Tier I capital ratio.....	8.86%	8.64%	0.22%

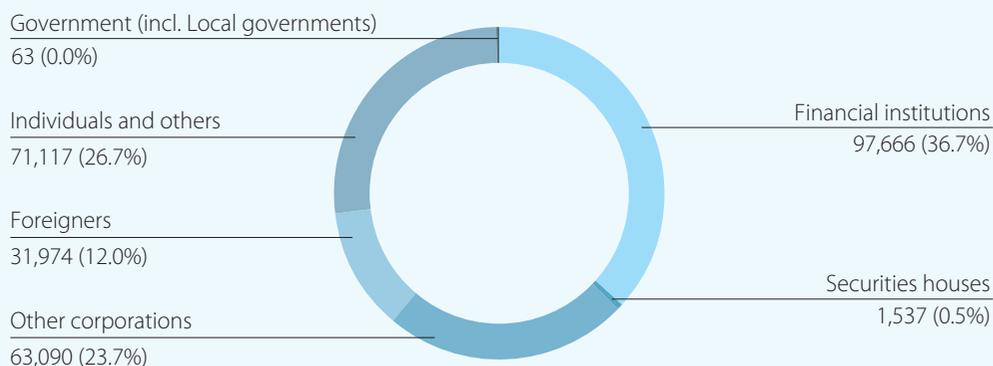
Stock Information

As of March 31, 2010

Major shareholders

	Number of shares held (Thousand shares)	As a percentage of total number of issued shares (%)
Northern Trust Co. (AVFC) Sub A/C American Clients	13,626	5.13
NIPPONKOA Insurance Co., Ltd.	11,651	4.38
Japan Trustee Services Bank, Ltd.	9,719	3.66
Nippon Life Insurance Company	9,475	3.56
Shiga Bank Employees' Shareholding Association	6,542	2.46
Mizuho Corporate Bank, Ltd.	6,500	2.44
Meiji Yasuda Life Insurance Company	6,199	2.33
The Dai-ichi Mutual Life Insurance Company	5,626	2.11
The Chuo Mitsui Trust & Banking Co., Ltd.	5,521	2.07
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,461	2.05
Total	80,323	30.25

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



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

Monthly share price movements



SHIGA BANK

<http://www.shigagin.com>

