

SHIGA BANK

A large, stylized graphic on the left side of the page. It consists of several overlapping, curved bands of blue, ranging from a deep navy blue to a bright cyan. Within these bands, there are several white silhouettes of birds in flight, moving from the bottom left towards the top right. The overall shape is a large, sweeping arc that curves from the bottom left towards the top right.

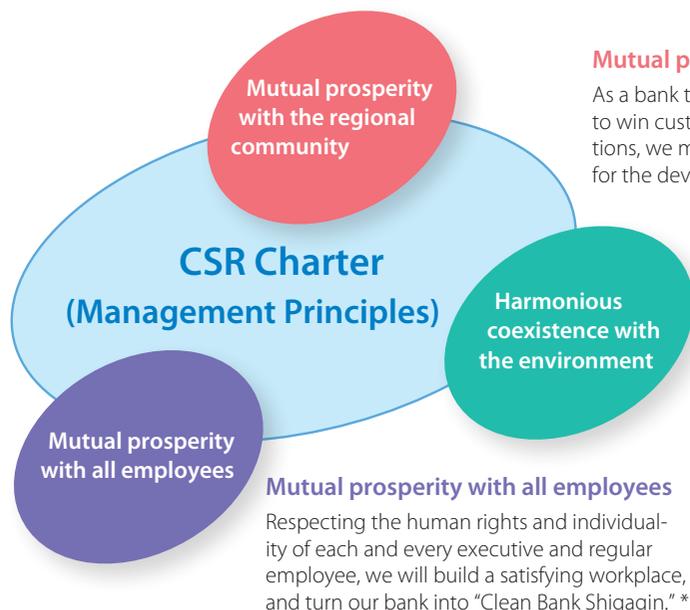
ANNUAL REPORT
2012

Year ended March 31, 2012

CSR Charter (Management Principles) (Instituted in April 2007)

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.

行是
自分にきびしく
人には親切
社会につくす



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.

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.

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.” *

*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, 2012, 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: ¥4,503.1 billion
Deposits (including negotiable certificates of deposits): ¥4,099.0 billion
Loans: ¥2,750.0 billion
Common Stock: ¥33.0 billion
Employees: 2,324
Offices and Branches: 139 (including 10 agents)
Rating: JCR A+
R&I A+

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Consolidated Financial Highlights

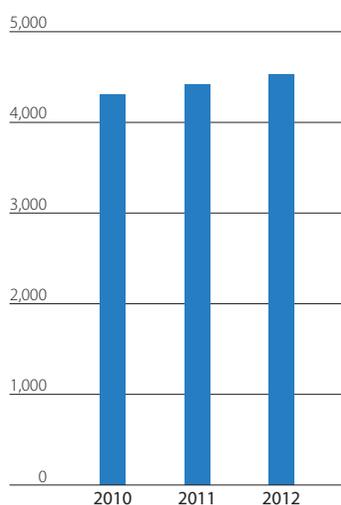
	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
As of March 31				
Total assets	¥4,523,309	¥4,420,479	¥4,302,261	\$55,034,793
Investment securities	1,430,242	1,385,525	1,339,054	17,401,655
Loans and bills discounted	2,743,438	2,768,107	2,714,367	33,379,221
Deposits	3,985,459	3,891,407	3,781,025	48,490,813
Total equity	248,047	257,531	257,738	3,017,979
Years ended March 31				
Total income	91,082	93,324	98,269	1,108,195
Total expenses	72,998	81,532	88,490	888,166
Income before income taxes and minority interests	18,084	11,792	9,779	220,029
Net income	8,228	4,676	4,322	100,111
Per share data (in yen, dollar)				
Cash dividends	¥ 6.00	¥ 6.00	¥ 6.00	\$ 0.073
Net income	31.17	17.71	16.37	0.379
Net equity	926.27	886.58	889.50	11.27
Ratio				
Capital ratio	14.04%	13.01%	12.42%	—
ROE	3.43%	1.99%	2.00%	—

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

2. U.S. dollar amounts represent translation of Japanese yen at the rate of ¥82.19 to US\$1.00 on March 31, 2012, the final business day of the term.

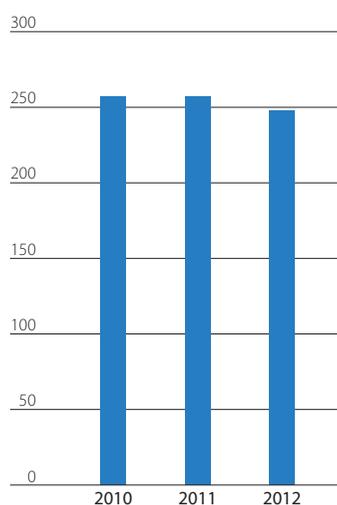
Total assets

(Billions of yen)



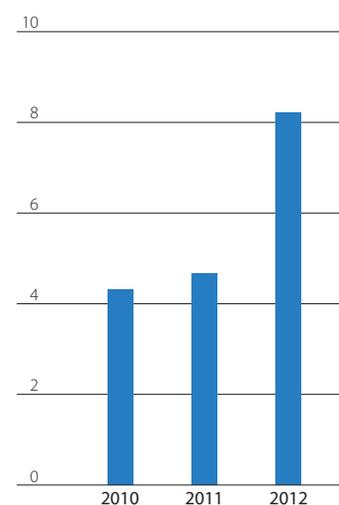
Total equity

(Billions of yen)



Net income

(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.

Message from the President

1. Financial results for the fiscal year ended March 31, 2012

Fiscal 2011 was a turbulent year for the Japanese economy, particularly due to the serious impact on the economy of the Great East Japan Earthquake and the major floods in Thailand. In this context, the Bank actively worked on the 4th Medium-Term Business Plan "Meeting the Challenge of the Next Stage — Greater mutual prosperity through strengthened dialogue" (April 2010 to March 2013). As a result, average deposits balances (including negotiable certificates of deposit) during the period and the balance of loans and bills discounted during the period both increased from last year to ¥4,050.6 billion and ¥2,716.4 billion respectively, and our financial results improved, with ordinary income coming to ¥15.8 billion (an increase of ¥7.0 billion year on year) and net profits coming to ¥7.3 billion (an increase of ¥3.5 billion year on year).

A major factor behind these results is that the Bank aimed for mutual prosperity with regional communities and the regional economy and worked together with our customers who were endeavoring to achieve growth and management improvement of

their companies even in these tough economic conditions to fulfill the consulting functions required of a regional financial institution to the maximum extent, and as a result we were able to greatly cut credit costs, one of the management goals of the Bank. The operating environment cannot be viewed optimistically given factors such as the long-term appreciation of the yen and fears of electricity shortages, but we will continue to work to strengthen the management support systems of our customers going forward.

Meanwhile, we are aware that the continuing decline in gross profits caused by the prolonged low interest rates is a major challenge and we will continue working to improve it.

2. The year in which we complete the 4th Medium-Term Business Plan

The 4th Medium-Term Business Plan currently underway has reached its final fiscal year (fiscal 2012), the year of completion of the plan. Now that we have achieved some success in reducing credit costs we intend to switch from "defense" to "attack" and, under the motto "We grow with our customers," strengthen our initiatives

Challenge

大挑
道良
夫
戰



Yoshio Daido
President

for “mutual prosperity” with regional communities to realize “the strengthening of profitability” and endeavor to achieve the goals in the 4th Medium-Term Business Plan.

Specifically, we will further strengthen our initiatives for the “three brand-building strategies — providing expertise and care—” of “being strong in Networks,” “being strong in Asia,” and “being highly CSR-conscious” and further push ahead with the basic vision of the plan, “Greater mutual prosperity through strengthened dialogue.”

“Being strong in Networks”

We actively leverage our network of branches and our solutions proposal capabilities, centered on business matching, to support our corporate clients’ efforts to expand their operational scale. We held the fifth Eco Business Matching Fair 2012 on July 11, 2012. The Bank holds the fair every year with the desire to “provide a forum for connecting customers working on environmental businesses and companies with an interest in environmental businesses in order to support the development of new businesses.”

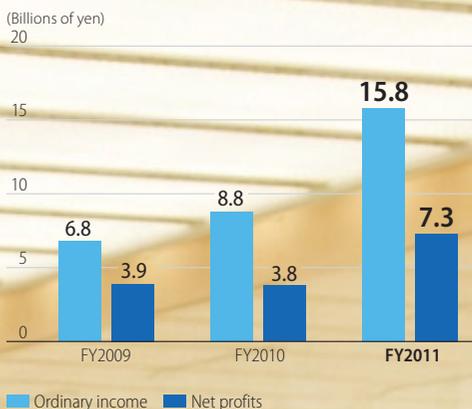
This time we added the new fields of “medical care, long-term care, and health” to the main theme of “the environment,” customers from many different industries presented exhibits, and lively business talks took place.

We also added the tourism field which is thriving due to the effect of the *Taiga* drama on television, and we are working for new growth by combining the manufacturing industry, our strength, with new growth fields in order to connect and promote the businesses of each of our customers and develop new businesses.

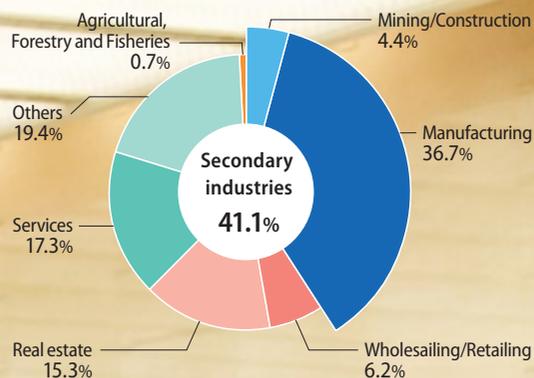


NEXT STAGE

■ Ordinary income and Net profits



■ Gross prefectural product and percentage distribution by industry (in nominal terms)



* Total for Mining, Construction, and Manufacturing industries
Source: Data on Prefectural Accounts in Shiga Prefecture for Fiscal 2009

“Being strong in Asia”

On February 9, 2012 we opened the Bangkok Representative Office, the first office opened by a Kinki regional bank in Southeast Asia. Approximately 6,000 Japanese companies have entered Thailand, and 158 of the Bank’s customers are operating there (as of the end of March 2012). We decided to open the new office in Thailand because that country has a stable society, the risks involved in doing business there are low, and further economic development is expected.

We have constructed a network centered on the Asia Desk at the Head Office linking the Hong Kong Branch which is the only overseas branch run by a regional bank in Kinki, the Shanghai Representative Office, and the newly-established Bangkok Representative Office, in order to support our customers’ efforts to develop their businesses in Asia.

Meanwhile, in March 2012 the Hong Kong Branch commenced the first Renminbi-denominated loans by a Japanese regional bank to the Chinese subsidiaries of Japanese companies for development of their businesses on mainland China. It is thought that the funds procurement methods of the Chinese subsidiaries of Japanese companies are becoming more diverse due to the expansion of the Renminbi market and deregulation on mainland China. The Bank will further strengthen its initiatives aimed at “being strong in Asia.”

“Being highly CSR-conscious”

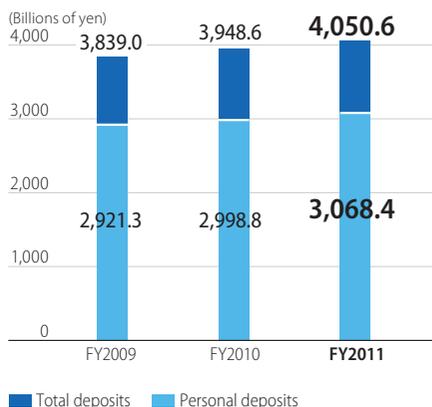
There continue to be fears of electricity shortages throughout the nation due to the nuclear accident caused by the Great East Japan Earthquake and we believe that responding to the social demand for power-saving initiatives is precisely what is meant by corporate social responsibility. In summer 2011 Kansai Electric Power Co., Inc. asked us to cut electric power consumption by 15% compared to the previous year. Thanks to the understanding and cooperation of our customers the Bank has implemented a variety of different measures to save power, including reducing lighting in the sales branches and other places, setting the air conditioning to 28



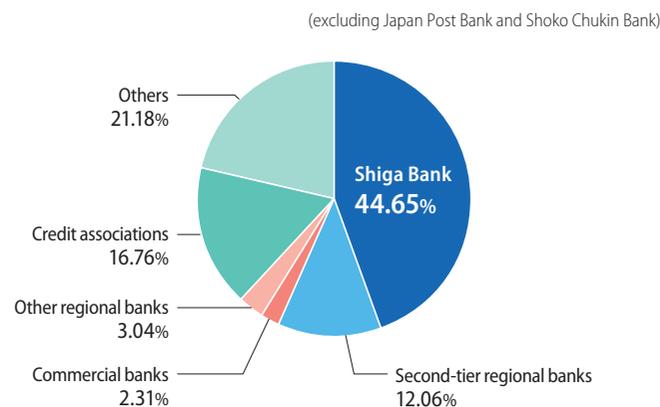
Bangkok Representative Office opening ceremony



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



Deposit balances (share in Shiga Prefecture) (as of September 30, 2011)



degrees, reducing the amount of electricity consumed with office equipment, restricting the use of vending machines and elevators in our buildings, and other measures. As a result, we reduced power use at peak times by 15.8% compared to last year, more than the goal of 15%. In addition, we worked on power-saving throughout the year because power-saving leads to a reduction in greenhouse gases as well, so in fiscal 2011 we were able to reduce our electricity use by 9.6% compared to the previous fiscal year.

Together with power-saving, the problems of preventing global warming and preserving biodiversity also continue to be urgent problems which must be addressed without delay. The Bank is continuing to work on "being highly CSR-conscious" based on the three key concepts of "environment," "welfare," and "culture."

3. Approaching the 80th anniversary of the founding of the Bank

The Bank will celebrate the "80th anniversary of the founding of the bank" on October 1, 2013. On October 1, 1933 two major banks in the prefecture at the time, the 133rd National Bank (Hyakusanjusan Bank) and the Hachiman Bank merged to create The Shiga Bank. Since then we have won the trust of our customers, primarily in Shiga Prefecture and both our deposits and our loans and bills have

continued to increase strongly, building the bank up into the Shiga Bank of today.

In 1966 Shiga Bank adopted the motto: "Be tough on ourselves, kind to others and serve society." This motto carries on the "Sampo yoshi" philosophy, a management philosophy embraced by the merchants of the Omi region (the former name of Shiga), which means to bring happiness to three sides: being good for the seller, the buyer, and society. In April 2007 we instituted our management philosophy, the CSR Charter, on the basis of this motto, and we are promoting mutual prosperity with the regional community, all of the Bank's employees, and the global environment.

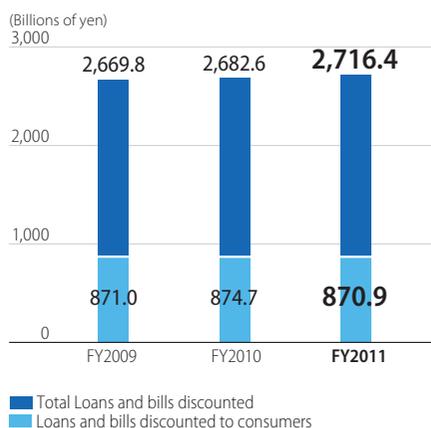
In fiscal 2012 I would like the entire bank to continue working based on this year's key word "challenge" and celebrate the "new stage" that is the 80th anniversary of the founding of the bank in order to realize the main theme of the current Medium-Term Business Plan: the "NEXT STAGE" or in other words "greater mutual prosperity."

Meeting the Challenge of the Next Stage

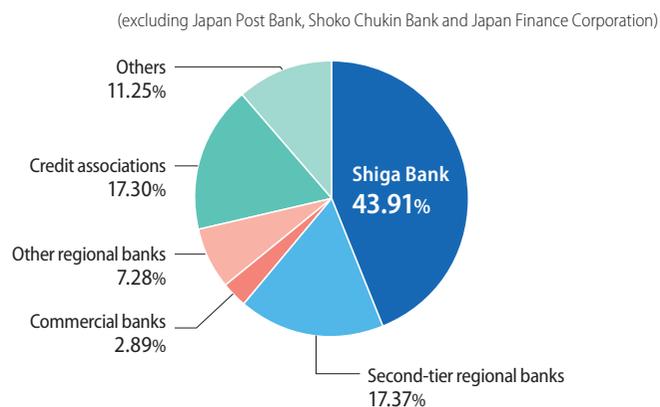
— Greater mutual prosperity through strengthened dialogue

NEXT STAGE

Average balance of loans and bills discounted during the period



Balances of loans and bills discounted (share in Shiga Prefecture) (as of September 30, 2011)

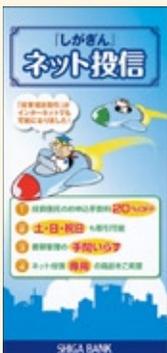


The Shiga Bank Topics

In fiscal 2011, the second year of the 4th Medium-Term Business Plan (three years), the Bank aimed to “create a financial service business that can deliver high added value” and based on the “three brand-building strategies” we developed and provided products and services that met the diverse needs of our customers, renovated branches, and supported our customers’ efforts to develop their businesses in Asia. The entire bank also engaged in multifaceted activities including CSR (corporate social responsibility) with the focus on the environment. In fiscal 2012, the final fiscal year of the plan, we will move forward with the aim of completing implementation of the plan.

Opening of the “Oyabu Personal Office”

In April 2012 we rebuilt the Oyabu Branch at a new location and established functions in the branch equivalent to those of the “Shigagin Plazas” which offer consulting services regarding mortgage loans and are open on weekends and holidays too, and the “personal offices” which offer comprehensive advice about asset management. This is our first trial combining Shigagin Plazas with “personal offices” as part of our efforts to achieve “being strong in Networks,” one of our “three brand-building strategies.” (Please see page 13 for further details)



Development and provision of diverse products and services

In October 2011, we began the Shigagin Net Investment Trust, a service that allows users to conduct investment trust transactions online. Furthermore, we established a fund for communicating Shiga’s appeal in May 2011 for investment in the tourism business only, the first fund of this type established by a financial institution. (Please see page 10 for further details)

Meanwhile, with a desire to increase convenience for our customers we endeavored to expand our services in the area of “being strong in Networks” by partnering with a series of ATM providers, including Lawson ATMs and ENET ATMs in March 2011 and on January 1, 2012, Shiga Bank and Aeon Bank decided to eliminate all charges for ATM use.

Support for environmental businesses

We began the Shigagin Eco Business Forum 2012 called “Saturday School for Entrepreneurship” in June. It explores the possibilities for new businesses based on diverse themes such as the environment, medical care and health, regional development, and nature technology. Believing that developing new businesses is the mission of a regional financial institution, the Bank has been hosting this forum every year since fiscal 2000. A total of 1,705 people have attended the forum up until fiscal 2011. (Please see page 9 for further details)

Meanwhile, we hold the “Shigagin Eco Business Matching Fair” every year, aimed at exchanges and business talks focusing on environmental businesses. It has been highly successful every time, showing the high level of interest in environmental businesses. (Please see page 9 for further details)



Opening of the Bangkok Representative Office

In February 2012 we opened a representative office in Bangkok, the capital of Thailand, which is located in the center of the Southeast Asian economy. This is our third overseas office after the Hong Kong Branch and the Shanghai Representative Office. As a part of “Being strong in Asia,” we rapidly and accurately support our customers’ efforts to develop their businesses in Asia by gathering the latest economic information about the rapidly-developing Southeast Asia area and forming close networks with the Asia Desk at the Head Office and the two offices in Hong Kong and Shanghai.



The first Japanese regional bank to offer Renminbi-denominated loans to mainland China

The Bank commenced the first Renminbi-denominated loans to mainland China by a Japanese regional bank in March 2012. Shiga Bank is the only regional bank in the Kinki region with an overseas branch — our Hong Kong Branch. We leveraged the advantage this gives us to provide loans to the Chinese subsidiaries of Japanese companies. It is thought that the funds procurement of the Chinese subsidiaries is becoming more and more diverse. Given this situation, going forward the Bank will continue to support our customers’ efforts to develop their businesses in Asia.

Winner of the grand prize in the “Contest for Corporate Activities on Biodiversity”

In October 2011 the Bank won the Minister of Agriculture, Forestry and Fisheries Prize (the grand prize in the general category) in the “2nd Contest for Corporate Activities on Biodiversity.” This contest gives awards to companies and business operators that take steps to preserve or restore biodiversity, and the Bank was commended for its environmental preservation activities as a bank that is “being highly CSR-conscious,” including the efforts by all of the executives and employees for “reed-cutting” and “fishing to eradicate exotic fish species” along the shores of Lake Biwa, and the “release program of Nigorobuna and Wataka fish.” (Please see page 10 for further details)



Our Services for Corporate Customers

Shiga Bank supports corporate customers with its “solutions business,” which offers management consultations that provide solutions for their business operations. In addition, we share and solve management problems with our customers in a way that is tailored to their “business life-cycle” (i.e., foundation, growth, and maturity).

With these initiatives we seek to create a financial service business that can deliver high added value so that we can achieve even greater mutual prosperity with our customers.

Developing new businesses

To assist in the development of new businesses, the Business Support Office in the Business Promotion Department is taking the lead in a wide range of activities including, (i) coordination of new business alliances (industry-industry and industry-university-government alliances), (ii) support and counseling services to companies working on new businesses, and (iii) holding the Saturday School for Entrepreneurship to provide ideas for new businesses.

■ “Saturday School for Entrepreneurship”

Every year since fiscal 2000, we have been offering an Eco Business Forum called the “Saturday School for Entrepreneurship” which supports a strong spirit of entrepreneurship by presenting the latest trends, university seeds (ideas and concepts for new businesses), and examples of specific initiatives (best practices), based on themes such as the environment, medical care, tourism and regional revitalization.

In June we started the “Saturday School for Entrepreneurship” for fiscal 2012, the thirteenth year. It will be held five times, on a Saturday each time, until February 2013.



■ Shigagin New Business Support Loan

To swiftly meet the diverse funding needs of entrepreneurs, the Bank offers the Shigagin New Business Support Loan, an unsecured loan of up to ¥30 million.

As of March 31, 2012, a total of 96 such loans had been extended for the sum of ¥2,143,000 thousand.

Business matching

We offer business matching services to create new “business currents” through the matching of enterprise seeds and needs.

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

■ Holding of the Eco Business Matching Fair 2012

We held the “Eco Business Matching Fair 2012” on July 11, 2012 to provide a forum for business talks focusing on environmental businesses.

We hold the fair every year, and this was the fifth time.

87 companies presented exhibits on six themes including new energy and energy saving, recycling, and environmentally-friendly civil engineering and construction, with 1,910 visitors and enthusiastic business talks held.



M&A support

We support the mergers and acquisitions (M&A) undertaken by our customers in order to solve management issues such as the “successor problem.” We meet customer’s needs such as “I want to hand over management to ensure the continued survival of the company” and “I want to take over the company to achieve greater development” by providing information and offering advisory services with specialized staff.

BCP Support Consulting

The Bank offers “Business Continuity Plan (BCP) Formulation Consulting.”

The BCP consulting support helps to minimize damage when a disaster, such as a massive earthquake, strikes, and we also assist in formulating the BCP, the purpose of which is the speedy restoration of business. In this way we are strengthening our customer's business foundation.

Establishment of a fund for communicating Shiga's appeal

We have created a fund for communicating Shiga's appeal as an investment in the tourism business. It supports businesses that are combining Shiga's local resources including nature, food, history, and industry with tourism to increase the appeal of the regional brand and develop and provide new products and services utilizing local resources.

Environmental measures

Initiatives to prevent global warming and to preserve biodiversity are essential for a company's sustainable development. Shiga Bank helps its customers develop environmental business to achieve compatibility between their environmental and economic concerns.

■ Shiga Bank Principles for Lake Biwa (PLB)

The Bank has established "the Shiga Bank Principles for Lake Biwa (PLB)" for working together with its customers to protect Lake Biwa and the global environment, and is enlisting support for these principles.

■ Adoption of the PLB rating

As part of its initiatives for preserving the environment, the Bank rates customers who have agreed with the principles of the PLB and offers interest-rate incentives. 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."

■ PLB rating BD

The Bank has adopted its own unique biodiversity rating out of a desire to support the activities of our customers to preserve biodiversity. The rating uses set indicators to measure and evaluate the "biodiversity-friendliness" of customers that agree with the goal of the rating — "the inheritance of abundant biodiversity and the construction of a symbiotic society" — and wish to obtain a rating.

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.

As of the end of March 2012, a total of 1,102 loans worth ¥25.5 billion had been extended by the Fund.



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. 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* and *Wataka* fish, endangered indigenous species of Lake Biwa.



Management Support Initiatives

In order to share the needs and business issues and solve the issues of our customers, we offer support for the formulation of management improvement plans and management support through collaboration with external institutions.

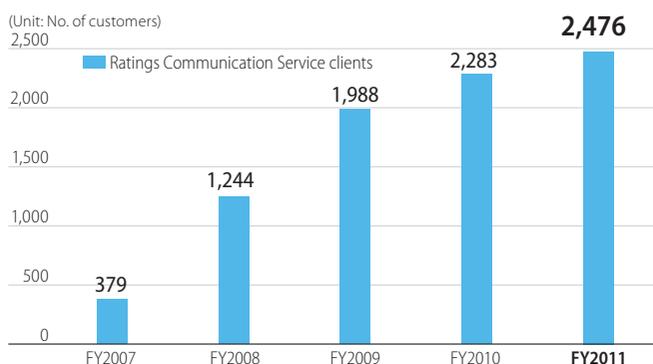
The Bank is endeavoring to realize “mutual prosperity with regional communities” by strengthening its consulting functions through “providing expertise and care” and supporting the development of its customers.

Ratings Communication Service

The Bank positions the “corporate credit ratings” as a rational communication tool that connects our customers to the Bank, and rationally decides the ratings through quantitative financial analysis based on the financial statements, qualitative evaluations using the Bank’s unique expertise in credit supervision, and comprehensive analyses of large amounts of information.

Using the “Ratings Communication Service,” the Bank shares with its clients their respective “strengths” and “weaknesses” which were discovered through the rating process. The service also aims to support the clients in building sustainable management infrastructures and increasing their corporate value, by working together with them to solve their problems and improve their financial condition. Specifically, after asking the customers about its management vision, we propose and provide support for improvement measures for the challenges and problems that the Bank perceives.

Rating Communication Service clients (cumulative total)



Backing up the corporate management of our customers

We offer extensive support to customers working to improve their management. The Company Management Support Office in the Credit Supervision Department is at the center of these activities. Qualified employees, including certified small and medium



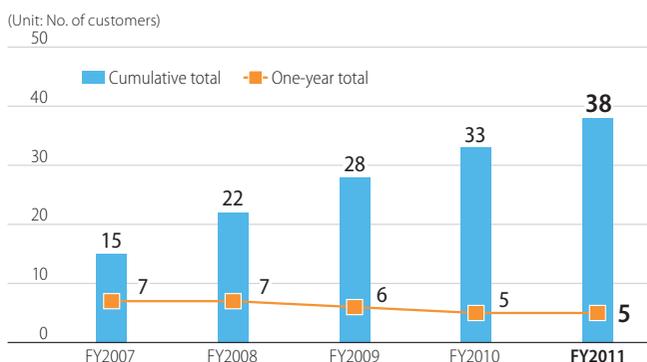
enterprise management consultants, comprise this Office. The Office members provide management support to our corporate customers by making active use of their expertise and collaborating with external experts, such as lawyers, certified public accountants, tax accountants and consulting companies.

Initiative for fundamental business revitalization support

For customers that need fundamental management improvements, including reconstruction of their finances, we offer full-scale business revitalization support entailing financial support such as DDS (debt-debt swap).

For our business revitalization service, including financial support, we are strengthening our collaboration with the Small and Medium-sized Enterprise Revitalization Support Councils and other fair and neutral third-party institutions, and focusing all of our energies on the revitalization of the customers.

Use of Small- and Medium-sized Enterprise Revitalization Support Councils



* Use of Small- and Medium-sized Enterprise Revitalization Support Councils refers to BCPs whose formulation has been formally decided on out of all projects accepted by Shiga Prefecture Small- and Medium-sized Enterprise Revitalization Support Councils.

Improvement (upgrading) of debtor category

As a result of these initiatives, the debtor category of 142 customers had improved (been upgraded) by March 2012.

Business revitalization is a long-term effort which by its nature does not produce results immediately, but going forward the Bank will continue to focus on “providing expertise and care.”

Overseas Business Support

Our customers are entering overseas markets, particularly in Southeast Asia, at an accelerating pace. The Bank believes that our customers' entry into overseas markets leads to further business development and thus revitalizes Japan's regional economy, so going forward we will continue to support the expansion of our customers' businesses overseas.

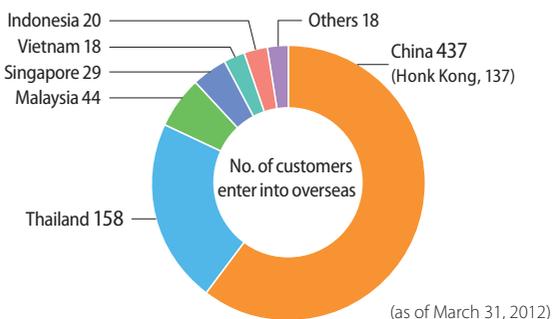
Asia Network



Support for entry into overseas markets

The Hong Kong Branch (opened in 1993), Shanghai Representative Office (opened in 2003), Bangkok Representative Office (opened in February 2012) (Please see page 8 for further details), and International Marketing Group (Asia Desk) in the International Department are providing finely-tuned support to the Asian businesses of their customers.

In fiscal 2011 the Asia Desk and the overseas offices provided support on 1,142 occasions, including "Overseas Expansion Advisory Services," "management consultations" for local subsidiaries and overseas "business matching."



Holding of business talks in Shanghai

Over the two days of September 6 and September 7, 2011, the Bank held the "Japan-China Manufacturing Business Talks Shanghai 2011" jointly with regional banks, local governments, and other organizations from Japan.

At these business talks, the largest in China, over 500 Japanese manufacturers companies which want to procure parts and materials or expand their sales in China presented exhibits and held promotions and business talks aimed at Chinese companies. Over the two days 8,600 people from 4,800 companies visited the site and 15,000 business talks were held.



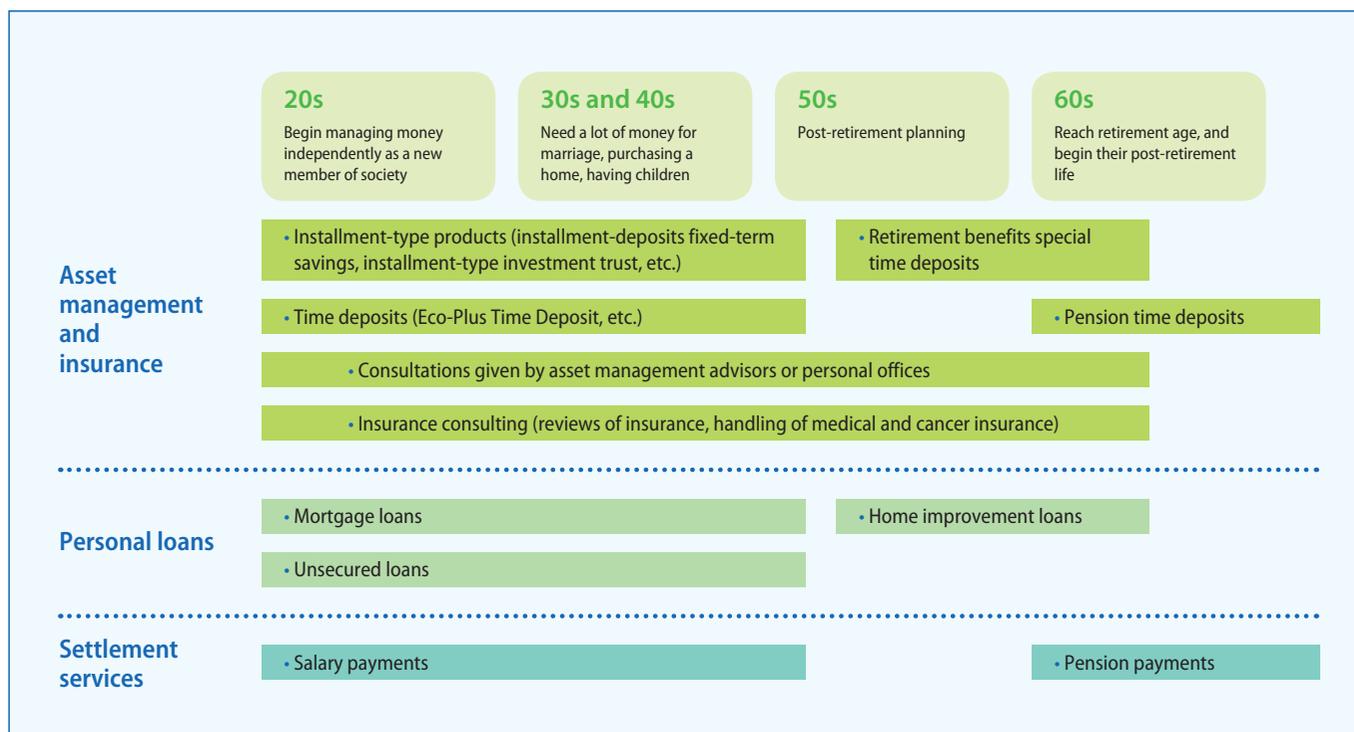
Assistance for opening up sales channels in China

In China consumption is continuing to expand, particularly among the wealthy, so in order to meet the needs of our customers who wish to sell products there we provide a service which helps them to open a store in the Japanese section of China's on-line shopping mall China UnionPay (Ginren).



Our Services for Individual Customers

Wishing to support the fruitful lifestyles of our customers, we provide products and services tailored to life stages which take into account the future visions of our customers.



Opening of the “Oyabu Personal Office”

We opened our “Oyabu Personal office” tailored to individual customers on April 23, 2012. This means that we now have three “personal offices,” along with the ones in Kusatsu and Minami Kusatsu. (Please see page 7 for further details)

At each of the “personal offices” we have established booths specializing in providing sufficient consultations to customers, and they are open to 5pm on weekdays and on Saturdays and Sundays as well, enabling our busy customers to come for consultations at the time which best suits them.

Asset management advisors make thoughtful proposals

We have appointed “asset management advisors” possessing wide-ranging knowledge about pensions, taxation, inheritance, and other matters to all of the branches in the Kyoto and Shiga area, and they are working hard to make thoughtful proposals tailored to the life plans of the customers.

Mortgage loans in the “Shigagin Plazas”

The “Shigagin Plazas” are open on Saturdays and Sundays and public holidays, and they meticulously meet the loan needs tailored to the lifestyles of our customers, including consultations and receipt of applications for mortgage loans.

Eco-Plus Time Deposit

With our environmentally-friendly financial product, Shigagin Eco-Plus Time Deposit, since fiscal 2006 each time a customer uses an ATM, Internet banking, or telephone banking to make a time deposit the Bank puts aside ¥7 (the amount equal to the application form charge that is saved) and makes a donation every year to support the environmental education of children.

The Bank has donated a cumulative total of ¥10,795,000 to 23 schools to support the creation of biotopes in elementary schools in Shiga Prefecture (as of the end of June 2012).

CSR

The CSR of Shiga Bank

The Bank is aware that “companies are also members of society” so our entire organization is working to pursue corporate social responsibility (CSR) aimed at “the sustainable development of society.”

Specifically, we are developing multifaceted activities based on the three key concepts of “environment,” “welfare,” and “culture” in order to achieve the goals of “mutual prosperity with the regional community,” “mutual prosperity with all employees,” and “harmonious coexistence with the environment” put forth in the CSR Charter (management principles).

An Eco-First enterprise

We are implementing both “environmental management” with a focus on preservation of the global environment, in particular Lake Biwa, and “environmental finance” which promotes environmental preservation and improvement from a financial angle, including through the provision of financial products and services.

The environmental preservation activities we have undertaken as the mission of a bank with its headquarters on the shores of Lake Biwa have been widely recognized, and we became the first company in the finance industry to receive “Eco-First Enterprise” certification from the Ministry of the Environment (July 2008). Going forward we will continue to work for preservation of the environment as an “Eco-First Enterprise.”



Signing the “Principles for Financial Action towards a Sustainable Society”

The Bank agrees with the “Principles for Financial Action towards a Sustainable Society” and signed them in December 2011.

These principles stipulate seven actions that financial institutions should take to build a sustainable society, including “adopting a cautious stance toward investment in businesses for which there is thought to be high risk of a significant negative impact on the environment or society” and “provision of financial products and services leading to the development and increased competitiveness of “industries contributing to a sustainable society.”

Power-saving initiatives

In order to handle power shortages we are implementing power-saving measures in the summer and winter seasons and in summer of fiscal 2012 we will implement these measures from July 2 to September 28. Specifically, we will (i) reduce the lighting in the business rooms by 25%, (ii) set the room temperature to 28°C in summer, (iii) set the brightness of the computers at 40%, and turn the power off or put the computer in standby mode when the user is away from his/her seat.

We reduced the amount of electricity we use by 9.0% in the first half of fiscal 2011 and by 9.6% over the full year from last year.

Donations of relief money to the Great East Japan Earthquake and the Thailand floods

Due to our desire to help the afflicted region recover from the Great East Japan Earthquake we set up collection boxes on the counters in our bank branches and our customers gave a cumulative total of ¥4,346,476 of relief money which we donated to the Shiga Prefecture Community Chest. Furthermore, ¥20,000,000 from the Bank Group and ¥8,897,243 from the executives and employees of the Bank Group were donated to the Japanese Red Cross Society on March 22, 2011 and April 5, 2011, respectively.

Meanwhile, on the occasion of the opening of the Bangkok Representative Office the Bank donated ¥2,000,000 to the Thai Red Cross Society on February 9, 2012 to assist Thailand’s recovery from the Thailand floods.



BCP

Business continuity

“Business continuity” refers to measures by a company to avoid any interruptions to its critical business, or if there is an interruption being able to recover from it as quickly as possible, even after suffering damage from a large-scale disaster such as an earthquake or an outbreak of an infectious disease such as a new strain of influenza.

Due to the highly public character of banks, the Banking Act also requires measures for “continuity of operations.” Shiga Bank considers “business continuity” to be one important management issue from the perspective of corporate social responsibility (CSR) as well, so we have constructed a system to enable us to smoothly continue operating even when a crisis occurs.

Toward operation of an effective “Business Continuity Plan”

The Bank formulated its Business Continuity Plan (BCP) based on the scenario of the occurrence of a major earthquake and its Business Continuity Plan “Infectious Diseases Countermeasures” based on the scenario of an outbreak of a new strain of influenza in March 2007 and December 2009 respectively.

Based on these business continuity plans (BCPs), we established regulations regarding crisis management and disaster prevention, and produced manuals and procedural documents clearly stating what the initial response should be when a disaster occurs. In addition, we are endeavoring to improve the effectiveness of our emergency responses by regularly implementing emergency drills and providing in-depth education about emergency responses to the executives and employees. Moreover we regularly hold meetings of the BCP Committee chaired by the Senior Managing Director, keep everyone in the bank informed, and continuously revise our in-house systems.

■ Learning from the Great East Japan Earthquake and the power supply shortages

In order to clarify what our initial response should be when a disaster occurs, we formulated the Earthquake Disaster Initial Response Manual in April 2011 and in order to be able to respond quickly when there are power supply shortages we formulated the Sudden Power Loss Response Manual and the Power Shortage Response Manual in April 2012. Moreover, in response to planned power outages, which were expected from July to September 2012, the Bank created the Planned Power Outage Response Manual in June 2012.

Disaster measures

The Bank has taken measures to develop in-house infrastructure so that even when a disaster such as a major earthquake occurs, it can still fulfill its role as a financial institution and maintain the functions necessary for the livelihoods of its customers, the economic activities of the region, and settlements.

■ Introduction of satellite cell-phones

When the Great East Japan Earthquake occurred, many fixed-line telephones and cell phones stopped working so in November 2011 we introduced satellite cell-phones with the goal of diversifying our communication methods.



■ Maintaining the functions of on-line systems

The core element of business continuity is maintaining the functions of on-line systems. For this reason, we have installed all of the important computer equipment in an administrative building that has its very own 72-hour power generation capacity. Also in the Kanto region, we have installed a system backup center.



■ Maintaining the functions of branches

At each of the branches, we carry out seismic diagnoses and anti-seismic reinforcement, and in the main branches within a certain area, we have installed equipment that will enable business to continue even when a disaster occurs, including emergency-use power-generating equipment.



■ Development of methods to confirm the safety of executives and employees

In order to ascertain the extent of human suffering as quickly as possible, we have introduced the Safety Verification System to confirm the safety of all of the executives and employees at once using mobile phones and other tools.

Initiatives for Relationship Banking

State of progress (April 2011 to March 2012)

The Bank is committed to enhancement and application of the marketing strategies in the 4th Medium-Term Business Plan we started in April 2010, namely “providing expertise and care under three brand-building strategies” (“being strong in Networks,” “being strong in Asia,” and “being highly CSR-conscious”). We have set various specific numerical targets aimed at promoting relationship banking, and we are working hard to achieve them.

1. Initiatives for “being strong in Networks”

The Bank is utilizing its networks to create new “business currents” and help the development of new businesses going forward by connecting our customers to each other.

2. Initiatives for “being strong in Asia”

As the only regional bank in the Kinki region having a branch overseas, we supported the overseas transactions of our customers,

holding business talks in Shanghai and the Asia Seminars which had the theme of the latest business information about Thailand.

3. Initiatives for “being highly CSR-conscious”

We have positioned the pursuit of CSR (corporate social responsibility) with an environmental focus as the “essence of bank management.” Under our motto “Clean Bank Shigagin,” we have implemented and enhanced “environmental management,” which incorporates the environment in management, and “environmental finance,” which embeds the environment in finance with such tools as the “Eco-Plus Time Deposit” and the “biodiversity rating (PLB rating BD).”



Numerical Targets in Our Commitment to Relationship Banking

Specific initiatives	Targets for the year ending March 31, 2013	Results as of March 31, 2012	
● Numerical targets in the 4th Medium-Term Business Plan			Progress toward goal as of March 31, 2012 (%)
Tier 1 ratio (consolidated)	9.0% or higher	9.42%	
ROE (consolidated)	3.5% or higher	3.43%	
OHR (non-consolidated)	65% or lower	67.72%	
Emissions of CO ₂ [*1]	25% cut (from FY06)	58.29% cut	
● Initiatives for “providing expertise and care under three brand-building strategies”			
● Initiatives for “being strong in Networks”			
Number of times we provided new business support: acting as coordinator	100	51	51.0%
Number of times we set up business matching meetings	2,400	2,877	119.8%
Number of proposals submitted for business succession	360	323	89.7%
Number of instances of support through our “Communication Service”	3,400	3,091	90.9%
Number of borrowers whose borrower categories have been upgraded [*2]	60	15	25.0%
Number of instances of use of the Small and Medium Enterprise Revitalization Support Association	24	17	70.8%
● Initiatives for “being strong in Asia”			
Number of instances of support being provided by our Asia Desk and overseas offices	3,600	2,714	75.3%
Number of advisory contracts with companies entering China	10	2	20.0%
Number of instances of overseas study tours, overseas business talks	3 each	3 each	100.0%
Number of times we arranged business matching meetings with Japanese and overseas companies	100	68	68.0%
● Initiatives for “being highly CSR-conscious”			
Eco-Plus Time Deposit	650,000	354,835	54.5%
Total number of loans under the PLB Fund/Eco-Clean Loan Program [*3]	1,400	378	27.0%
Total amount made under the PLB Fund/Eco-Clean Loan Program	18 billion yen	9.89 billion yen	54.9%
Number of instances of assessment for PLB rating BD purposes [*4]	3,800	2,329	61.2%
Number of risk consulting cases relating to disasters	100	491	491.0%

* 1 The results for emissions of CO₂ include a cut of 30.63% from the carbon offset effect due to our purchase of emissions credits.

* 2 Number of borrowers whose borrower categories have been upgraded: Only customers handled by the Company Management Support Office under the Credit Supervision Department are counted (199 customers).

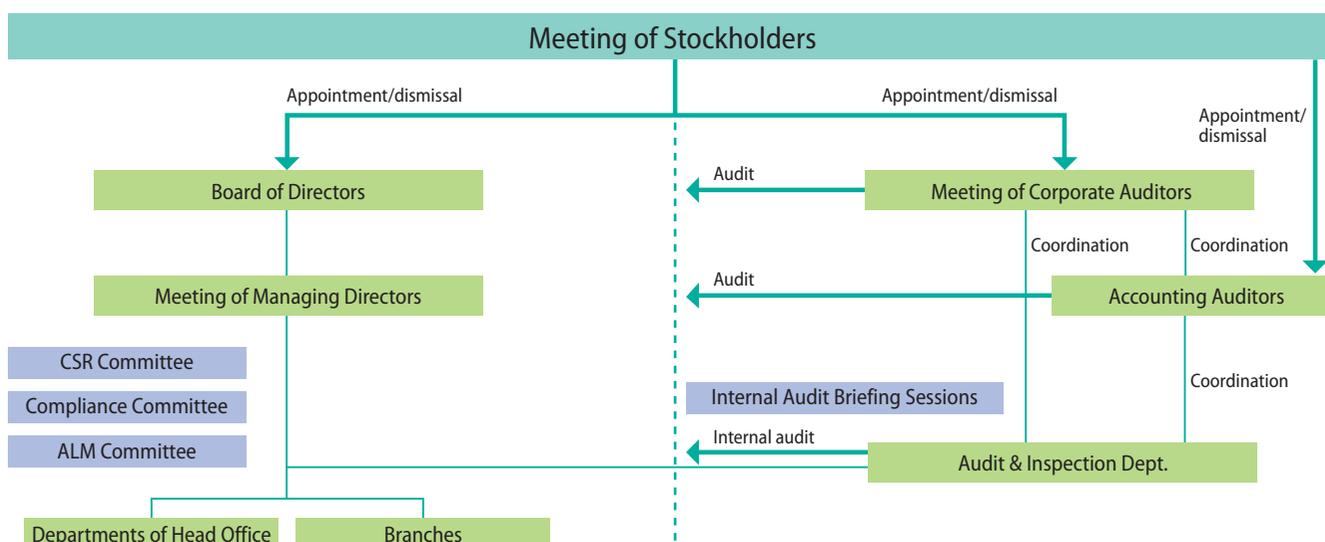
* 3 PLB Fund: Principles for Lake Biwa Support Fund

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

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, 2012) is shown in the chart below.



Company Organizations

(1) Board of Directors

The Board of Directors, with 17 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

Led by the Legal Affairs Office of the Assets and Liabilities Managing Department the Bank is building systems for maintaining compliance with laws and regulations and proper bank management, and is making efforts to foster employees with a strong sense of ethics.

Legal compliance system

The Bank has stipulated the Code of Conduct based on the CSR Charter, our management principles. A Legal Compliance Committee chaired by the senior managing director of the Bank takes the lead in observation of this Code of Conduct and thorough compliance with laws and regulations, and once every six months we draw up a Compliance Program and endeavor to implement it.

Specifically, training is conducted every year at each department, branch and affiliate in accordance with set themes, and the extent to which the training has been understood is monitored by the head office. Departments, branches and affiliates which are determined not to understand it sufficiently redouble their efforts and try to strengthen their legal compliance system by continuously implementing the PDCA cycle.

In fiscal 2012, we are conducting training about the management of client information using DVDs and images from the in-house information distribution system.

Whistle-blowing system established

In order to promote compliance management, we have established a legal compliance help line (24 hours a day) for employees to contact when they have discovered a violation of laws, regulations, or rules in the workplace and cannot discuss their concerns with their superiors or colleagues.

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

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 System

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 System

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.

VaR (Value at risk)

VaR uses a statistical technique to measure the losses that could potentially be incurred in a fixed period of time (for example one year). The Bank uses risk amounts measured with a confidence interval of 99% and a holding period of one year in its internal management.

Toward a Stronger Risk Management System

Credit Risk Management System

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

Recognizing credit risk as the most important risk to business management from the standpoint of its size and scope, the Bank believes that it is necessary to establish a credit risk management system and control the risk using rational yardsticks. For this reason, in December 1998 the Bank introduced its own corporate credit ratings system, and then it adopted Basel II's "Foundation Internal Ratings Based-Approach" beginning from the fiscal year ended March 31, 2008.

■ Outline of the Corporate Credit Rating System

The Bank implements financial analyses (quantitative evaluations) using statistical rating models based on the financial statements of the customers, and decides the corporate credit rating taking into account qualitative evaluations using the unique screening know-how of the Bank, and the condition of the company. Regarding the

Corporate Credit Rating System, the Bank places importance on the PDCA cycle, conducts in-depth verifications of the state of management and the performance of the Corporate Credit Rating System, and taking into account the results of the verifications works to improve the quality of the credit rating system.

■ Outline of Credit Risk Management

Changes in the financial status of the customers are reflected as changes in the credit risk of the Bank through the credit rating system. In order to more precisely implement credit risk management the Bank does not merely analyze the results of the measurements of the amount of credit risk; it implements credit risk management while being aware at all times of the risks faced by its customers.

Specifically, every quarter we quickly collate financial data based on the financial statements of the customers and analyze the changes and trends in the sales and profits of the customers, then conduct credit risk management while monitoring the composition of the credit portfolios, the volume of credit risk, and other factors.

The Significance and Purpose of the Corporate Credit Rating System

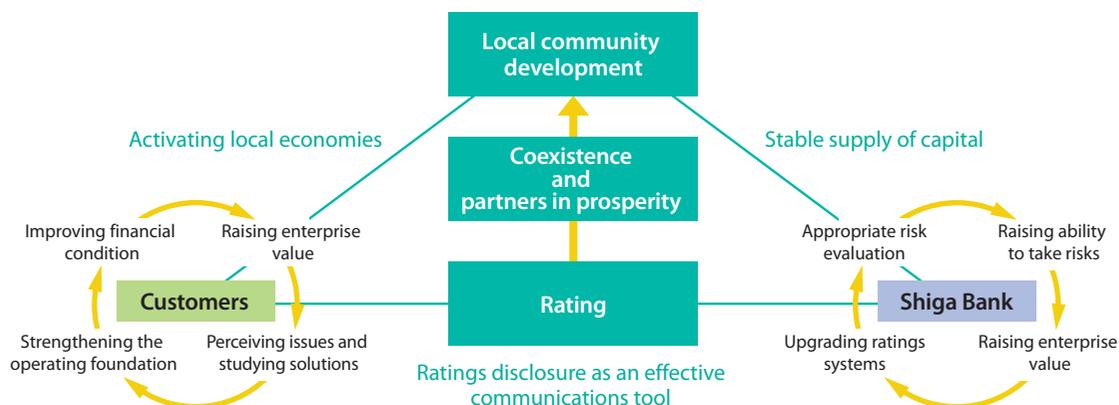
Reasons for adopting Basel II's Foundation Internal Ratings Based-Approach (FIRB)

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.

Significance and purpose of the ratings system



Market Risk Management System

Market risk refers to the risk that the Bank will incur a loss because the value of the assets and liabilities it holds changes due to fluctuations in a variety of risk factors in the market, including interest rates, prices of securities and currency exchange rates.

The Bank aims to ensure stable profits by controlling market risk within a fixed scope based on quantitative methods.

Regarding interest rate risk, one kind of market risk, the Bank comprehensively manages all assets and liabilities including deposits, loans, and securities (ALM management) to carry out asset allocation, and controls the amount of interest rate risk based on the "interest rate risk in the banking book" (outlier standard) in Basel II. Furthermore, in risk measurement the Bank takes into account the type, size, and characteristics of the positions held, and uses VaR and sensitivity (duration, BPV) and other factors for multiple management.

Of the market risks, for the risk arising from fluctuations in the prices of securities and other financial instruments the Bank sets risk tolerance amounts and other limits so as to ensure that the loss due to market fluctuations does not have an effect on the operation of the regulated capital base.

For items for which limits are set using risk amount measurement methods such as VaR, the Bank performs back-testing in order to verify that the risk amounts are being ascertained appropriately, and reports the results of the verifications to the ALM Committee.

As a general rule, the organizational system related to market risk management is divided into the market transaction sector (front office), business management sector (back office), and risk management sector (middle office), each of which checks the operations of the other. Furthermore, The Audit & Inspection Dept., the internal audit department, performs audits of the state of compliance with related laws, related regulations, the operational plan, and other requirements and reports the audit results to the Internal Audit Briefing Sessions comprised of the President and the responsible directors and to the Board of Directors.

Operational Risk Management System

Operational risk refers to the risk that the Bank will incur a loss due to a work-related accident at the bank, a flaw in the systems of the Bank, or external factors such as earthquakes or other disasters.

The Bank has formulated the Operational Risk Management Regulations, divided operational risk into five kinds of risk: (i) processing risk, (ii) information technology risk, (iii) legal risk, (iv) tangible asset risk, and (v) human risk, and is carrying out integrated management of these risks in the Administration Dept.

■ Processing risk management

Processing risk refers to the risk that the Bank will incur a loss, or the credibility of the Bank will be damaged, due to dishonesty or scandals, processing accidents, flaws in the processing management system, executives and employees failing to perform accurate processing, or other problems of this kind.

The Bank is deeply aware that sound processing is the foundation of its credibility, and of the importance of information management, so in order to reduce processing risk and eliminate accidents and dishonesty it is focusing on human resources development, strengthening our organization, development of regulations and manuals, and compliance, while also working on strengthening daily processing instruction and training systems and endeavoring to improve processing quality.

Liquidity Risk Management System

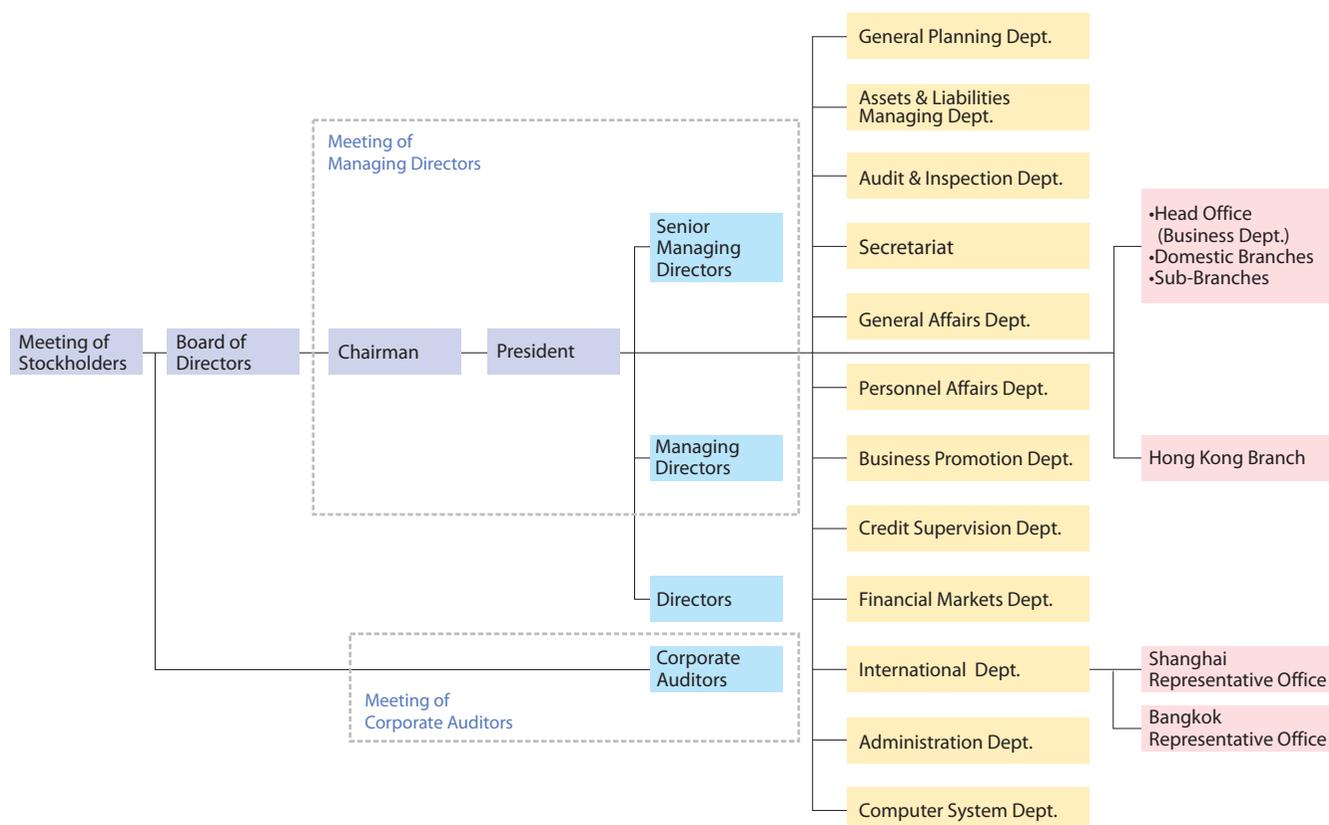
In managing the flows of funds, the Financial Markets Department monitors the financial environment, balance of liquid assets, expected cash outflows, and other fund-raising factors, and acts as appropriate. At the same time, the Assets & Liabilities Managing Department keeps track of day-to-day risk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

Reputational Risk Management System

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

Organization Chart

As of June 30, 2012



Board of Directors

As of June 26, 2012

Chairman

Koichi Takata

President

Yoshio Daido

Senior Managing Directors

Kazuo Isobe

Ikuo Yoshida

Managing Directors

Yukio Nishizawa

Shojiro Takahashi

Kenzaburo Nishikawa

Hiroshi Oku

Directors

Shinichi Kodama

Hajime Moroto

Etsuo Imai

Hiroshi Iwasaki

Kazuhiko Juniri

Kazuyoshi Hayashi

Iwao Wakabayashi

Masato hasegawa

Masaru Morimoto

Corporate Auditors

Masamichi Mizutani

Susumu Ota

(Outside Auditors)

Shigeru Hikuma

Satoshi Nishikawa

Financial Section

The Shiga Bank, Ltd. and Consolidated Subsidiaries

Consolidated Five-year Summary

	Millions of yen				
	2012	2011	2010	2009	2008
As of March 31					
Total assets	¥4,523,309	¥4,420,479	¥4,302,261	¥4,123,026	¥4,115,109
Investment securities	1,430,242	1,385,525	1,339,054	1,113,812	1,225,131
Loans and bills discounted	2,743,438	2,768,107	2,714,367	2,710,948	2,551,368
Deposits	3,985,459	3,891,407	3,781,025	3,654,781	3,595,050
Total equity	248,047	257,531	257,738	218,948	256,868
Years ended March 31					
Total income	91,082	93,324	98,269	96,103	116,258
Total expenses	72,998	81,532	88,490	113,592	106,138
Income (loss) before income taxes and minority interests	18,084	11,792	9,779	(17,488)	10,120
Net income (loss)	8,228	4,676	4,322	(16,218)	3,597
Per share data (in yen)					
Cash dividends	¥ 6.00	¥ 6.00	¥ 6.00	¥ 6.00	¥ 6.00
Net income (loss)	31.17	17.71	16.37	(61.40)	13.60
Net equity	926.27	886.58	889.50	743.58	887.14
Ratio					
Capital ratio	14.04%	13.01%	12.42%	10.34%	11.16%
ROE	3.43%	1.99%	2.00%	(7.53%)	1.45%

Financial review (Consolidated basis)

The Japanese economy faced particularly severe conditions during the first half of the reporting period due to the impact of the Great East Japan Earthquake in March last year and the flood damage in Thailand beginning in July, among other factors. However as a result of a huge effort by industry a recovery has been seen in some areas and there was an upturn in consumer spending, partly due to the effect of government subsidies to encourage the purchase of eco-friendly vehicles. Nonetheless, there continued to be many factors hindering economic recovery. These included the prolonged electricity shortages, the value of the yen reaching historically high levels, and the slowdown in the global economy driven by the debt crisis in Europe and other factors.

In the country's financial sector, the economic environment

for small and medium sized enterprises remained difficult so the Bank of Japan repeatedly implemented monetary easing measures. Furthermore, the government and financial institutions continued their efforts to improve the business environment for small and medium sized enterprises. For example, the government decided to extend the SME Financing Facilitation Act again. The act aims for business rehabilitation by making fund-raising easier for small and medium sized enterprises and utilizing the consulting functions of financial institutions.

Balance sheets

Deposits, including negotiable certificates of deposit, rose ¥88,897 million from the previous term-end to ¥4,089,984 million, of which ¥3,985,459 million were deposits only. The balance of loans and

bills discounted increased ¥24,668 million to ¥2,743,438 million, while investment securities rose ¥44,716 million to ¥1,430,242 million. Total assets at the fiscal year-end stood at ¥4,523,309 million, a year-on-year increase of ¥102,829 million. Total equity came to ¥248,047 million, a decrease of ¥9,483 million from the previous term-end.

Statements of operations

Mainly as a result of a decline in interest income due to a prolonged fall in market interest rates, total income posted a year-on-year decline of ¥2,242 million to ¥91,082 million. Total expenses also declined by ¥8,534 million to ¥72,998 million, due to factors such as decreases in interest expenses and credit costs.

As a result, the Bank posted net profits for the reporting period of ¥18,084 million, up ¥6,292 million over the previous fiscal year, and net income of ¥8,228 million, up ¥3,551 million over the previous fiscal year.

Cash flows

Cash and cash equivalents at the reporting term-end amounted to ¥41,764 million, a decrease of ¥12,446 million from the previous term-end.

Cash flows from operating activities

Net cash provided by operating activities during the term amounted to ¥33,367 million, for a decrease of ¥38,979 million from previous term-end, due primarily to an increase in call loans.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥43,614 million, a decline of ¥21,967 million from the investment expenditure for the previous term. This was mainly the result of an increase in income due to sales of investment securities.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥2,197 million, a decrease of ¥6 million compared with the previous year. This decline was mainly attributable to a decrease in expenditure on the purchase of treasury stock.

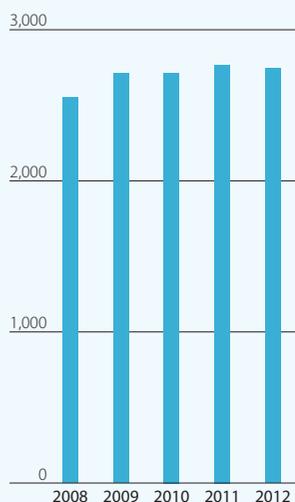
Deposits

(Billions of yen)



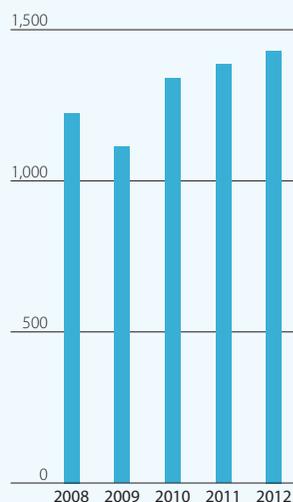
Loans and bills discounted

(Billions of yen)



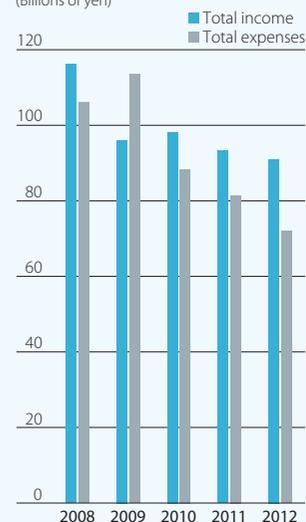
Investment securities

(Billions of yen)



Total income and expenses

(Billions of yen)



Consolidated Balance Sheets

As of March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Assets			
Cash and due from banks (Note 3)	¥ 42,079	¥ 54,550	\$ 511,974
Call loans and bills bought (Note 28)	183,565	85,259	2,233,423
Debt purchased	17,570	16,651	213,781
Trading securities (Note 4)	1,032	599	12,563
Money held in trust (Note 5)	7,799	7,876	94,898
Investment securities (Notes 4, 12 and 28)	1,430,242	1,385,525	17,401,655
Loans and bills discounted (Notes 7 and 28)	2,743,438	2,768,107	33,379,221
Foreign exchange assets (Note 8)	5,481	4,970	66,691
Other assets (Notes 9 and 12)	39,890	40,059	485,341
Tangible fixed assets (Notes 10, 11 and 14)	59,240	58,037	720,769
Intangible fixed assets	1,957	3,020	23,821
Deferred tax assets (Note 27)	3,218	5,563	39,162
Customers' liabilities for acceptances and guarantees (Note 19)	24,433	26,990	297,282
Allowance for possible loan losses	(36,491)	(36,092)	(443,989)
Allowance for possible losses on investment securities	(148)	(641)	(1,803)
Total assets	¥4,523,309	¥4,420,479	\$55,034,793
Liabilities			
Deposits (Notes 12, 15 and 28)	¥3,985,459	¥3,891,407	\$48,490,813
Negotiable certificates of deposit (Note 28)	104,524	109,679	1,271,743
Payables under securities lending transactions (Note 12)	—	1,534	—
Borrowed money (Notes 12, 16 and 28)	77,567	47,158	943,759
Foreign exchange liabilities (Note 8)	82	59	1,001
Bonds (Notes 17 and 28)	20,000	20,000	243,338
Other liabilities (Note 18)	38,577	41,244	469,367
Liability for employees' retirement benefits (Note 26)	14,062	12,788	171,098
Liability for retirement benefits of directors and corporate auditors	280	296	3,410
Liability for reimbursement of deposits	763	722	9,289
Allowance for repayment of excess interest	152	185	1,849
Reserve for other contingent losses	289	429	3,521
Deferred tax liabilities for land revaluation (Note 14)	9,032	10,404	109,901
Negative goodwill	35	47	435
Acceptances and guarantees (Note 19)	24,433	26,990	297,282
Total liabilities	4,275,261	4,162,948	52,016,813
Equity (Note 21)			
Common stock, authorized, 500,000,000 shares; issued, 265,450,406 shares as of March 31, 2012 and 2011	33,076	33,076	402,445
Capital surplus	23,969	23,970	291,640
Treasury stock - at cost 1,540,140 shares and 1,517,074 shares as of March 31, 2012 and 2011, respectively	(945)	(934)	(11,508)
Retained earnings	133,975	127,215	1,630,067
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities (Notes 4 and 6)	43,200	40,673	525,622
Deferred gains on derivatives under hedge accounting	0	0	0
Land revaluation surplus (Note 14)	11,177	9,999	135,996
Total	244,454	234,000	2,974,263
Minority interests	3,593	23,531	43,716
Total equity	248,047	257,531	3,017,979
Total liabilities and equity	¥4,523,309	¥4,420,479	\$55,034,793

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Common stock			
Balance at the beginning of year	¥ 33,076	¥ 33,076	\$ 402,445
Changes during the year:			
Net change in the year	—	—	—
Balance at the end of year	¥ 33,076	¥ 33,076	\$ 402,445
Capital surplus			
Balance at the beginning of year	¥ 23,970	¥ 23,970	\$ 291,643
Changes during the year:			
Sales of treasury stock	(0)	(0)	(2)
Net change in the year	(0)	(0)	(2)
Balance at the end of year	¥ 23,969	¥ 23,970	\$ 291,640
Retained earnings			
Balance at the beginning of year	¥127,215	¥123,762	\$1,547,819
Changes during the year:			
Net income	8,228	4,676	100,111
Cash dividends, ¥6.00 (\$0.07) per share	(1,583)	(1,583)	(19,267)
Reversal of land revaluation surplus	115	360	1,402
Net change in the year	6,759	3,452	82,247
Balance at the end of year	¥133,975	¥127,215	\$1,630,067
Treasury stock			
Balance at the beginning of year	¥ (934)	¥ (916)	\$ (11,373)
Changes during the year:			
Purchases of treasury stock	(12)	(18)	(148)
Sales of treasury stock	1	0	12
Net change in the year	(11)	(17)	(135)
Balance at the end of year	¥ (945)	¥ (934)	\$ (11,508)
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities			
Balance at the beginning of year	¥ 40,673	¥ 44,550	\$ 494,868
Changes during the year:			
Net change in the year	2,527	(3,877)	30,754
Balance at the end of year	¥ 43,200	¥ 40,673	\$ 525,622
Deferred gains (losses) on derivatives under hedge accounting			
Balance at the beginning of year	¥ 0	¥ (0)	\$ 2
Changes during the year:			
Net change in the year	(0)	0	(1)
Balance at the end of year	¥ 0	¥ 0	\$ 0
Land revaluation surplus			
Balance at the beginning of year	¥ 9,999	¥ 10,359	\$ 121,662
Changes during the year:			
Net change in the year	1,178	(360)	14,333
Balance at the end of year	¥ 11,177	¥ 9,999	\$ 135,996

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Total			
Balance at the beginning of year	¥234,000	¥234,802	\$2,847,068
Changes during the year:			
Net income	8,228	4,676	100,111
Cash dividends, ¥6.00 (\$0.07) per share	(1,583)	(1,583)	(19,267)
Purchases of treasury stock.....	(12)	(18)	(148)
Sales of treasury stock.....	0	0	9
Reversal of land revaluation surplus.....	115	—	1,402
Other changes.....	3,705	(3,876)	45,085
Net change in the year	10,454	(801)	127,195
Balance at the end of year	¥244,454	¥234,000	\$2,974,263
Minority interest			
Balance at the beginning of year	¥ 23,531	¥ 22,935	\$ 286,301
Changes during the year:			
Net change in the year	(19,938)	595	(242,584)
Balance at the end of year	¥ 3,593	¥ 23,531	\$ 43,716
Total equity			
Balance at the beginning of year	¥257,531	¥257,738	\$3,133,369
Changes during the year:			
Net income	8,228	4,676	100,111
Cash dividends, ¥6.00 (\$0.07) per share	(1,583)	(1,583)	(19,267)
Purchases of treasury stock.....	(12)	(18)	(148)
Sales of treasury stock.....	0	0	9
Reversal of land revaluation surplus.....	115	360	1,402
Other changes.....	(16,232)	(3,641)	(197,498)
Net change in the year	(9,483)	(206)	(115,389)
Balance at the end of year	¥248,047	¥257,531	\$3,017,979

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Operating activities:			
Income before income taxes and minority interests.....	¥ 18,084	¥ 11,792	\$ 220,029
Depreciation.....	3,849	4,046	46,839
Losses on impairment of long-lived assets.....	359	1,383	4,376
Amortization of negative goodwill.....	(263)	(11)	(3,207)
Increase in allowance for possible loan losses.....	398	3,357	4,852
Increase (decrease) in allowance for possible losses on investment securities.....	(493)	628	(6,001)
Increase (decrease) in reserve for other contingent losses.....	(139)	62	(1,699)
Increase in liability for employees' retirement benefits.....	1,274	1,695	15,507
Increase (decrease) in liability for retirement benefits of directors and corporate auditors.....	(16)	48	(195)
Increase in liability for reimbursement of deposits.....	40	31	493
Decrease in allowance for repayment of excess interest.....	(33)	(5)	(403)
Interest income.....	(61,318)	(63,860)	(746,062)
Interest expense.....	5,512	7,467	67,064
Gains on sales and write-down of investment securities.....	(2,668)	(3,333)	(32,469)
Losses on money held in trust.....	(54)	(126)	(663)
Foreign exchange losses.....	2	18	30
Losses on disposals of fixed assets-net.....	69	112	840
Net decrease (increase) in loans and bills discounted.....	24,668	(53,739)	300,145
Net increase in deposits.....	94,052	110,382	1,144,325
Net increase (decrease) in negotiable certificate of deposits.....	(5,154)	6,774	(62,718)
Net increase in borrowed money (excluding subordinated loans).....	10,409	16,770	126,646
Net decrease in due from banks (excluding deposits in Bank of Japan).....	25	57	305
Net decrease in call loans and others.....	(99,224)	(19,265)	(1,207,252)
Net decrease in call money and bills sold.....	—	(309)	—
Net decrease in payables under securities lending transactions.....	(1,534)	(14,797)	(18,669)
Net increase in foreign exchange assets.....	(510)	(1,300)	(6,213)
Net increase in foreign exchange liabilities.....	22	15	279
Interest received (cash basis).....	59,840	64,123	728,077
Interest paid (cash basis).....	(6,415)	(7,981)	(78,060)
Other.....	1,902	9,400	23,142
Subtotal.....	42,684	73,437	519,340
Income taxes - paid.....	(9,316)	(1,089)	(113,356)
Net cash provided by operating activities.....	33,367	72,347	405,984
Investing activities:			
Purchases of securities.....	(525,528)	(534,401)	(6,394,071)
Proceeds from sales of securities.....	288,444	235,720	3,509,478
Proceeds from redemptions of securities.....	197,905	237,946	2,407,905
Increase in money held in trust.....	—	(3,000)	—
Decrease in money held in trust.....	—	900	—
Purchases of tangible fixed assets.....	(4,331)	(3,055)	(52,702)
Proceeds from sales of tangible fixed assets.....	351	382	4,273
Purchases of intangible fixed assets.....	(455)	(74)	(5,536)
Net cash used in investing activities.....	(43,614)	(65,581)	(530,653)
Financing activities:			
Borrowing of subordinated loans.....	20,000	—	243,338
Repayment to minority shareholders.....	(20,000)	—	(243,338)
Dividends paid.....	(1,583)	(1,583)	(19,267)
Dividends paid to minority interests.....	(602)	(602)	(7,332)
Purchases of treasury stock.....	(12)	(18)	(148)
Proceeds from sales of treasury stock.....	0	0	9
Net cash used in financing activities.....	(2,197)	(2,204)	(26,738)
Foreign currency translation adjustments on cash and cash equivalents.....	(2)	(16)	(28)
Net increase (decrease) in cash and cash equivalents.....	(12,446)	4,544	(151,435)
Cash and cash equivalents, beginning of year.....	54,211	49,666	659,581
Cash and cash equivalents, end of year (Note 3).....	¥ 41,764	¥ 54,211	\$ 508,146

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Years ended March 31, 2012 and 2011

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 the application and disclosure requirements of International Financial Reporting Standards.

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

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

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥82.19 to U.S.\$1, the rate of exchange at March 31, 2012 has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen amounts have been or could be readily converted, realized or settled in U.S. dollar amounts at this rate or any other rates.

2. Summary of significant accounting policies

(a) Principles of consolidation

The accompanying consolidated financial statements for the years ended March 31, 2012 and 2011 include the accounts of the Bank and 10 and 11 consolidated subsidiaries, respectively.

One consolidated subsidiary's fiscal period ends January 24 and 9 consolidated subsidiaries' fiscal period ends March 31 for the year ended March 31, 2012.

Shiga Preferred Capital Cayman Limited financial statements are consolidated based on the provisional financial statements closed as of March 31.

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 the 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 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 the 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 the 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 hedges

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. The hedging of certain assets and liabilities is accounted for by special treatment for interest rate swaps. Certain consolidated subsidiaries have adopted the special treatment for interest rate swaps.

ii. Currency exchange risk hedges

Regarding 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 to

reduce 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, 2012 and 2011 were ¥19,826 million (\$241,231 thousand) and ¥17,129 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 a 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 a special reserve in the equity section. The Bank adopted the former treatment and reduced the cost of the assets acquired by ¥3,905 million (\$47,516 thousand) and ¥3,974 million at March 31, 2012 and 2011, respectively.

(h) Long-lived assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances 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 losses are 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 costs for internally used software are capitalized and depreciated using 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 the leased property to the lessee are 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 allowances.

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 the 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 ¥28,505 million (\$346,828 thousand), and ¥29,524 million as of March 31, 2012 and 2011, 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 investments

Allowance for possible losses on investments is provided for possible future losses on securities based on a 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. The Bank 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.

(n) Liability for retirement benefits of directors and corporate auditors

Liability for retirement benefits of directors and corporate auditors is provided at the amount required if they all 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 possible losses on the future claims of withdrawal based on 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 that the Bank may be required to refund upon customers' claims.

(q) Reserve for other contingent losses

The Bank provides reserves 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 leases

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 were deemed 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 notes 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. 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. 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.

ii. As lessor

Under the previous accounting standard, finance leases that were deemed 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 notes to the lessor's financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee should be recognized as lease receivables and all finance leases that are deemed not to transfer ownership of the leased property to the lessee should be recognized as investments in leases.

(t) Income taxes

The provision for income taxes is computed based on pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax acts to the temporary differences.

(u) Appropriations of retained earnings

The consolidated statements of changes in equity reflect the appropriation resolved by the general 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 the consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the fiscal year.

(w) Accounting changes and error corrections

In December 2009, the 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 in Accounting Policies—When a new accounting policy is applied due to a revision of accounting standards, the 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 Presentation—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.

3. Cash and cash equivalents

The reconciliation of "Cash and cash equivalents" and "Cash and due from banks" in the consolidated balance sheets at March 31, 2012 and 2011, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Cash and due from banks	¥42,079	¥54,550	\$511,974
Time deposits due from banks ...	—	(63)	—
Other due from banks	(314)	(276)	(3,828)
Cash and cash equivalents...	¥41,764	¥54,211	\$508,146

4. Investment securities

Investment securities at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Japanese government bonds.....	¥ 543,160	¥ 525,531	\$ 6,608,592
Japanese local government bonds.....	313,463	278,861	3,813,884
Japanese corporate bonds.....	376,347	316,443	4,578,993
Corporate stocks.....	105,847	113,954	1,287,838
Other securities.....	91,423	150,735	1,112,346
Total.....	¥1,430,242	¥1,385,525	\$17,401,665

Fair value and other information on securities at March 31, 2012 and 2011 is as follows:

Securities

(1) Trading securities

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
	Gain included in profits during the fiscal year	Gain included in profits during the fiscal year	Gain included in profits during the fiscal year
Trading securities	¥80	¥83	\$979

(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 that have fair value as of March 31, 2012 were as follows:

	Millions of yen			Thousands of U.S. dollars		
	2012			2012		
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)	Consolidated balance sheet amount	Cost	Unrealized gains (losses)
Consolidated balance sheet amount exceeding cost:						
Stocks	¥ 92,230	¥ 51,443	¥40,787	\$ 1,122,162	\$ 625,907	\$496,255
Bonds:	1,157,521	1,133,876	23,644	14,083,483	13,795,800	287,682
Japanese government bonds	500,218	492,486	7,731	6,086,127	5,992,054	94,072
Japanese local government bonds	306,348	297,181	9,166	3,727,315	3,615,783	111,531
Japanese corporate bonds	350,954	344,208	6,746	4,270,040	4,187,961	82,078
Others	39,521	39,165	355	480,854	476,529	4,325
Subtotal	¥1,289,273	¥1,224,486	¥64,787	\$15,686,500	\$14,898,237	\$788,263
Consolidated balance sheet amount not exceeding cost:						
Stocks	¥ 10,554	¥ 11,942	¥ (1,388)	\$ 128,416	\$ 145,308	\$ (16,892)
Bonds:	74,449	75,627	(177)	917,987	920,149	(2,162)
Japanese government bonds	42,941	43,010	(69)	522,465	523,305	(840)
Japanese local government bonds	7,115	7,122	(7)	86,568	86,657	(88)
Japanese corporate bonds	25,392	25,494	(101)	308,953	310,186	(1,233)
Others	52,415	53,854	(1,438)	637,739	655,241	(17,501)
Subtotal	138,419	141,424	(3,004)	1,684,143	1,720,700	(36,557)
Total	¥1,427,693	¥1,365,910	¥61,782	\$17,370,643	\$16,618,938	\$751,705

Available-for-sale securities that have fair value as of March 31, 2011 were as follows:

	Millions of yen		
	2011		
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)
Consolidated balance sheet amount exceeding cost:			
Stocks	¥ 105,347	¥ 57,496	¥47,851
Bonds:	834,908	819,319	15,589
Japanese government bonds	339,609	333,385	6,223
Japanese local government bonds	231,922	226,996	4,926
Japanese corporate bonds	263,377	258,937	4,440
Others	68,129	67,636	493
Subtotal	¥1,008,386	¥ 944,451	¥63,934
Consolidated balance sheet amount not exceeding cost:			
Stocks	¥ 5,438	¥ 6,345	¥ (906)
Bonds:	285,927	287,823	(1,895)
Japanese government bonds	185,921	187,032	(1,110)
Japanese local government bonds	46,939	47,402	(463)
Japanese corporate bonds	53,066	53,388	(321)
Others	83,800	85,065	(1,265)
Subtotal	¥ 375,166	¥ 379,234	¥ (4,067)
Total	¥1,383,552	¥1,323,685	¥59,866

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

(5) Available-for-sale securities sold

	Millions of yen			Thousands of U.S. dollars		
	2012			2012		
	Sales amount	Gains on sales	Losses on sales	Sales amount	Gains on sales	Losses on sales
Stocks	¥ 17	¥ 2	¥ 4	\$ 215	\$ 29	\$ 58
Bonds:	253,494	2,891	78	3,084,251	35,175	958
Japanese government bonds.....	233,461	2,492	78	2,840,505	30,322	958
Japanese local government bonds.....	14,799	316	—	180,060	3,847	—
Japanese corporate bonds.....	5,234	82	—	63,685	1,005	—
Others	27,412	998	353	333,529	12,154	4,304
Total	¥280,925	¥3,892	¥437	\$3,417,996	\$47,358	\$5,320

	Millions of yen		
	2011		
	Sales amount	Gains on sales	Losses on sales
Stocks	¥ 1,473	¥ 31	¥427
Bonds:	193,209	3,846	3
Japanese government bonds.....	144,891	2,810	—
Japanese local government bonds.....	39,702	868	—
Japanese corporate bonds.....	8,615	167	3
Others	37,509	720	21
Total	¥232,192	¥4,598	¥452

(6) Impairment losses 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 ¥435 million (\$5,292 thousand) of which equities accounted for the same amount for the year ended March 31, 2012.

Impairment losses amounted to ¥626 million of which equities accounted for ¥574 million and bonds for ¥51 million for the year ended March 31, 2011.

In addition, the Bank recognizes that fair value has fallen significantly based on standards that have been set out in the self-assessment standards for assets by the issuing companies of securities. The details are as follows.

The Bank recognizes that the fair value of available-for-sale securities of legally bankrupt debtors, virtually bankrupt debtors, or debtors who are likely to go bankrupt, has fallen significantly when the fair value of such instruments as of the consolidated balance sheet date has decreased from the acquisition cost. For debtors on close watch, the Bank recognizes that the fair value has fallen significantly when the fair value as of the consolidated balance sheet date has decreased 30% or more from the acquisition cost. For normal debtors, it recognizes this when the fair value as of the consolidated balance sheet date has fallen 50% or more from the acquisition cost or when the fair value as of the consolidated balance sheet date has fallen 30% or more from the acquisition cost and the market prices remain below certain levels.

Debtors on close watch are defined as those who will require close monitoring in the future and normal debtors are defined as those other than legally bankrupt debtors, virtually bankrupt debtors, debtors who are likely to go bankrupt, or debtors on close watch.

5. Money held in trust

(1) Money held in trust classified as trading

	Millions of yen				Thousands of U.S. dollars	
	2012		2011		2012	
	Consolidated balance sheet amount	Gains included in profits during the fiscal year	Consolidated balance sheet amount	Gains included in profits during the fiscal year	Consolidated balance sheet amount	Gains included in profits during the fiscal year
Money held in trust classified as trading	¥7,799	¥54	¥7,876	¥30	\$94,898	\$663

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

(3) No other money held in trust (other than money held in trust for trading purposes and money in trust held-to-maturity).

6. 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:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Net unrealized gains on investment securities.....	¥61,782	¥59,866	\$751,705
Other money held in trust.....	—	—	—
Deferred tax liabilities.....	(18,538)	(19,159)	(225,556)
Minority interests.....	(43)	(33)	(526)
Net unrealized gains on available-for-sale securities.....	¥43,200	¥40,673	\$525,622

7. Loans and bills discounted

Loans and bills discounted at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Bills discounted.....	¥ 19,524	¥ 16,703	\$ 237,557
Loans on bills.....	134,562	147,242	1,637,209
Loans on deeds.....	2,249,811	2,252,857	27,373,302
Overdrafts.....	339,539	351,304	4,131,152
Total.....	¥2,743,438	¥2,768,107	\$33,379,221

Loans in legal bankruptcy totaled ¥1,320 million (\$16,069 thousand) and ¥2,119 million as of March 31, 2012 and 2011, respectively. Nonaccrual loans totaled ¥61,152 million (\$744,034 thousand) and ¥52,526 million as of March 31, 2012 and 2011, 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 ¥539 million (\$6,568 thousand) and ¥1,615 million as of March 31, 2012 and 2011, respectively. Loans classified as loans in legal bankruptcy and past due loans are excluded.

Restructured loans totaled ¥13,372 million (\$162,697 thousand) and ¥11,988 million as of March 31, 2012 and 2011, respectively. Such restructured loans are loans on which creditors grant concessions (e.g., reduction of the stated interest rate, deferral of interest payments, extension of maturity dates, waiver of the face amount, or other concessive measures) to the debtors to assist them to recover from financial difficulties and eventually be able to pay creditors. Loans classified as loans in legal bankruptcy, nonaccrual loans and accruing loans contractually past due three months or more are excluded.

8. Foreign exchanges

Foreign exchange assets and liabilities at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Assets:			
Due from foreign correspondents.....	¥3,784	¥4,027	\$46,042
Foreign bills of exchange purchased.....	31	112	380
Foreign bills of exchange receivable.....	1,665	831	20,268
Total.....	¥5,481	¥4,970	\$66,691
Liabilities:			
Foreign bills of exchange sold.....	¥ 80	¥ 49	\$ 977
Accrued foreign bills of exchange.....	2	9	24
Total.....	¥ 82	¥ 59	\$ 1,001

9. Other assets

Other assets at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Prepaid expenses	¥ 89	¥ 47	\$ 1,084
Accrued income.....	4,884	4,807	59,427
Derivatives	2,453	3,345	29,849
Other (Note 12).....	32,463	31,858	394,980
Total.....	¥39,890	¥40,059	\$485,341

10. Tangible fixed assets

Tangible fixed assets at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Buildings.....	¥14,965	¥14,716	\$182,079
Land.....	40,005	39,444	486,743
Construction in progress.....	818	2	9,963
Other.....	3,450	3,874	41,982
Total.....	¥59,240	¥58,037	\$720,769

Accumulated depreciation on tangible fixed assets at March 31, 2012 and 2011 amounted to ¥45,515 million (\$553,788 thousand) and ¥45,126 million, respectively.

11. Long-lived assets

The Group recognized impairment losses for the year ended March 31, 2012 and 2011 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 ¥359 million (\$4,376 thousand) and ¥1,383 million for the years ended March 31, 2012 and 2011, 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
			2012	2011	2012
Shiga Prefecture	Branch offices and other	Land, buildings and equipment.....	¥171	¥ 226	\$2,084
Other	Branch offices and other	Land, buildings and equipment.....	188	1,157	2,291
Total.....			¥359	¥1,383	\$4,376

Impairment losses are included in other expenses (Note 24).

12. Assets pledged

Assets pledged as collateral and related liabilities at March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Investment securities	¥147,710	¥144,336	\$1,797,182
Other assets (investments in leases) (Note 9)	2,772	3,226	33,728

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Related liabilities			
Deposits	¥4,677	¥19,270	\$56,905
Payables under securities lending transactions	—	1,534	—
Borrowed money	2,213	2,558	26,934

In addition, investment securities totaling ¥36,212 million (\$440,594 thousand) and ¥76,201 million at March 31, 2012 and 2011, respectively, were pledged as collateral for settlement of exchange and as securities for futures transactions and others.

Other assets (Note 9) include guarantee deposits of ¥787 million (\$9,579 thousand) and ¥818 million at March 31, 2012 and 2011, respectively.

13. 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, 2012 and 2011 amounted to ¥798,650 million (\$9,717,124 thousand) and ¥811,020 million, respectively, and the amounts of unused commitments whose original contract terms are within one year or unconditionally cancelable at any time were ¥778,670 million (\$9,474,029 thousand) and ¥788,463 million at March 31, 2012 and 2011, 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 flows. 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.

14. 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 the consolidated statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation surplus account and related deferred tax liabilities. At March 31, 2012 and 2011, the carrying amount of the land after the above one-time revaluation was more than the fair value by ¥12,716 million (\$154,723 thousand) and ¥10,745 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.

15. Deposits

Deposits at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Current deposits.....	¥ 141,896	¥ 133,257	\$ 1,726,446
Ordinary deposits.....	1,593,778	1,484,368	19,391,394
Deposits at notice.....	16,831	12,223	204,781
Time deposits.....	2,143,951	2,149,252	26,085,306
Other deposits.....	89,002	112,307	1,082,884
Total.....	¥3,985,459	¥3,891,407	\$48,490,813

16. Borrowed money

At March 31, 2012 and 2011, the weighted average interest rates applicable to borrowed money were 1.29% and 1.21%, respectively.

Borrowed money at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Subordinated loans.....	¥40,000	¥20,000	\$486,677
Borrowing from banks and other.....	37,567	27,158	457,082
Total.....	¥77,567	¥47,158	\$943,759

Annual maturities of borrowed money at March 31, 2012 were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2013.....	¥32,486	\$395,257
2014.....	2,101	25,566
2015.....	1,625	19,771
2016.....	985	11,984
2017.....	370	4,501
2018 and thereafter.....	40,000	486,677
Total.....	¥77,567	\$943,759

17. Bonds

Bonds at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars	Interest rate	Due
	2012	2011	2012		
Subordinated bonds.....	¥20,000	¥20,000	\$243,338	1.89%	July 26, 2019

18. Other liabilities

Other liabilities at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Accrued income taxes.....	¥ 3,027	¥ 6,339	\$ 36,829
Accrued expenses.....	7,179	9,155	87,352
Unearned income.....	5,137	5,956	62,511
Derivatives.....	2,363	3,530	28,756
Other.....	20,869	16,263	253,917
Total.....	¥38,577	¥41,244	\$469,367

19. 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 ¥7,034 million (\$85,582 thousand) and ¥7,370 million as of March 31, 2012 and 2011, were set off because those which were relevant to corporate bonds and the guaranteed bonds were held by the Bank itself.

20. Equity

(1) Capital stock and capital surplus

Changes in the number of common stock of the years ended March 31, 2012 and 2011, consisted of the following:

	Thousands	
	Common stock	
	Issued number of shares	
	2012	2011
Beginning of the year	265,450	265,450
Increase.....	—	—
Decrease.....	—	—
End of the year.....	264,450	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 the aggregate amount of the legal reserve and additional paid-in capital equals 25% (100% for banks pursuant to the Banking Act) of 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

The following appropriation of retained earnings is proposed to the Bank's general shareholders' meeting held on June 26, 2012.

	Millions of yen	Thousands of U.S. dollars
Cash dividends (dividend amount per share: ¥3 or \$0.037)	¥791	\$9,632

21. Other operating income

Other operating income for the years ended March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Gains on foreign exchange transactions-net.....	¥ 685	¥ 839	\$ 8,340
Gains on sales of bonds.....	3,969	4,657	48,297
Other	9,060	8,605	110,240
Total.....	¥13,715	¥14,102	\$166,878

22. Other income

Other income for the years ended March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Recovery of claims previously charged-off	¥1,328	¥1,459	\$16,163
Other	2,357	1,748	28,681
Total.....	¥3,685	¥3,208	\$44,844

23. Other operating expenses

Other operating expenses for the years ended March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Losses on sales of government bonds.....	¥ 651	¥ 43	\$ 7,927
Losses on redemption of bonds.....	210	51	2,562
Losses on financial derivatives.....	330	59	4,021
Other	7,230	6,673	87,976
Total.....	¥8,423	¥6,827	\$102,487

24. Other expenses

Other expenses for the years ended March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Provision of allowance for possible loan losses.....	¥4,345	¥ 8,646	\$52,869
Change-off of loans and bills discounted	1,470	2,251	17,895
Losses on impairment of long-lived assets (Note 11).....	359	1,383	4,376
Valuation losses on investment in stocks.....	509	859	6,194
Other	1,010	2,245	12,292
Total.....	¥7,695	¥15,386	\$93,628

25. Leases

Lessee

The Group leases certain equipment. Total rental expense under finance leases for the years ended March 31, 2012 and 2011 was ¥3 million (\$46 thousand) and ¥5 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 leases, 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, 2012 and 2011 were as follows:

	Tangible fixed assets		
	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Acquisition cost.....	¥22	¥36	\$269
Accumulated depreciation.....	(18)	(29)	(230)
Net leased property.....	¥ 3	¥ 6	\$ 38

Obligations under finance leases at March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
	Due within one year.....	¥1	¥3
Due after one year.....	1	3	16
Total.....	¥3	¥6	\$38

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
	2012	2011	2012
	Lease payments.....	¥3	¥5
Depreciation expense.....	3	5	46

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 a similar manner to ordinary sales and transactions, effective from the year ended March 31, 2009.

Investments in leases included in other assets on the balance sheets as of March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
	Gross lease receivables.....	¥18,809	¥17,964
Unguaranteed residual values.....	771	783	9,389
Unearned interest income.....	(2,418)	(2,856)	(29,429)
Investments in leases.....	¥17,162	¥15,891	\$208,811

Maturities of lease receivables for finance leases that are deemed to transfer ownership of the leased property to the lessee are as of March 31, 2012 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2013.....	¥ 3
2014.....	1	22
2015.....	1	21
2016.....	1	14
2017.....	0	3
2018 and thereafter.....	—	—

Maturities of gross lease receivables related to investments in leases as of March 31, 2012 are as follows:

	Millions of yen	Thousands of U.S. dollars
2013	¥5,961	\$72,538
2014	4,874	59,303
2015	3,595	43,746
2016	2,435	29,628
2017	1,387	16,882
2018 and thereafter.....	554	6,751

With regard to finance lease transactions entered into prior to April 1, 2008, that are not deemed 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, income before income taxes and minority interests for the fiscal years ended March 31, 2012 and 2011 increased by ¥513 million (\$6,246 thousand) and ¥774 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, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Due within one year	¥ 7	¥ 5	\$ 96
Due after one year	16	10	203
Total.....	¥24	¥16	\$299

26. 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, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Projected benefit obligation	¥(44,120)	¥(43,938)	\$(536,806)
Plan assets (fair value)	22,287	22,293	271,167
Unfunded projected benefit obligation	(21,832)	(21,645)	(265,639)
Unrecognized actuarial net loss	7,808	8,911	95,002
Unrecognized prior service cost	(37)	(54)	(462)
Liability for employees' retirement benefits	¥(14,062)	¥(12,788)	\$(171,098)

The components of net periodic benefit costs for the years ended March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Service cost	¥1,729	¥1,721	\$21,039
Interest cost.....	657	653	8,003
Expected return on plan assets	(229)	(266)	(2,789)
Amortization of prior service cost.....	(16)	(16)	(197)
Recognized actuarial net loss	1,833	2,251	22,311
Net periodic retirement benefit costs	¥3,975	¥4,343	\$48,367

Assumptions used for the years ended March 31, 2012 and 2011 were set forth as follows:

	2012	2011
Discount rate	1.50%	1.50%
Expected rate of return on plan assets	1.51%	1.76%
Amortization period of prior service cost.....	10 years	10 years
Recognition period of actuarial gain or loss.....	10 years	10 years

27. Income taxes

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Deferred tax assets:			
Allowance for possible loan losses	¥ 18,376	¥ 20,921	\$ 223,586
Liability for employees' retirement benefits	7,305	7,573	88,881
Accrued enterprise tax	235	501	2,866
Devaluation of stocks and other securities.....	6,186	7,046	75,267
Depreciation	1,609	1,716	19,577
Other.....	2,732	3,256	33,249
Less valuation allowance	(14,505)	(16,077)	(176,485)
Total	¥ 21,940	¥ 24,938	\$ 266,942
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	(18,538)	(19,159)	(225,556)
Reserve for advanced depreciation of fixed assets	(182)	(208)	(2,223)
Other.....	(0)	(6)	(0)
Total	¥(18,721)	¥(19,374)	\$(227,780)
Net deferred tax assets	¥ 3,218	¥ 5,563	\$ 39,162

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2012 and 2011 is as follows:

	2012	2011
Normal effective statutory tax rate.....	40.4%	40.4%
Permanent differences – mainly dividends received.....	(2.3)	(3.1)
Increase in valuation allowance for deferred tax assets.....	2.7	14.7
Tax rate difference in special purpose entities.....	(1.1)	(2.1)
Decrease in deferred tax assets due to changes in statutory tax rate.....	10.1	—
Other	(0.4)	0.3
Actual effective tax rate	49.4%	50.2%

“Act on Partial Amendment to the Income Tax Act, etc. in order to Create a Tax System Responding to Structural Changes of Economy and Society” (Act No.114, 2011) and “Act on Special Measures Concerning Securing Financial Resources Necessary for the Implementation of Measures to recover from the Great East Japan Earthquake” (Act No.117, 2011) were promulgated on December 2, 2011, and accordingly, the corporate income tax rate has been lowered and the special corporation tax for restoration has been imposed from the consolidated fiscal year beginning on or after April 1, 2012.

Due to these changes, the effective statutory tax rate used by the Group for the calculation of deferred tax assets and deferred tax liabilities has been revised from the previous rate of 40.43%. The rate of 37.75% has been applied to the temporary differences expected to be either deductible, taxable or expired from the fiscal year beginning on April 1, 2012 through the fiscal year beginning on April 1, 2014, while the rate of 35.38% has been applied to the temporary differences expected to be either deductible, taxable or expired on or after the fiscal year beginning April 1, 2015.

The effect of the changes in tax rates increased deferred tax assets by ¥819 million (\$9,964 thousand), deferred income taxes by ¥1,826 million (\$22,226 thousand), land revaluation surplus by ¥1,293 million (\$15,736 thousand) and net unrealized gains on available-for-sale securities by ¥2,642 million (\$32,154 thousand) and decreased deferred tax liabilities for land revaluation by ¥1,293 million (\$15,736 thousand).

28. 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 centered on banking operations within its main business base of Shiga Prefecture.

The Group's main operations are to extend loans to customers, including corporations and individuals in its business area, and make investments in securities by mainly using funds that are received as deposits from local customers and those that are obtained through the financial market.

To carry out these operations, the Group has financial assets and financial liabilities that are largely subject to interest rate volatility. To prevent adverse effects from such interest rate volatility, the Group conducts Asset Liability Management (ALM), the comprehensive management of assets and liabilities.

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

The financial assets held by the Group are primarily loans to corporations 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. For the purpose of selling them to customers, the Group holds Japanese government bonds and Japanese local government bonds. For investment purposes, the Group holds bonds, especially Japanese government bonds, Japanese local government bonds, and highly-rated corporate bonds as well as investment trusts, while the Group holds corporate stocks as policy investment. These are subject to interest-rate volatility risk, market price volatility risk, and the credit risk of the issuers. 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 risks that losses are incurred due to an inability to secure required funds or being forced to raise funds at significantly higher than normal interest rates. Moreover, some of the Group's borrowings are made at variable interest rates and are subject to risks of losses from increasing fund procurement costs associated with rising interest rates.

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. For some of these transactions, the Group applies hedge accounting based on internal regulations that comply with the "Practical Guidelines for Financial Instruments" of the Japanese Institute of Certified Public Accountants and the Group's own 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 limits amounts.

These derivative transactions include the market risk of incurring potential losses from market fluctuations, such as fluctuations in interest rates and exchange rates, as well as the credit risk of incurring potential losses when the counterparty to the transaction defaults on a 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 pertaining to such risk. It has also developed a borrower rating system based on a Foundation Internal Ratings Based-approach and has built a credit risk management system appropriate to its needs.

Notably, the Group has developed a rating system that involves asset self-assessments. Under this system, for example, the Business Management Department reports the results of its own asset ratings at meetings such as the Meeting of Managing Directors.

With respect to individual credit management, the Group has instituted its "Basic Rules of Loan Business," in which it has clearly defined the way of thinking and a code of conduct to which all employees involved in the loan business should adhere. It has also established basic procedures to follow when making credit decisions or managing credit, along with putting in place a system that enables executives and employees to make credit decisions in accordance with the principles of public benefit, 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, and 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 the Credit Supervision Department.

When extending credit to overseas borrowers, the Group sets a credit limit for each country at the Meeting of Managing Directors each fiscal year, after taking into account the foreign currency conditions and the political and economic situation of the country in which the borrower resides. The Group manages this credit limit on a day-to-day basis.

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 and counterparty risk for derivative and financial transactions, and the credit status and the market prices are managed on a daily basis. The Group has established a system in which reports about those risks are routinely given to the Meeting of Managing Directors.

(ii) Market risk management

The Group has compiled a set of Market 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 ALM plan 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 banking business operations, the Group manages all assets and liabilities (including off-balance transactions), such as deposits, loans, and securities, in a comprehensive manner through ALM.

Along with the aforementioned Market Risk Management Rules, the Group has established standards for risk management methods and reporting procedures. The Group conducts monitoring through 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

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

The Group establishes an acceptable level of risk using VaR and manages the level of risk on a daily basis so that it stays within an acceptable range.

3) Price volatility risk management

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

For market transactions including securities, the Group takes into account overall Group risk and return, based on an ALM plan drawn up by the Board of Directors and a risk management policy, and formulates a business management plan in the market sector.

When making investments, the Group calculates position amounts, gains, and losses as well as VaR and Basis Point Value (BPV) based on the above-mentioned policy and plan. The extent to which the Group complies with the established acceptable risk limit and other risk limits is monitored on a daily basis and is reported to management.

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 an internal checking system has been 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.

5) Quantitative information regarding market risks

Regarding market risks, the Group measures the quantitative risk of interest-rate risks and stock price volatility risks through VaR, a statistical method. Principally by reporting these risk to the ALM Committee and other organizations on a regular basis, the Group ensures appropriate monitoring and management. In calculating the risk amounts, the Group adopts a historical simulation method (a holding period of one year, a confidence interval of 99%, and an observing period of two years).

Interest-rate risks

The Group measures interest-rate risks of all its assets and liabilities, including loans, securities and deposits, and derivative transactions.

The Group's interest-rate risk amounts stood at ¥5,074 million (\$61,741 thousand) as of March 31, 2012 and ¥10,380 million as of March 31, 2011.

Regarding liquid deposits, such as ordinary deposits, the Group handles some as deposits that remain with the Group for an extended period and manages them by allocating them to each period category based on an internal model.

Stock price volatility risks

The Group holds certain shares for policy investment purposes. The volatility risk amounts of the prices of such shares stood at ¥16,195 million (\$197,052 thousand) as of March 31, 2012 and ¥36,068 million as of March 31, 2011.

Back-testing

To verify the appropriateness of the risk amounts that are measured through VaR, the Group carries out back-testing in which VaR is compared with gains and losses. In this way, the Group analyzes the effectiveness of the risk measurement method. However, because VaR statistically measures the amounts based on the historical market volatility, results may vary due to assumptions, measuring methods, and other factors. In addition, risks may not be able to be appropriately captured when the market environment changes drastically.

Interest-rate risks and stock price volatility risks that are held by the Bank's consolidated subsidiaries are excluded from the calculation of the market risk amount as the impact from such risks on the Group is limited.

(iii) Liquidity risk management related to financing

The Group has compiled a set of Liquidity Risk Management Rules under a basic policy of clearly understanding its cash position and ensuring stable financing. In this way, it strives to establish an appropriate risk management system.

With respect to daily financing, the Group monitors and manages the financial environment, the balance of realizable current assets, the expected amount of cash outflows, and other such factors. The Group reports the financing situation and other related matters to the ALM Committee on a regular basis.

2. Fair value of financial instruments

Fair value and the consolidated balance sheet amount of as of March 31, 2012 and 2011 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					
	2012			2011		
	Consolidated balance sheet amount	Fair value	Difference	Consolidated balance sheet amount	Fair value	Difference
Call loans and bills bought.....	¥ 183,565	¥ 183,565	¥ —	¥ 85,259	¥ 85,259	¥ —
Investment securities						
Trading securities.....	3,745	3,745	—	3,857	3,857	—
Available-for-sale securities.....	1,423,433	1,423,433	—	1,378,500	1,378,500	—
Loans and bills discounted.....	2,743,438	—	—	2,768,107	—	—
Allowance for possible loan losses (*1).....	(35,283)	—	—	(35,022)	—	—
	2,708,155	2,732,684	24,529	2,733,084	2,751,205	18,121
Assets total.....	4,318,899	4,343,428	24,529	4,200,701	4,218,823	18,121
Deposits.....	3,985,459	3,986,989	1,529	3,891,407	3,894,742	3,334
Negotiable certificates of deposit.....	104,524	104,546	21	109,679	109,709	30
Borrowed money.....	77,567	79,077	1,509	47,158	47,449	291
Bonds.....	20,000	20,385	385	20,000	20,545	545
Liabilities total.....	4,187,552	4,190,998	3,445	4,068,245	4,072,447	4,201
Derivative transactions (*2)						
Deferred hedge accounting is not applied.....	170	170	—	(13)	(13)	—
Deferred hedge accounting is applied.....	(80)	(80)	—	(171)	(171)	—
Derivative transactions total.....	¥ 89	¥ 89	¥ —	¥ (185)	¥ (185)	¥ —

Thousands of U.S. dollars			
2012			
	Consolidated balance sheet amount	Fair value	Difference
Call loans and bills bought.....	\$ 2,233,423	\$ 2,233,423	\$ —
Investment securities			
Trading securities.....	45,575	45,575	—
Available-for-sale securities.....	17,318,812	17,318,812	—
Loans and bills discounted.....	33,379,221	—	—
Allowance for possible loan losses (*1).....	(429,287)	—	—
	32,949,933	33,248,377	298,443
Assets total.....	52,547,745	52,846,188	298,443
Deposits.....	48,490,813	48,509,418	18,604
Negotiable certificates of deposit.....	1,271,743	1,272,004	261
Borrowed money.....	943,759	962,130	18,370
Bonds.....	243,338	248,027	4,688
Liabilities total.....	50,949,654	50,991,580	41,925
Derivative transactions (*2)			
Deferred hedge accounting is not applied.....	2,069	2,069	—
Deferred hedge accounting is applied.....	(977)	(977)	—
Derivative transactions total.....	\$ 1,092	\$ 1,092	\$ —

(*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) Derivative 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 deems 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 ¥1,025 million (\$12,482 thousand) and ¥3,138 million, to decrease deferred tax assets by ¥362 million (\$4,416 thousand) and ¥1,268 million and to increase net unrealized gains on available-for-sale securities by ¥662 million (\$8,065 thousand) and ¥1,869 million compared to the valuation based on the market price as of March 31, 2012 and 2011.

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 bill 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 uses 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 4 "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 deems the book values to be fair values.

Regarding 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 the 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 uses 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 losses are 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 deems such amounts to be fair values.

Regarding loans, for those without a fixed maturity due to loan characteristics such as limiting loans to within the value of collaterals, the Group deems 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 certificates of deposit

For demand deposits, the Group deems 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 certificates of deposit with short deposit terms (i.e., less than one year) approximate the book value, and the Group deems the book value to be the fair value. With respect to deposits with long deposit terms (i.e., one year or longer), the Group uses 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 deems the book value to be the fair value.

Regarding 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 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 or after the borrowings were made. With respect to fixed rate borrowings, the Group uses 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

Information on the fair value for derivatives is included in Note 29 "Fair value information on derivative transactions."

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

The following instruments are not included in "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
	2012	2011	2012
Unlisted stocks (*1)(*2).....	¥3,063	¥3,168	\$37,267

(*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, 2012 and 2011, impairment losses for unlisted stocks amounted to ¥74 million (\$901 thousand) and ¥284 million.

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

	Millions of yen					
	2012					
	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.....	¥ 183,565	¥ —	¥ —	¥ —	¥ —	¥ —
Investment securities (*1).....	138,615	333,979	295,870	182,492	261,838	81,416
Japanese government bonds.....	44,830	136,450	142,706	125,800	82,000	—
Japanese local government bonds.....	20,317	60,133	69,492	40,017	114,215	—
Japanese corporate bonds.....	47,991	103,752	68,664	16,510	63,980	68,460
Others.....	25,476	33,642	15,007	164	1,643	12,955
Loans and bills discounted (*2).....	813,642	509,632	397,081	217,766	208,894	507,627
Total	¥1,135,823	¥843,611	¥692,952	¥400,258	¥470,733	¥589,043

	Millions of yen					
	2011					
	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.....	¥ 85,259	¥ —	¥ —	¥ —	¥ —	¥ —
Investment securities (*1).....	165,615	226,327	252,449	198,344	336,342	67,297
Japanese government bonds.....	53,000	68,280	82,206	148,300	164,000	—
Japanese local government bonds.....	15,146	41,727	84,028	19,775	113,508	—
Japanese corporate bonds.....	49,329	72,138	60,193	30,091	49,143	51,029
Others.....	48,140	44,181	26,021	177	9,691	16,268
Loans and bills discounted (*2).....	876,693	513,179	350,491	218,574	225,583	501,686
Total	¥1,127,569	¥739,506	¥602,940	¥416,918	¥561,926	¥568,983

	Thousands of U.S. dollars					
	2012					
	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.....	\$ 2,233,423	\$ —	\$ —	\$ —	\$ —	\$ —
Investment securities (*1).....	1,686,526	4,063,499	3,599,839	2,220,369	3,185,775	990,586
Japanese government bonds.....	545,443	1,660,177	1,736,293	1,530,599	997,688	—
Japanese local government bonds.....	247,206	731,643	845,513	486,895	1,389,647	—
Japanese corporate bonds.....	583,904	1,262,350	835,432	200,876	778,440	832,952
Others.....	309,971	409,328	182,599	1,998	20,000	157,633
Loans and bills discounted (*2).....	9,899,536	6,200,657	4,831,261	2,649,548	2,541,609	6,176,265
Total	\$13,819,486	\$10,264,157	\$8,431,100	\$4,869,918	\$5,727,385	\$7,166,851

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

(*2) Loans in legal bankruptcy, virtual bankruptcy and potential bankruptcy amounting to ¥62,472 million (\$760,104 thousand) and ¥54,646 million loans and bills discounted without contractual maturities amounting to ¥26,320 million (\$320,237 thousand) and ¥27,251 million are excluded from the table above as of March 31, 2012 and 2011.

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

	Millions of yen					
	2012					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (*).....	¥3,470,818	¥498,831	¥15,810	¥ —	¥ —	¥ —
Negotiable certificates of deposit.....	104,524	—	—	—	—	—
Borrowed money.....	32,486	3,726	1,355	10,000	10,000	20,000
Bonds.....	—	—	—	—	20,000	—
Total.....	¥3,607,829	¥502,557	¥17,165	¥10,000	¥30,000	¥20,000

	Millions of yen					
	2011					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (*).....	¥3,308,472	¥562,311	¥20,624	¥ —	¥ —	¥ —
Negotiable certificates of deposit.....	109,679	—	—	—	—	—
Borrowed money.....	22,011	3,776	1,370	—	20,000	—
Bonds.....	—	—	—	—	20,000	—
Total.....	¥3,440,163	¥566,087	¥21,994	¥ —	¥40,000	¥ —

	Thousands of U.S. dollars					
	2012					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (*).....	\$42,229,208	\$6,069,242	\$192,363	\$ —	\$ —	\$ —
Negotiable certificates of deposit.....	1,271,743	—	—	—	—	—
Borrowed money.....	395,257	45,338	16,486	121,669	121,669	243,338
Bonds.....	—	—	—	—	243,338	—
Total.....	\$43,896,209	\$6,114,580	\$208,849	\$121,669	\$365,007	\$243,338

(*) Demand deposits are included in "1 year or less."

29. 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, 2012.

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							
	2012				2011			
	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:	¥127,182	¥103,164	¥ 166	¥166	¥176,464	¥133,277	¥ (216)	¥(216)
Forward exchange contracts:								
Sold.....	6,928	—	(220)	(220)	6,824	—	(52)	(52)
Bought.....	6,106	—	224	224	6,443	—	97	97
Currency options:								
Sold.....	30,495	16,095	(1,341)	180	33,597	20,279	(1,819)	(132)
Bought.....	30,495	16,095	1,341	173	33,597	20,279	1,819	520
Total	¥ —	¥ —	¥ 170	¥524	¥ —	¥ —	¥ (171)	¥ 216

	Thousands of U.S. dollars			
	2012			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the-counter:				
Currency swap:	\$1,547,423	\$1,255,195	\$ 2,020	\$2,020
Forward exchange contracts:				
Sold.....	84,304	—	(2,683)	(2,683)
Bought.....	74,292	—	2,732	2,732
Currency options:				
Sold.....	371,031	195,827	(16,318)	2,198
Bought.....	371,031	195,827	16,318	2,111
Total	\$ —	\$ —	\$ 2,069	\$6,379

Notes: 1. The above transactions were revalued at the end of each of the years and the related gains and losses are reflected in the accompanying consolidated statements of operations.

2. Fair value is calculated using discounted cash flows.

(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, 2012.

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

(1) Interest-rate-related transactions are as follows as of March 31, 2012.

	Millions of yen				Thousands of U.S. dollars			
	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.....	Borrowed money	¥270	¥270	Note 3	Borrowed money	\$3,285	\$3,285	Note 3
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 the above derivatives are principally based on quoted market prices, such as those of Tokyo Financial Exchange Inc., or discounted values of future cash flows.
3. Because the interest rate swaps are accounted for with long-term debt as the hedged item, the fair value of the swaps is included in the fair value of the borrowed money in Note 28-2.

(2) Currency-related transactions

	Millions of yen							
	2012				2011			
	Hedged items	Contractual value	Contractual value due after one year	Fair value	Hedged items	Contractual value	Contractual value due after one year	Fair value
Forward exchange contracts.....	Loans denominated in foreign currencies	¥1,540	¥—	¥(80)	Loans denominated in foreign currencies	¥1,870	¥—	¥(13)

	Thousands of U.S. dollars			
	2012			
	Hedged items	Contractual value	Contractual value due after one year	Fair value
Forward exchange contracts.....	Loans denominated in foreign currencies	\$18,746	\$—	\$(977)

- 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.

30. Comprehensive income

The components of other comprehensive income for the year ended March 31, 2012 were as follows:

	Millions of yen	Thousands of U.S. dollars
Unrealized gains on available-for-sale securities, net of taxes:		
The amount arising during the period.....	¥4,725	\$57,493
Reclassification adjustments to profit or loss.....	(2,809)	(34,182)
Before adjustments to tax effect.....	1,915	23,310
The amount of tax effect.....	621	7,559
Total	2,537	30,869
Deferred gain on derivatives under hedge accounting:		
The amount arising during the period.....	(1)	(13)
Reclassification adjustments to profit or loss.....	0	10
Before adjustments to tax effect.....	(0)	(2)
The amount of tax effect.....	0	1
Total	(0)	(1)
Land revaluation surplus:		
The amount arising during the period.....	—	—
Reclassification adjustments to profit or loss.....	—	—
Before adjustments to tax effect.....	—	—
The amount of tax effect.....	1,293	15,736
Total	1,293	15,736
Total other comprehensive income	¥3,830	\$46,603

The corresponding information for the year ended March 31, 2011 was not required under the accounting standard for presentation of comprehensive income due to an exemption for the first year of adopting that standard and not disclosed herein.

31. Net income per share

Calculation of net income per share ("EPS") for the years ended March 31, 2012 and 2011 is as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net income	Weighted average shares	EPS	
For the year ended March 31, 2012				
Basic EPS				
Net income available to common shareholders.....	¥8,228	263,923	¥31.17	\$0.379
For the year ended March 31, 2011				
Basic EPS				
Net income available to common shareholders.....	¥4,676	263,954	¥17.71	\$0.213

32. Segment information

For the years ended March 31, 2012 and 2011

Because the Group has only one segment, banking, the description is not presented.

Related Information

(1) Information about services

	Millions of Yen				
	2012				
	Lending services	Securities investment	Fees and commissions	Other	Total
Operating income from external customers.....	¥46,144	¥18,660	¥12,362	¥13,544	¥90,711
	Millions of Yen				
	2011				
	Lending services	Securities investment	Fees and commissions	Other	Total
Operating income from external customers.....	¥48,140	¥19,740	¥12,152	¥11,779	¥91,812

Thousands of U.S. Dollars

	2012				
	Lending services	Securities investment	Fees and commissions	Other	Total
Operating income from external customers.....	\$561,434	\$227,037	\$150,410	\$164,799	\$1,103,681

(2) Information about geographical areas

(a) Operating income

Operating income from external domestic customers exceeded 90% of total operating income on the consolidated statements of income for the fiscal years ended March 31, 2012 and 2011; therefore geographical operating income information is not presented.

(b) Tangible fixed assets

The balance of domestic tangible fixed assets exceeded 90% of the total balance of tangible fixed assets on the consolidated balance sheets as of March 31, 2012 and 2011; therefore geographical tangible fixed assets information is not presented.

(3) Information about major customers

Operating income to a specific customer did not reach 10% of total operating income on the consolidated statements of income for the fiscal years ended March 31, 2012 and 2011; therefore major customer information is not presented.

33. Related party transactions

Transactions of the Bank with related parties for the year ended March 31, 2012 were as follows:

Related party	Category	Description of transactions	Millions of yen	Thousands of U.S. dollars
Yoshihisa Fujita	Director or relative	Lending operation loan.....	¥27	\$332

There were no related party transactions involving consolidated subsidiaries of the Bank for the year ended March 31, 2012.

Transactions of the Bank with related parties for the year ended March 31, 2011 were as follows:

Related party	Category	Description of transactions	Millions of yen
Yoshihisa Fujita	Director or relative	Lending operation loan.....	¥ 28
Nishikawa Sangyo Co., Ltd.	Companies majority held by auditor and relative	Lending operation loan.....	1,460
Nishikawa Living Co., Ltd.	Companies majority held by auditor and relative	Lending operation loan.....	1,283
		Customer's liabilities for acceptances and guarantees.....	79

Related party transaction involving consolidated subsidiaries of the Bank for the year ended March 31, 2011 was as follows:

Related party	Category	Description of transaction	Millions of yen
Nishikawa Living Co., Ltd.	Companies majority held by auditor or relative	Receiving lease payments.....	¥107

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of The Shiga Bank, Ltd. and consolidated subsidiaries as of March 31, 2012, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in conformity with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2012, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 6, 2012

Capital Ratios (BIS Standard; Consolidated Basis)

As of March 31, 2012

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 2012 the Bank's capital ratio stood at 14.04% on consolidated basis and at 13.83% on non-consolidated basis. Tier I capital ratio stood at 9.42% on consolidated basis and at 9.16% on non-consolidated basis.

Capital Ratio (consolidated basis)

	Millions of yen	Thousands of U.S. dollars
(a) Capital ratio	14.04%	
Tier I capital ratio	9.42%	
(b) Tier I capital	¥ 190,361	\$ 2,316,109
50% of the excess amount of expected future loss over qualified reserve	2,471	30,066
(c) Tier II capital	97,272	1,183,502
45% of the difference between balance sheet values and book values of securities available for sale	27,802	338,268
45% of the surplus from land revaluation.....	9,094	110,654
Reserve for possible loan losses, excluding specific reserve	375	4,564
Subordinated debt.....	60,000	730,016
(d) Deductions.....	3,892	47,361
Shareholding by other financial institutions to ensure fund procurement capability.....	1,000	12,167
Investments outside the scope of consolidation.....	385	4,694
50% of the excess amount of expected losses over qualified reserves	2,471	30,066
Expected future loss on exposure (primarily of equity shares) under PD/LGD approach.....	35	434
(e) Total regulatory capital (b + c - d).....	283,740	3,452,250
(f) Risk-weighted assets	2,020,441	24,582,567

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

For reference:	2012	2011	Comparison
(on consolidated basis)			
Capital ratio.....	14.04%	13.01%	1.03%
Tier I capital ratio.....	9.42%	9.58%	(0.16)%
(on non-consolidated)			
Capital ratio.....	13.83%	12.87%	0.96%
Tier I capital ratio.....	9.16%	9.40%	(0.24)%

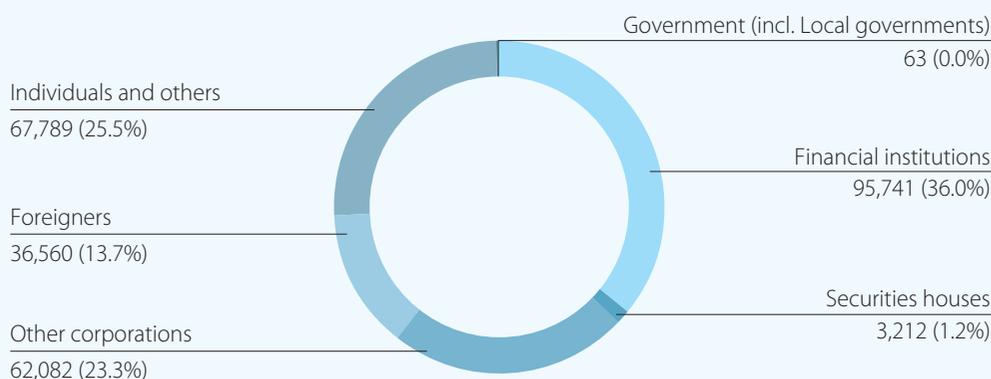
Stock Information

As of March 31, 2012

Major shareholders

	Number of shares held (Thousand shares)	As a percentage of total number of issued shares (%)
Japan Trustee Services Bank, Ltd.	15,542	5.85
Northern Trust Co. (AVFC) Sub A/C American Clients	14,659	5.52
NIPPONKOA Insurance Co., Ltd.	11,651	4.38
Nippon Life Insurance Company	9,475	3.56
Shiga Bank Employees' Shareholding Association	7,191	2.70
Mizuho Corporate Bank, Ltd.	6,500	2.44
Meiji Yasuda Life Insurance Company	6,199	2.33
Northern Trust Co. AVFC Re U.S. Tax Exempted Pension Funds	5,709	2.15
The Chuo Mitsui Trust & Banking Co., Ltd.	5,312	2.00
The Dai-ichi Mutual Life Insurance Co., Ltd.	4,513	1.70
Total	86,753	32.68

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

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