

SHIGA BANK

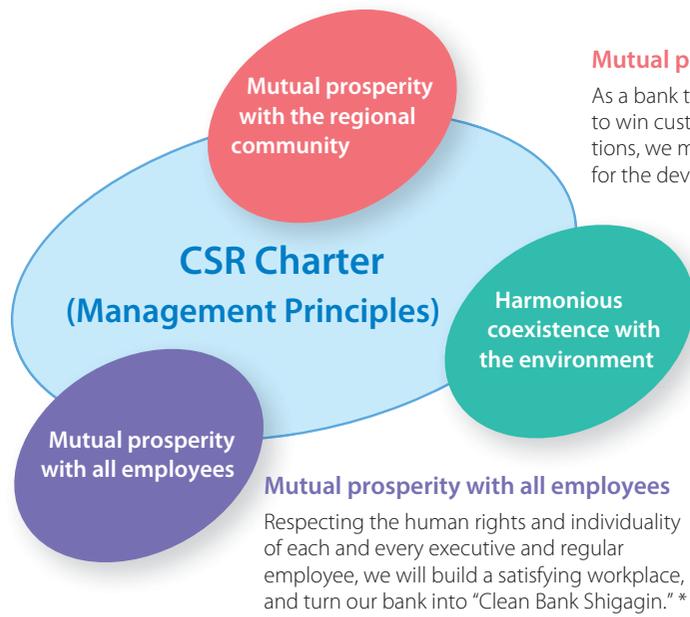
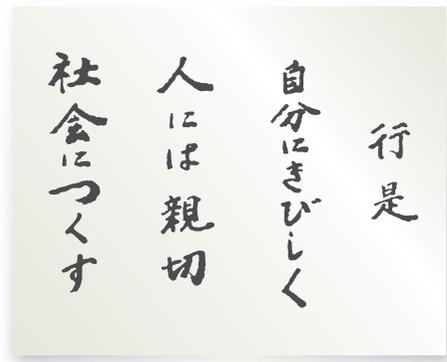
ANNUAL REPORT  
2015

Year ended March 31, 2015



## 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.



### 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”

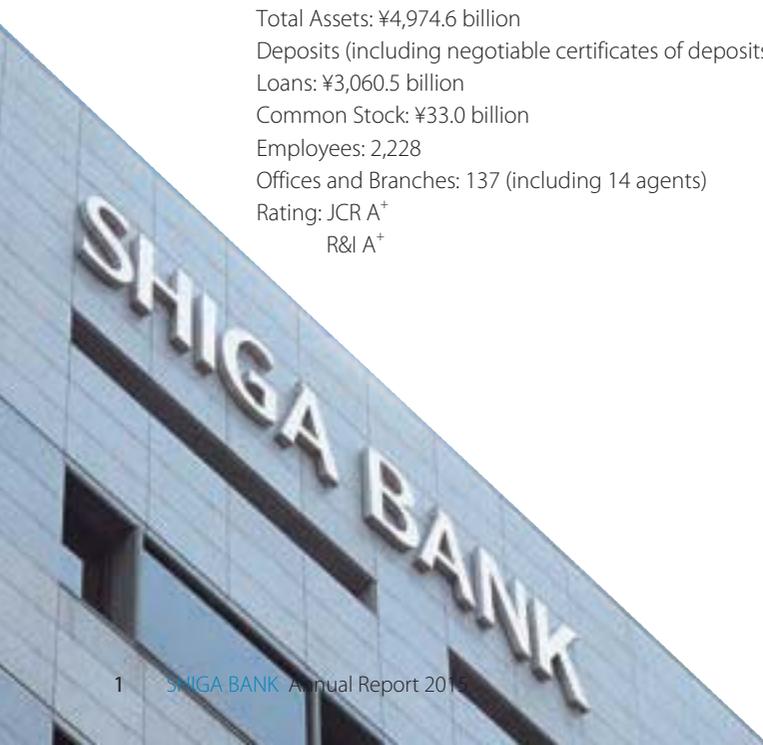
- There are four aspects to being clean:
1. Creating “eco-offices” with low resource and energy consumption
  2. Promote regional environmental conservation activities through “development and supply of environmentally-responsible financial products and services”
  3. Fostering employee with a strong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

## Profile (As of March 31, 2015, 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: ¥4,974.6 billion  
 Deposits (including negotiable certificates of deposits): ¥4,388.3 billion  
 Loans: ¥3,060.5 billion  
 Common Stock: ¥33.0 billion  
 Employees: 2,228  
 Offices and Branches: 137 (including 14 agents)  
 Rating: JCR A<sup>+</sup>  
 R&I A<sup>+</sup>

## Contents

2	Consolidated Financial Highlights
3	Message from the President
5	5th Medium-Term Business Plan
7	The Year for Shigagin
9	Dig Up Shiga’s Charm
11	Our Services for Corporate Customers and Sole Proprietors
16	Our Services for Individual Customers
17	CSR Initiatives
19	BCP
20	Corporate Governance
21	Internal Control System
22	Enhancing Legal Compliance
23	Toward a Stronger Risk Management System
26	Organization Chart / Consolidated Subsidiary / Board of Directors
27	Financial Section
55	Composition of Capital Disclosure
57	Matters concerning the disclosure of consolidated leverage ratio
58	Stock Information



# Consolidated Financial Highlights

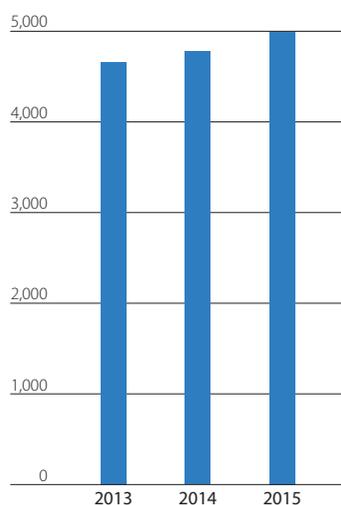
	Millions of yen			Thousands of U.S. dollars
	2015	2014	2013	2015
<b>As of March 31</b>				
Total assets	¥4,996,976	¥4,777,483	¥4,662,055	\$41,582,558
Investment securities	1,542,013	1,422,210	1,486,497	12,831,929
Loans and bills discounted	3,051,704	2,916,953	2,822,561	25,394,890
Deposits	4,281,984	4,163,311	4,090,014	35,632,720
Total equity	349,851	292,466	267,535	2,911,300
<b>Years ended March 31</b>				
Total income	88,499	88,519	88,872	736,448
Total expenses	64,439	69,072	74,991	536,232
Income before income taxes and minority interests	24,060	19,447	13,880	200,216
Net income	13,675	11,027	5,544	113,797
<b>Per share data (in yen, dollar)</b>				
Cash dividends	¥ 6.00	¥ 7.00	¥ 6.00	\$ 0.050
Net income	51.87	41.79	21.00	0.432
Net equity	1,324.63	1,091.45	998.62	11.02
<b>Ratio</b>				
Capital ratio	15.94%	14.80%	14.14%	—
ROE	4.32%	3.99	2.18	—

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

2. U.S. dollar amounts represent translation of Japanese yen at the rate of ¥120.17 to US\$1.00 on March 31, 2015, the final business day of the term.

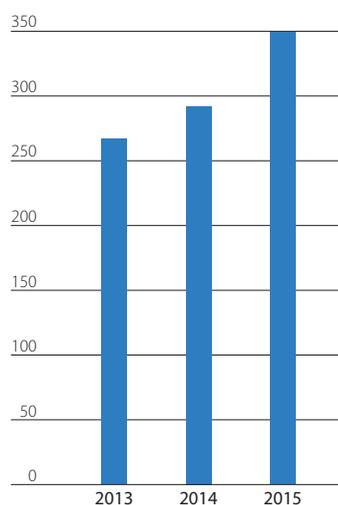
## Total assets

(Billions of yen)



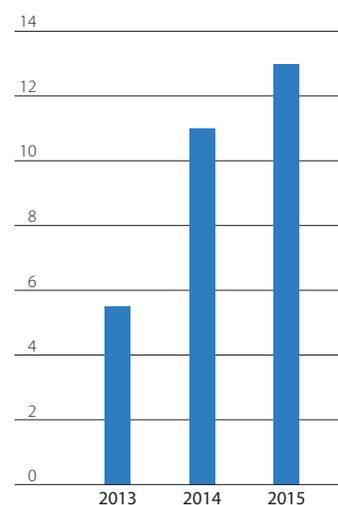
## Total equity

(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

# Realizing Revitalized Regional Society Through Creative Originality



Yoshio Daido  
President

### Regional Revitalization: Time for Regional Areas to Take the Lead

The Japanese economy has escaped from its deflationary state of mind, and we can now see a bright path toward a positive economic cycle. We cannot let this chance get away from us in 2015, and it is a year where we must do everything possible to allow the Japanese economy to recover. Government-promoted “regional revitalization” alongside equal private efforts are key to this recovery.

In order to both overcome the problems of a society with a shrinking population and realize regional revitalization, a cabinet decision was made in December 2014 to approve “long-term vision” and “comprehensive strategy” (for the five years beginning in fiscal 2015) that asks regional municipalities to establish a “regional population vision” and “regional comprehensive strategy” by March 2016.

“Regional revitalization,” by its nature is mainly focused on “regions,” and differs greatly from economic vitalization measures that had previously been led by the “nation.” In the past, “vitalization” could be said to have been dependent upon subsidies provided by the national government, and measures were implemented according to a menu defined on the national level, but “regional revitalization” hopes to provide active execution through the creative will of “regions” themselves, with solutions tailored to the characteristics of regions to foster regional industrial growth.

### The “Comprehensive Strength” of Regional Society is Being Tested

“Regional revitalization” uses close cooperation between the municipalities responsible for undertaking it and the people rooted in those areas to analyze and understand the realities of and questions surrounding individual regions, while also using regions’ varied resources to revitalize both regional economies and the Japanese economy as a whole.

In doing this, it is important to not simply bring a fixed “revitalization model” from outside but to construct a model of regional revitalization unique to each given region. In other words, there is no uniform “answer” when it comes to regional revitalization across Japan. Instead, there are as many answers as there are regions, a true test of the “comprehensive strength” of regional society.

## A “New Wind” Spreading Across Japan

As this happens, various efforts for regional revitalizations are being implemented full-scale across the country. Regions working toward vitalization by, for example, expanding sales routes and renovating processing plants for unique products to promote turning them into sixth-sector industries and brands, and increasing employment and the number of young people moving to a region by attracting satellite offices of startup IT firms, are finding a “new wind” blowing through them, though it may be a gradual process.

Even within Shiga Prefecture, steady efforts are beginning to bear fruit, such as the new construction of a recreational facility in Okuibuki, a project produced through cooperation between public and private industry; Takashima-style local tourism; and regional vitalization via soft contents such as the Koka Ninja. These measures make use of the attractive regional resources and strengths of a lake country, and aim to foster industry, create employment, and invite the younger generation to take root in the region.

## How Shiga Bank Works Together With Individual Regions

Even before calls were made for “regional revitalization,” the Bank has worked to energize and promote regional areas under the belief that the Bank cannot grow without our regions and clients growing as well. In April 2013, we established a Regional Promotion Office in order to promptly strengthen our relationships with regional public organizations and other groups and to spread and create regional brands. Also, when creating the Fund for Communicating Shiga’s Appeal and the Shigagin Hometown Investment Fund, we were the forerunners among other banks in using “crowdfunding” methods to collect small amounts from many individuals through the Internet, assertively supporting the development of new businesses in growth fields through new financing methods.

We are involved in many activities that use regional resources, such as the handling of Agribusiness Loans and the foundation of our “Sixth-Sector Industrialization Fund.” Also, in addition to our business and asset inheritance plans, in which our finance consulting abilities are used, we have also produced steady results in the “Craftsmanship Subsidy,” “Business Establishment / Secondary Business Establishment Promotion Subsidy,” and “Hometown Specialty Support Business” fields.

As a result of these efforts, the amounts put toward our Regional Contribution Goals (for the end of March 2016) of our

5th Medium-Term Business Plan (From April 2013 to March 2016) have reached 4.3 trillion yen in total deposits and 3 trillion yen in total loans, reaching our goals for both one year in advance. I would like to earnestly thank all of you for your loyal patronage and the fruits of your support.

## Realizing Revitalized Regional Society Through Creative Originality

In January 2015, the Bank established a bank policy and internal posture based on “Act for Creating Towns, People, and Jobs” in order to further advance our “Regional Revitalization” initiatives. As Shiga Prefecture as well as towns and cities inside the prefecture hurry to decide on regional versions of comprehensive strategies, we have proactively worked with them in their planning and made full use of the Bank’s network in order to offer and analyze information, putting proposals into action.

Furthermore, it is our intention to further promote efforts toward regional revitalization that cannot be classified by existing concepts and fixed ideas, such as the discovery of local resources, the promotion of matching activities, and the promotion of innovation through the fusion of “Cool Japan” creative industries with regional companies.

By once again confirming that it is our mission as a regional financial institution to smoothly provide funds to regional areas and to act as an “engine” that accelerates regional revitalization through constant creative originality, and by having all officers and employees of the Shiga Bank Group putting their strength together, we will make our utmost efforts to realize regional economic growth and a sustainable society.





# For the Future with You

Basic Vision (the kind of bank we should ideally be)

**A bank journeying into the future together with its customers and region**

Main Theme

**Awareness-raising and behavioral improvement for improving customer satisfaction**

Behavioral Guidelines

**Faithfulness, imagination, and enthusiasm**

Awareness-raising and behavioral improvement of the Group employees that gives top priority to the development of our customers

Basic strategy

1

## Provision of solutions matching the customers

< Providing expertise and care > — Deepening of the “three brand-building strategies” —

### <Being strong in Networks>

- (i) Strengthen support systems dedicated to the development of our customers
- (ii) Revise channel functions that improve the convenience of our customers
- (iii) Utilize IT that meets the needs of our customers

### <Being strong in Asia>

- (iv) Support the overseas businesses of our customers

### <Being highly CSR-conscious>

- (v) Develop CSR activities together with our customers

### Strengthening of profitability

- We will secure appropriate revenues and aim to strengthen profitability by increasing points of contact with our customers and providing solutions based on ascertaining the needs of our customers.
- We will expand our service revenues by offering suitable services for asset management needs and strengthening our settlement functions.

### Reduction of expenses

- We will develop each BPR and suitably deploy and effectively utilize human and physical resources, in order to improve productivity and thereby reduce costs.

### Risk management

- We will focus our energies on sharing issues and on consulting activities in order to reduce the risks faced by our customers.
- We will perceive risk appropriately based on the principle of self-responsibility and control risk strategically and rationally.

Bank motto:

**Be tough on ourselves, kind to others and serve society**

CSR Charter (Management Principles):

**Mutual prosperity with the regional community,**

#### ROE (return on equity)

An indicator showing the extent to which the company is using the invested capital of the shareholders efficiently to generate profits

$$\frac{\text{Net profits}}{\text{Beginning of year and end of year average value of (net assets - share options - minority shareholders' equity)}} \times 100$$

#### OHR (Overhead ratio)

An indicator showing how efficiently the bank is being managed

$$\frac{\text{Expenses}}{\text{Gross profit}} \times 100$$



— Aiming for the sustainable growth of our region with our customers —

[Name and the concept of the basic vision]

The Shiga Bank Group will journey forward with our customers in a future-oriented manner in order to create new values and the sustainable growth of our region with our customers.

**Faithfulness:** the feeling of thinking about customers' needs at all times

**Imagination:** a keen sensibility and abundant ideas

**Enthusiasm:** full dedication and strong will

We will expand, enhance and upgrade our services to our customers by developing each BPR (operation of SUCCESS)

Basic strategy

2

Further contributions to the regional economy

- (i) Proactively tackle the development of our customers and the regional economy
- (ii) Strengthen support systems for working on the new businesses of our customers
- (iii) Work together with our customers on increasing the appeal of the regional brand

Basic strategy

3

Construction of a resilient business foundation

- (i) Develop and utilize the human resources that will contribute to the development of our customers
- (ii) Strengthen the internal control system in order to enable our customers to conduct transactions with the bank with even greater peace of mind
- (iii) Reform our operations with the objective of improving the convenience of our customers

Our numerical targets for each indicator (by the final fiscal year)

- ROE (consolidated) ..... 3.0% or more
- OHR (non-consolidated) ..... Less than 70%
- Common equity Tier 1 ratio (consolidated) ..... 10.0% or more
- Reduction in greenhouse gas emissions ..... 20% reduction (\*)

(\*) An average 20% reduction compared to fiscal year 2006 over the three years from fiscal year 2013 to fiscal year 2015

Regional contribution goals (by the final fiscal year)

- Total deposits (end of year balance) ..... ¥4.3 trillion
- Total loans (end of year balance) ..... ¥3.0 trillion
- <Promotion of relationship banking> (cumulative over the period of the plan)
- Network:** number of customers for which we provide the ratings communication service: ..... 3,200 customers
- Number of instances of business matching meetings: ..... 3,000 instances
- Asia:** number of instances of overseas business support: ..... 4,300 instances
- CSR:** total number of people participating in volunteer activities: ..... 7,500 people

mutual prosperity with all employees,

harmonious coexistence with the environment

Common equity Tier 1 ratio

Beginning from the fiscal year ended March 31, 2013 the new capital adequacy requirements (Basel III) have been applied to international uniform standard banks possessing a branch overseas.

It is reported that of the capital adequacy requirements the top priority is given to the "common equity Tier 1 ratio," the core capital comprised of common equity, internal reserves, etc. and the level that is desired after full implementation is 7.0% or more (including the capital conservation buffer).

# “Being strong in Networks”

The Bank is utilizing its networks to create “business distribution flow” by connecting our customers. We will help the development of new businesses going forward and work to expand sales channels for local products.

We held the Shigagin Eco Business Matching Fair 2015 this year as well. With 89 companies and organizations presenting exhibits and 1,725 visitors at the fair, 702 enthusiastic business discussions were held at the lively event.



The Bank is using “crowdfunding” methods to increase the attractiveness of regional brands and offer new products and services using regional resources. The Bank is the first financial institution to work with Music Securities, Inc. So far, it has created 11 small funds.



Enzyme extracts from organic vegetables (Otsu City)



Hachiman Shoes (Omihachiman City)



Omi beef and matsutake wild feast (Koka City)

The Bank was proactively involved in the planning of regional comprehensive strategies and the implementation of their measures, primarily through the Regional Promotion Office in Business Promotion Dept. established in April 2013. The Bank is involved in regional revitalization through related policies and adjusting its internal stance as a whole.



## The Year for Shigagin Initiatives for Relationship Banking

# “Being strong in Asia”

As the only regional bank in the Kinki region having a branch overseas, we've provided support for our customers' overseas business in Asia by building a tight network between our domestic branches, the International Department, and our overseas sites including the Hong Kong Branch and representative offices in Shanghai (China) and Bangkok (Thailand).

In December 2014, we formed a business relationship with Canadia Bank Plc. in Cambodia, currently watched as a “Thai Plus 1” country.



Bank President Michael Lor of Canadia Bank (left), which a business partnership has been entered into with, and Mr. Aoyama, head of the Bank's International Department.

In August 2014, a cooperation agreement with the Japan Bank for International Cooperation was formed, and at Shigagin Asia Seminar held in January 2015, Governor Hiroshi Watanabe of the same bank gave a speech.



A business relationship has been formed with Halal Japan Business Association in May 2015 as the market's attention points in the direction of the roughly 1.6 billion Muslims in the world, allowing the Bank to strengthen its support structure for customers seeking to develop the Halal market.

# “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,” and based on “environmental management,” which incorporates the environment in management, we have developed “environmental finance,” which embeds the environment in finance as an initiative to preserve the environment through our core business, and “environmental volunteer” activities.

Our Ritto Branch, opened in June 2015, uses the latest energy-saving equipment whenever possible, and has been reborn as a “carbon neutral store” with zero practical CO<sub>2</sub> emissions. It also won an award of merit in the first “Low Carbon Town and Buildings’ Contest.”



Through “Tsunagari” CSR private placement bonds first offered in November 2014, the Bank is contributing materials to schools that lead to the healthy education of the children who will carry the next generation.



By pursuing CSR based around “environmental management,” we received many awards this year as well.

Examples:



We have adopted “a bank journeying into the future together with our customers and region” as our vision for the next ten years, and we started the 5th Medium-Term Business Plan in April 2013 as the first stage in this vision.

In order to promote relationship banking, we have set concrete numerical targets for the Bank’s unique “providing expertise and care under three brand-building strategies” (Being strong in Networks, Being strong in Asia, Being highly CSR-conscious), and we are working to achieve them. We are aiming to achieve further mutual prosperity with the regional community for the sustainable growth of our customers and our region.

## Numerical Targets and Performance in Our Commitment to Relationship Banking (April 2013 – March 2015)

Specific initiatives	Targets for the year ending March 31, 2016	Results as of March 31, 2015	Progress toward goal as of March 31, 2015 (%)
<b>● Numerical targets in the 5th Medium-Term Business Plan</b>			
ROE (consolidated)	3.0% or higher	4.32%	
OHR (non-consolidated)	Below 70%	72.36%	
Common equity Tier 1 ratio (consolidated) *1	10% or higher	11.82%	
Greenhouse gas emissions reduction *2	20% cut	29.64% cut	
<b>● Initiatives for “providing expertise and care under three brand-building strategies”</b>			
<b>1. Initiatives for “Being strong in Networks”</b>			
Number of times setting up business matching meetings ★	3,000	2,663	88.7%
Number of times providing new business support acting as coordinator	150	174	116.0%
Number of customers with business loans	18,000	18,691	103.8%
Number of times providing “Ratings Communications Services” (cumulative total) ★	3,200	2,953	92.2%
Number of customers supporting formulation of business improvement plans (cumulative total) *3	3,000	3,096	103.2%
<b>2. Initiatives for “Being strong in Asia”</b>			
Number of times providing overseas business support *4 ★	4,300 cases	4,215 cases	98.0%
Number of times holding overseas business meetings, seminars and overseas study tours	30	33	110.0%
<b>3. Initiatives for “Being high CSR-conscious”</b>			
Total number of loans under the PLB Fund / Eco-Clean Loan Program *5	600	431	71.8%
Total Eco-plus Time Deposit and Internet banking service agreements (total)	500,000	299,511	59.9%
Total number of people taking part in volunteer activities ★	7,500	5,354	71.3%

★ indicates an initiative established as a regional contribution target in the 5th Medium-Term Business Plan.

\*1 Common Equity Tier 1 ratio (consolidated) Figures on a Basel III basis are presented.

\*2 Greenhouse gas emissions reduction Three year average reduction of 20% compared with fiscal 2006 for fiscal 2013 to fiscal 2015

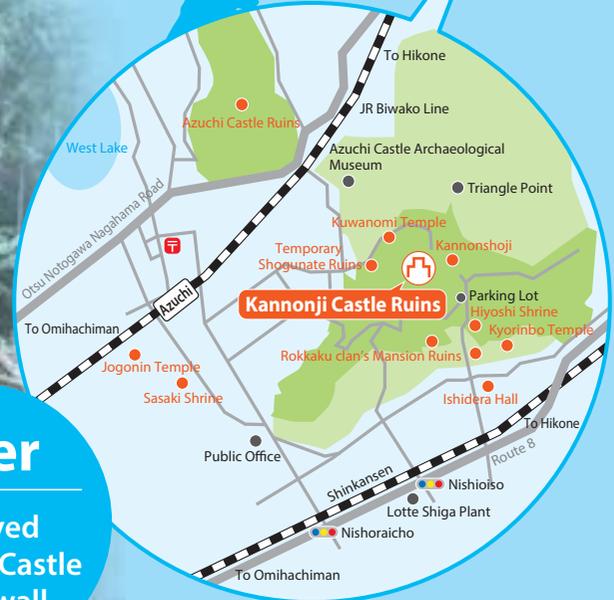
\*3 Business improvement plans include simplified plans based on the Bank’s specified “Consultation Sheet”

\*4 Support provided by Asia Desk in the International Department and the Bank’s overseas sites (Hong Kong Branch, Shanghai Representative Office and Bangkok Representative Office)

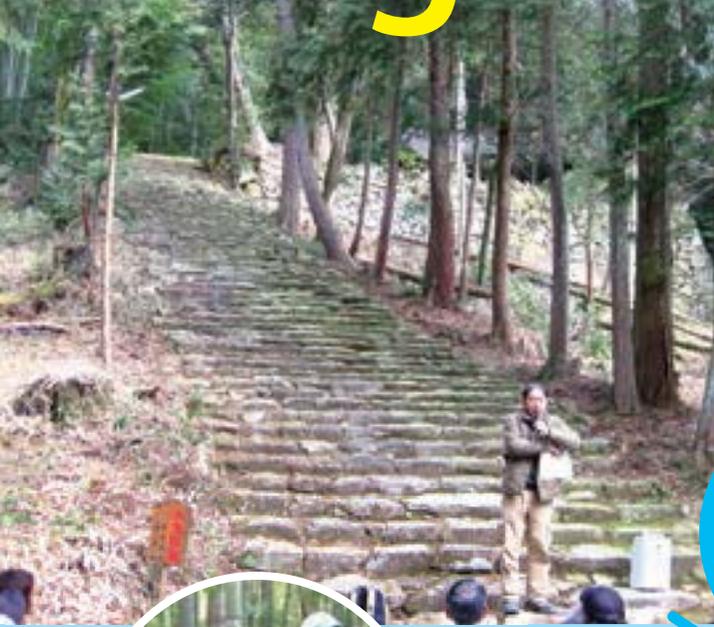
\*5 PLB Fund Principles for Lake Biwa Support Fund

# Dig Up Shiga's Charm

Azuchi-cho, Omihachiman City, Shiga Prefecture  
Kannonji Castle Ruins



**After**  
A revived Kannonji Castle stone wall



The "Yutaka na Morizukuri-tai" citizens group and the Bank's employees maintained the stone wall together.

**Before**  
A stone wall covered in a bamboo thicket



## Bringing back Kannonji Castle!

**The Glorious Rokkaku clan's castle that even Nobunaga took as inspiration**

The Kannonji Castle ruins located in Omihachiman City's town of Azuchi contain over a thousand Kuruwa walls and countless small stone walls. It is said that Nobunaga used this castle as an example when building Azuchi Castle. While Kannonji Castle is not quite as well known as Azuchi Castle, it is a giant mountain castle whose scale, history, and remains greatly exceed Azuchi Castle.

The Bank makes efforts to polish this buried regional resource that has even been chosen as one of Japan's 100 famous castles, and worked together with the "Yutaka na Morizukuri-tai" citizens group that maintains its stone walls, making plans with regional corporations to steadily spread its activities. Twice in November 2014, a total of 75 of the Bank's employees participated in maintaining the mansion (castle tower) ruins that had been covered in a bamboo thicket. In March 2015, the Bank also participated in a stroll along "Kagekiyo Street," planting cherry blossom trees with the hope that they will grow together with the region. Through efforts such as these, the Bank is proactively involved in regional promotion that brings out both a region's charm together with its citizens.





## Using “deep snow” as an advantage, building a skiing area to create activity!!

Selection Example

1

**Maibara City**  
Selected March 2014

The Bank proposed a Regional Economic Circulation Creation Project Subsidy with regards to a plan by Okuibuki Kanko Co., Ltd., which operates the Okuibuki Ski Resort, to build a new ski center, and it was selected.

As a result of this investment, the number of visitors grew greatly, and the handicap of deep snow was used as an advantage to greatly contribute to its economic effect and local hiring.

Furthermore, sales of local specialties such as handmade miso and Japanese ginger were well-received by both visitors and locals.

These efforts that brought local citizens and the ski resort together are gathering attention around Japan.



## Initiatives Relating to the Regional Economic Innovation Cycle

Through industrial-academic-financial-governmental coordination, we have started initiatives toward regional revitalization that bring regional resources and regional funding (financing through regional financial institutions) together in attempts to create positive economic circulation in regional economies. Specifically, financing from regional financial institutions and subsidies (Regional Economic Circulation Creation Project Subsidies) from national and local governments are used to promote the creation of projects by private entrepreneurs attempting to create projects that contribute to regional revitalization.

## “Sake lees cheesecake,” chosen as the ultimate present and made into a new local brand.

Selection Example

2

**Higashiomi City**  
Selected September 2014

Ayumi Social Welfare Corporation, a social welfare service corporation, is making attempts to allow those with mental handicaps become independent, and developed a “Lake Country Raw Cheesecake” made with sake lees from six prefectural breweries as “sweets a father would love.”

The Japan Tourism Agency selected this as one of just nine “ultimate presents that would be received around the world,” resulting in a flood of orders from around Japan. However, production facilities were limited, and production could not keep up with orders.

It was here that the bank proposed a Regional Economic Circulation Creation Project Subsidy. Our passion, to “Create new production and sales facilities and grow into a regional brand from Higashiomi that uses Shiga’s local sake” was recognized and the project was selected.

In April 2015, new facilities were opened. Users said they were excited to work, and the facilities as a whole are energetic.



## Progress of Initiatives for Improvement of Management at Small and Medium-Sized Enterprises and Regional Revitalization

### ● Initiatives Relating to Regional Revitalization

#### ● Cooperating in the Creation of Regional Comprehensive Strategies and Promoting Policies

The “Act for Creating Towns, People, Jobs” enacted in November 2014 asks for regional public organizations to create regional comprehensive strategies.

As a regional financial institution, the Bank proactively takes part in the planning of the creation of these strategies as well as the smooth implementation of their policies, cooperating in the offering, analysis, and proposal of information, contributing to regional revitalization that properly considers a shrinking society.

#### The Bank’s policies regarding regional revitalization

- 1 Regarding the creation of regional comprehensive strategies decided on by prefectures, cities, and towns, the Bank will proactively participate in their planning and cooperate by the information offering, analysis, and proposal using its expertise.
- 2 For the creation of national and regional comprehensive strategies, we will proactively take part in initiatives based on industry-government-academic-financial-labor-press cooperation while also making assertive use of functions using its expertise with regards to individual measures.
- 3 For challenges regarding the creation of businesses using regional resources, increased productivity, and environmental maintenance in order to make fresh starts, the Bank will use the cooperation of public-private funds and other measures in order to improve its financial functions in local regions.

#### ● Efforts to Spread Crowdfunding

The Bank is supporting entrepreneurs working to use crowdfunding methods to offer new products and services that increase the regional brand attractiveness or use regional resources.

In May 2011, the Bank became the first to work with Music Securities, Inc. So far, it has created 11 small funds (as of June 30, 2015), supporting entrepreneurs’ efforts to increase fans through crowdfunding methods.

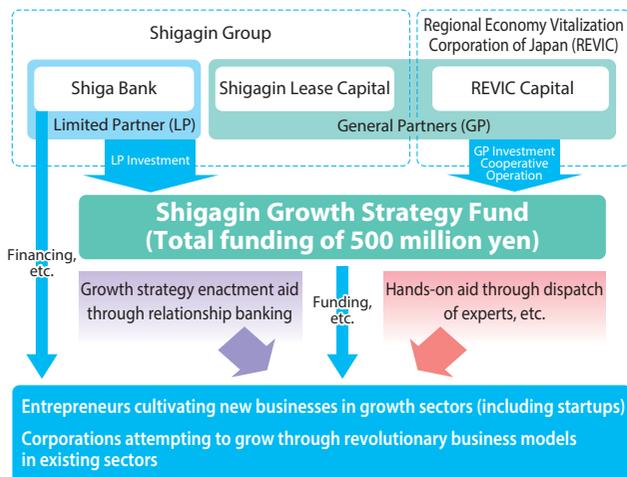


## ● Initiatives for Supporting Management and Small and Medium-Sized Enterprises

### Support During the Growth Stage

#### ● Cooperative Funds with Regional Economy Vitalization Corporation of Japan

In April 2014, the Bank and the Regional Economy Vitalization Corporation of Japan founded the “Shigagin Growth Strategy Fund” together which has so far invested in four companies (as of March 31, 2015). The Bank aims to improve the corporate value of the companies it invests in by making investments in startups as well as small and medium-sized enterprises and providing hands-on support for growth.



### Support for Business Creation and Development of New Businesses

#### ● “Sowing Seeds of New Businesses, Cultivating their Buds, and Making Flowers Bloom”

In order to foster “New businesses that will realize new growth,” we started the “Saturday School for Entrepreneurship,” which offers business tips, offers industry-academic-government cooperation support through the new business support network “Nonohana Support Group,” and offers financing and other services for a wide variety of funding needs through initiatives such as “Shigagin New Business Support Loan” and “Shigagin Growth Strategy Fund.”

#### ● Business Forum: Saturday School for Entrepreneurship

The “Saturday School for Entrepreneurship” supports a strong spirit of entrepreneurship through lectures by business executives cur-

rently active in fields and presentations about the latest trends in each field by experts, based on themes such as healthcare, biotech, regional resources, advanced materials, energy, and so on.



Fiscal 2015’s “Saturday School for Entrepreneurship,” which began in May, will be its sixteenth year. The school will be held on Saturdays, five times a year.

#### ● Shigagin Nonohana Prize

The Nonohana Prize is given to commend “Saturday School for Entrepreneurship” students who produced results in new businesses through industrial-academic-government cooperation. In fiscal 2014, five corporations were presented with a total of 500,000 yen. Since its creation in 2003, a total of 8.30 million yen has been presented to 83 recipients.



### Supporting development of sales channels

#### ● Eco Business Matching Fair

We held the “Eco Business Matching Fair 2015” on June 3, 2015 to provide a forum for business discussions focusing on environmental businesses. This year was the eighth time we have held the fair. 89 companies and organizations presented exhibits in sectors such as new energy, energy saving, recycling, environmental civil architecture, and environmental solutions.

In addition to establishing the “healthcare” category this year, we again set up a special booth for “Shiga Prefecture Health Creation.” In

the financial support corner, we also introduced examples of crowdfunding initiatives.



## Our Services for Corporate Customers and Sole Proprietors

### Progress of Initiatives for Improvement of Management at Small and Medium-Sized Enterprises and Regional Revitalization

#### Assisting customers develop environmental management

Initiatives to prevent global warming and to preserve biodiversity are essential for a company's sustainable development. Shiga Bank supports its customers to develop environmental business in order 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)" to protect Lake Biwa and the global environment, and is enlisting support for these principles.

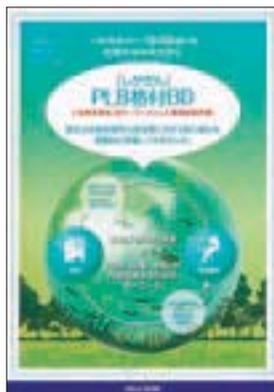
##### ● Adoption of the PLB rating

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.

\*BD: biodiversity



##### ● 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 2015, a total of 1,676 loans of the fund worth ¥35.5 billion had been summed up.

##### ● PLB rating 80

The Bank established PLB rating 80 (for subsidized interest payments), a new environmental rating, and was selected as a financial institution that offers the "Environmentally-Friendly Loan Interest Subsidy and Grant Program". Under the program, the Japan Environment Association selects financial institutions from among those with an environmental rating for global warming countermeasures, thus making it possible for customers to receive interest subsidies when undertaking capital expenditure on measures to counter global warming such as energy saving or reduction of utility costs.

##### ● 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.



Nigorobuna fish



Wataka fish



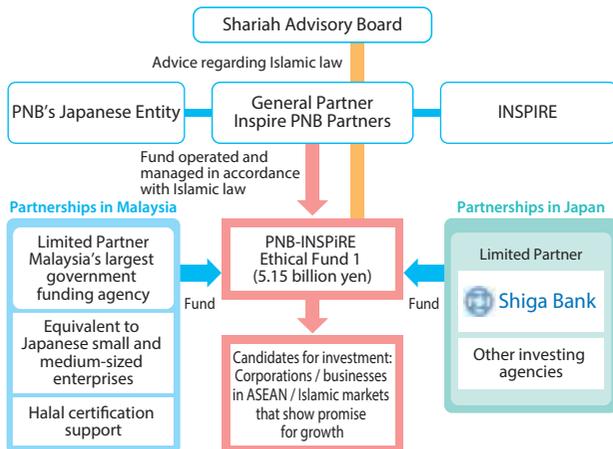
● **Initiatives in the Halal Market**

The market’s attention now points in the direction of the roughly 1.6 billion Muslims in countries around the world such as Indonesia and Malaysia. In May 2015, the Bank formed a business relationship with Halal Japan Business Association, the first among local banks based in the Kinki region.

The Bank also played a part in the planning of the “PNB- INSPiRE Ethical Fund 1 investment business limited liability partnership” that targets the growth of companies through the Halal business. Going forward, we will support customers who wish to develop the Halal market by helping them with investment environment information, the Halal certification\*, and so on.

\*About Halal certification

Certification that states that a product has been produced / manufactured / stored / transported in accordance with Islamic teachings such as the prohibition of consuming alcohol and pork.



● **Fostering human resources capable with overseas business**

In order to foster human resources capable with overseas business, we have established a trainee system for young bank employees. In fiscal 2014, single employees were dispatched to local branches of megabanks in Shanghai, China, Ho Chi Minh City, Vietnam, and Singapore (period: one year). Also, in addition to trainees being dispatched for three months to the Bank’s Hong Kong branch, starting in April 2015, one employee has been dispatched to the Japan Bank for International Cooperation.



## Our Services for Corporate Customers and Sole Proprietors

### Progress of Initiatives for Improvement of Management at Small and Medium-Sized Enterprises and Regional Revitalization

#### ● Initiatives for Supporting Management at Small and Medium-Sized Enterprises

The SME Financial Facilitation Act expired on March 31, 2013, however Shiga Bank's mission to contribute to the facilitation of funding as a regional financial institution remains unchanged even after the expiration of the act. The bank will actively perform its consulting function, which is based on "providing expertise and care," and take sufficient time to provide support, proposing the best solution tailored to the various needs and business lifecycle of our customers from the standpoint of the customer.

#### ● Progress on Establishment of Environment for Supporting Management at Small and Medium-Sized Enterprises

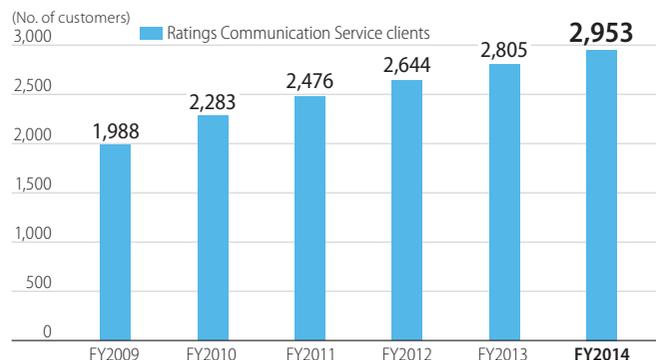
##### ● Ratings Communication Service

The Bank positions the "corporate credit ratings" as a rational communication 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)



From its start in August 2007 to March 2015, services have been offered 10,611 times in total to a total of 2,953 customers.

##### ● 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.



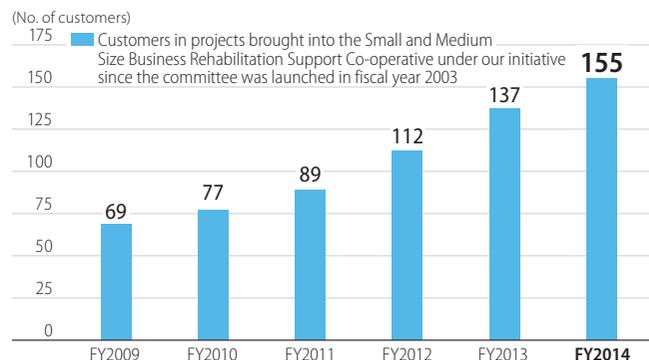
#### Support for management improvement, business revitalization and change in business activities

##### ● Initiative for fundamental business revitalization support

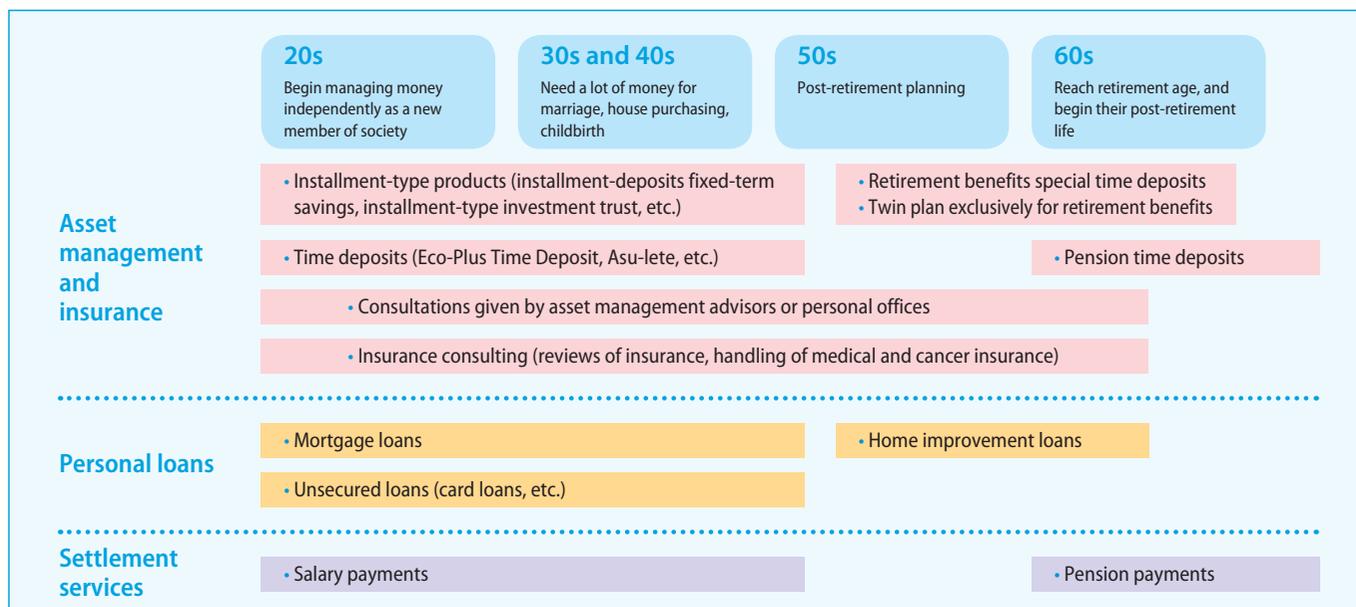
For customers that need fundamental management improvements, including reconstruction of their finances, we offer full-scale business revitalization support entailing financial support such as DDS (debt-debt swap).

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.

##### Cumulative total of customers brought into the Small and Medium Size Business Rehabilitation Support Co-operative



## Providing products and services



### Sports Support Time Deposit “Asu-lete”

The Bank began offering “Shigagin’ Sports Time Deposit ‘Asu-lete,’” in December 2014, a new product that supports future athletes related to Shiga prefecture.

An amount equivalent to 0.005% of customer time deposit balances will be donated to the “Lakes Sports Fund,” which supports amateur sports, allowing customers to support sports within Shiga prefecture while also helping regional revitalization through promotion of regional sports.



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.



### Disseminated Information through SNS

The Bank makes proactive use of rapidly-growing Social Networking Services (SNS) to enhance communication with customers.

Information on campaigns and useful services is disseminated through the smartphone communication application LINE.

Meanwhile, on Facebook, we primarily disseminate information regarding environmental volunteers, regional activities, and CSR initiatives.



### Eco-Plus Time Deposit

The Bank has donated a cumulative total of ¥15,790,000 to 33 schools to support the creation of biotopes in the elementary schools in Shiga Prefecture (as of June 30, 2015).

## Toward Realizing a Sustainable Society

We are developing CSR 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), which has as its starting point the Bank’s motto, “Be tough on ourselves, be kind to others and to serve society.”

### Certified Again as “Eco-First Enterprise”

In June 2014, the Bank was again certified as “Eco-First Enterprise,” the certification given by the Ministry of the Environment to the companies vigorously addressing the environmental issues in each industry. The Bank has been implementing “environmental finance” which promotes environmental preservation from a financial viewpoint, including the provision of environmentally-responsive financial products and services on the basis of “environmental management,” which incorporates the environment in management. These efforts were valued and the Bank received the certification for the first time in 2008.



「環境金融」で低炭素社会へ。



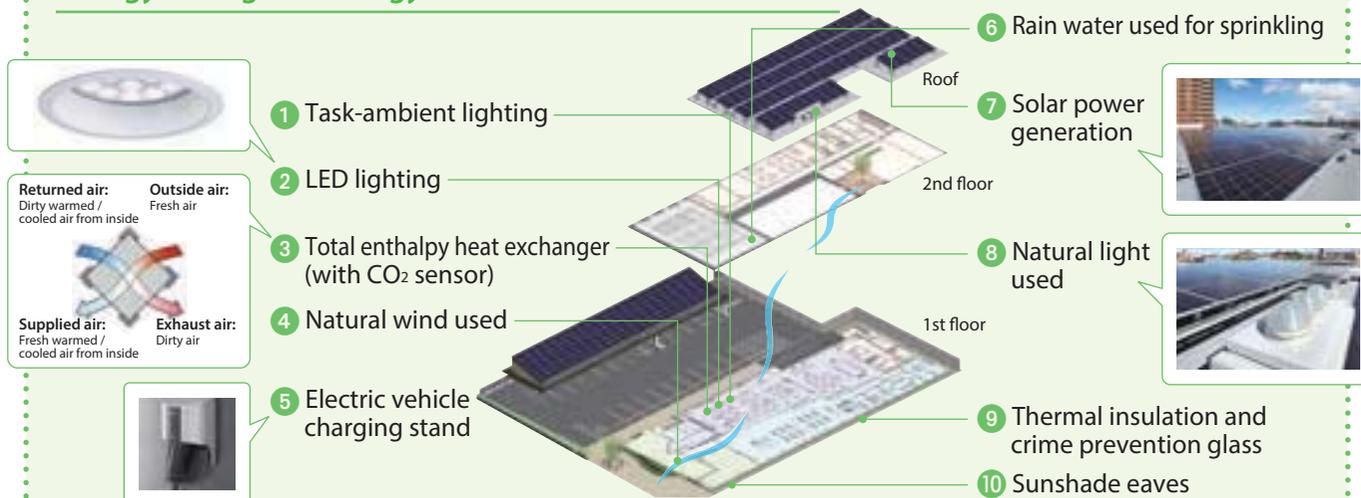
### Ritto Branch, reborn as a carbon neutral store

Our Ritto Branch opened in June 2015 uses the latest energy-saving equipment whenever possible has been reborn as a “carbon neutral store” with zero practical CO<sub>2</sub> emissions.

Compared to the 100% of energy used in existing stores, long-lasting and energy saving LED lighting and “sky light tubes” used to incorporate sunlight as in-building lighting allows for 34% less carbon dioxide output (30 tons / year). The remaining 66% is covered by 324 solar energy panels generating energy, resulting in zero practical CO<sub>2</sub> emissions.

It was also highly-regarded as an initiative within Shiga Prefecture, which is attempting to make itself a low-carbon society, and it won an award of merit in the first “Low Carbon ‘Town and Buildings’ Contest.”

### Energy-saving technology used to reduce CO<sub>2</sub> emissions



## Regarded for commitment to environmental management-based CSR

The Bank considers “environmental management” that includes the environment in its management as an important point, and continues to pursue “eco-office creation” that works toward reduced resource and energy usage, as well as “environmental finance” and “environmental volunteering” as environmental protection initiatives that involve the Bank’s primary business by involving the environment in finance.

These activities have once again won the Bank many awards this fiscal year.

**Eco-office creation**  
Eco Style, Eco-Office, Eco-Work, Solar panels

**Environmental Finance**

**Environmental Volunteering**  
Reed-cutting volunteering, Volunteering for foreign origin elimination and fishing of invasive species

## Award of Merit Won at the Integrity Award 2015

The Bank was presented with an award of merit at the Integrity Award 2015. The award is given to corporations with excellent social responsibility, corporate ethics, compliance, and internal controls, and the Bank’s 1: Leading “First financial institution in Japan” initiatives that place the environment first, 2: Regional industry growth bank model with initiatives regarding regional revitalization, and 3: Activities consistently based on the spirit of the Bank’s motto were highly praised.



Award ceremony: March 20, 2015  
Hosted by: Integrity Award commission

## CSR private placement bonds

The Bank supports the creation of connections between regional society and children in order to foster healthy children who will carry the next generation.



Kusatsu Elementary School  
(Kusatsu Branch)



Kamizato Elementary School  
(Business Dept. in Head Office)



Nagahamakita Elementary School  
(Nagahamakita Branch)

In November 2014, we began offering CSR private placement bonds called “Tsunagari” (“Connections”).

CSR private placement bonds are issued by corporations who fulfill our strict financial and other issuance standards and who have also received a certain grade from the Bank’s “PLB Rating” environmental rating.

When CSR private placement bonds are issued, an amount equivalent to 0.2% of total issue price is underwritten by the Bank and books, sports goods, or other “items that support children’s learning and growth” are donated to schools or other institutions based on the issuing corporation’s wishes to commemorate the issuance. These are the first private placement bonds of their kind offered by a Kinki regional bank.

Until now, 43 corporations have agreed with the aims of these private placement bonds and have issued CSR private placement bonds, allowing the Bank to donate goods equivalent to 3.94 million yen to 19 elementary schools (as of May 31, 2015).

### How CSR Private Placement Bonds Work



### Actual donated items (examples)

Amount issued	Item donated
50.00 million yen	Projector
100 million yen	Musical instruments
200 million yen	Tent for events

Benefits of introducing CSR private placement bonds to issuing corporations

- Allows for social contribution through school education
- Allows for broad appeal of corporate stance toward CSR (corporate social responsibility) initiatives
- Proof of being a positive corporation, leading to increased corporate image

# BCP

## Business continuity

“Business continuity” refers to measures by a company to avoid any interruptions to its important 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 which enables us to operate smoothly and continuously 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), learning from the Great East Japan Earthquake, the Bank formulated the “**Earthquake Disaster Initial Response Manual**” and the “**Nuclear Power Facility Accident Initial Response Manual**” to make initial responses at the time of a disaster clear, and the Bank also established regulations, manuals and procedures for crisis management, disaster prevention and other areas.

Moreover, we ran training and education based on our annual schedule that included initial response and decision-making drills for the Crisis Response Division, working to ensure and enhance its effectiveness for all 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.



Training at Emergency Headquarters

## 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.

### ● 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.



### ● 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.

### ● Distribution of Emergency Supplies

The Bank distributed safety helmets for all employees and visitors to our branches as well as flashlights, emergency toilets and water carriage bags in case of water supply failure and emergency food and drinking water to all our branches. Furthermore, our branches in metropolitan areas are enhancing stockpile of emergency food and drinking water for the case where commuters are stranded at times of disasters.

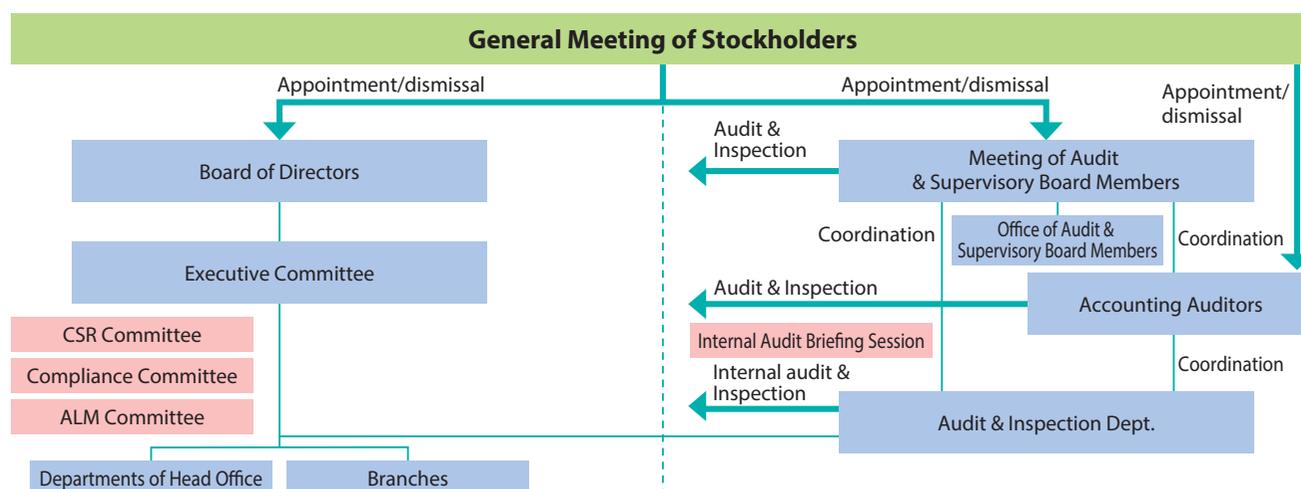


Emergency supplies

# 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 the end of June 2015) is shown in the chart below.



## Company Organizations (as of the end of June 2015)

### (1) Board of Directors

The Board of Directors, with 16 members, including two from outside the Bank, meets once a month in principle. At the meetings, decisions are made on important business matters for conduct business. Audit & Supervisory Board Members attend all such meetings to monitor the performance of directors.

### (2) Meeting of Audit & Supervisory Board Members

Meeting of Audit & Supervisory Board Members has four statutory auditors, including two from outside the Bank. The Board meets once a month, in principle. Audit & Supervisory Board Members 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) Executive Committee

The Executive Committee consists of the President, Deputy 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 year 2015, we will ensure thorough confidentiality obligations.

## 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.

In addition, the Bank has created a system that appropriately complements the capital allocation system by controlling 3) 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.



## 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.

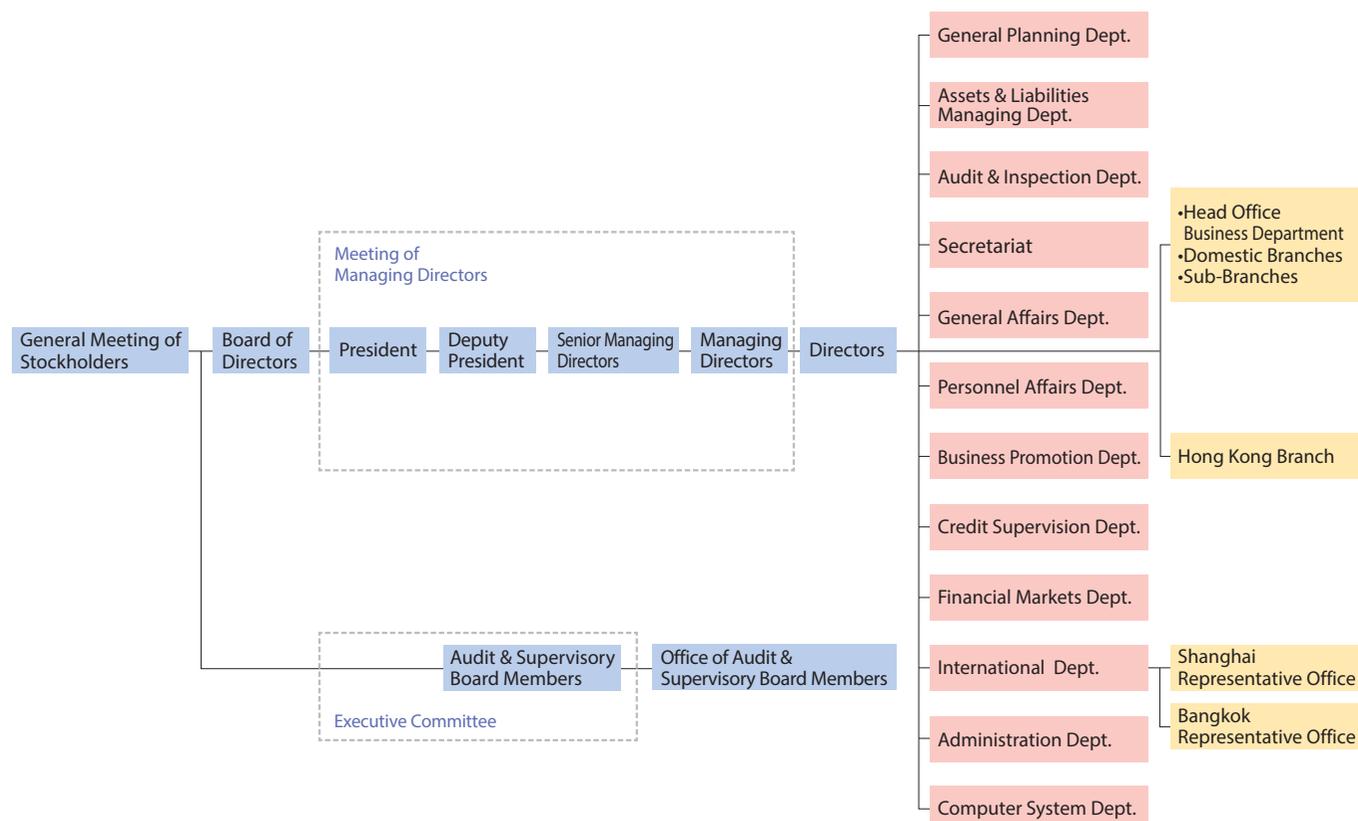
For the liquidity coverage ratio regulation implemented from the end of March 2015, which is the standard for judging soundness of the liquidity, the Bank has put in place a system including calculation and monitoring, and takes the appropriate action.

## 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, 2015



## Consolidated Subsidiary

### Company Name

The Shigagin Business Service Co.,Ltd.  
 The Shigagin Agency Co.,Ltd.  
 The Shigagin Cash Service Co.,Ltd.  
 The Shiga Home Loan Guarantee Service Co.,Ltd.  
 The Shigagin Computer Service Co.,Ltd.

The Shigagin Economic & Cultural Center Co.,Ltd.  
 The Shiga DC Card Co.,Ltd.  
 Shigagin Lease & Capital Co.,Ltd.  
 The Shigagin JCB Co.,Ltd.

## Board of Directors

As of June 25, 2015

### President

Yoshio Daido

### Deputy President

Shojiro Takahashi

### Senior Managing Director

Hiroshi Oku

### Managing Directors

Shinichi Kodama  
 Etsuo Imai  
 Kazuyoshi Hayashi  
 Kazuhiko Juniri  
 Yasunaga Ono

### Directors

Iwao Wakabayashi  
 Masato Hasegawa  
 Masaru Morimoto  
 Kazuo Koyagi  
 Motohiro Nishi  
 Takahiro Saito

### (Outside Director)

Shigeru Hikuma  
 Motoko Tsujita

### Audit & Supervisory Board Members

Yukio Nishizawa  
 Susumu Ota

### (Outside Auditors)

Satoshi Nishikawa  
 Hajime Yasui

### Executive Officers

Tetsuya Konishi  
 Hiroyuki Nakajima

# Financial Section

The Shiga Bank, Ltd. and Consolidated Subsidiaries

## Consolidated Five-year Summary

	Millions of yen				
	2015	2014	2013	2012	2011
As of March 31					
Total assets	¥4,996,976	¥4,777,483	¥4,662,055	¥4,523,309	¥4,420,479
Investment securities	1,542,013	1,422,210	1,486,497	1,430,242	1,385,525
Loans and bills discounted	3,051,704	2,916,953	2,822,561	2,743,438	2,768,107
Deposits	4,281,984	4,163,311	4,090,014	3,985,459	3,891,407
Total equity	349,851	292,466	267,535	248,047	257,531
Years ended March 31					
Total income	88,499	88,519	88,872	91,082	93,324
Total expenses	64,439	69,072	74,991	72,998	81,532
Income before income taxes and minority interests	24,060	19,447	13,880	18,084	11,792
Net income	13,675	11,027	5,544	8,228	4,676
Per share data (in yen)					
Cash dividends	¥ 6.00	¥ 7.00	¥ 6.00	¥ 6.00	¥ 6.00
Net income	51.87	41.79	21.00	31.17	17.71
Net equity	1,324.63	1,091.45	998.62	926.27	886.58
Ratio					
Capital ratio	15.94%	14.80%	14.14%	14.04%	13.01%
ROE	4.32%	3.99%	2.18%	3.43%	1.99%

### Financial review (Consolidated basis)

During the fiscal year under review, the Japanese economy showed a trend of moderate recovery as the depreciation in the value of the yen and a rise in stock prices proceeded as a result of government economic policies and monetary policies by the Bank of Japan, and a recovery in corporate earnings of primarily large corporations was observed.

However, many concerns about the prospects for a fully-fledged economic recovery remain, with the rebounding reduction in demand after last-minute demand ahead of the rise in consumption tax and poor summer weather, as well as the increase in import prices and uncertainty about overseas economies.

Within Shiga Prefecture, personal consumption, housing investment, private capital expenditures and other areas showed poor growth. On the other hand, a moderate economic recovery continued overall, with corporate production activities showing positive movement.

In the financial sector, funding support for small and medium sized enterprises as well as growth aid through the use of financial institutions' consulting functions and initiatives to aid management were maintained. Additionally, the government and financial institutions continued with efforts to improve the business environment for small and medium sized enterprises, which included continued monetary easing measures by the Bank of Japan.

## Balance sheets

Deposits, including negotiable certificates of deposit, rose ¥118,405 million during the fiscal year under review and the balance stood at ¥4,375,489 million, of which ¥4,281,984 million were deposits, at the end of the fiscal year under review. The balance of loans and bills discounted increased ¥134,750 million to ¥3,051,704 million, while investment securities increased ¥119,802 million to ¥1,542,013 million. Total assets at fiscal year-end stood at ¥4,996,976 million, a year-on-year increase of ¥219,492 million. Total equity amounted to ¥349,851 million, an increase of ¥57,385 million from the end of the previous fiscal year.

## Statements of operations

Regarding income, total income posted a year-on-year increase of ¥208 million to ¥88,499 million. Meanwhile, due to a decrease in credit costs, total expenses decreased by ¥4,836 million to ¥63,922 million. As a result, the Bank posted income before income taxes and minority interests for the fiscal year under review of ¥24,060 million, up ¥4,613 million year-on-year, and net income of ¥13,675 million, up ¥2,647 million year-on-year.

## Cash flows

Cash and cash equivalents as of the end of the fiscal year under review amounted to ¥255,680 million, a decrease of ¥1,182 million year-on-year.

### Cash flows from operating activities

Net cash provided by operating activities during the fiscal year under review amounted to ¥55,568 million, a decrease of ¥41,243 million year-on-year, due primarily to a decrease in call loans and an increase in loans and bills discounted.

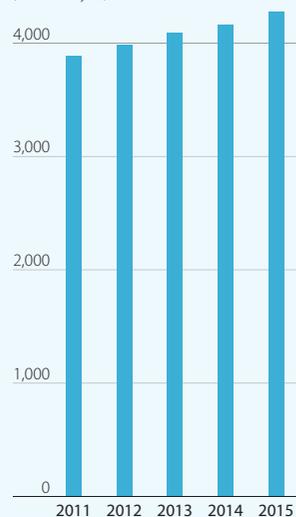
### Cash flows from investing activities

Net cash used in investing activities amounted to ¥46,447, an increase of ¥145,289 million year-on-year. This was mainly the result of a decrease in proceeds from sales of investment securities.

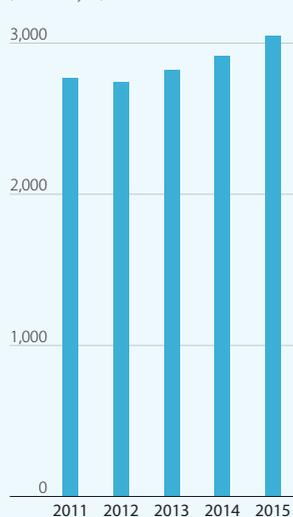
### Cash flows from financing activities

Net cash used in financing activities amounted to ¥10,324 million, a decrease of ¥1,279 million year-on-year. The increase was mainly attributable to an increase in proceeds from the issuance of subordinated loans and bonds with stock acquisition rights.

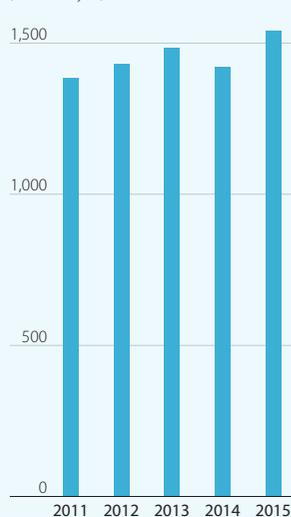
**Deposits**  
(Billions of yen)



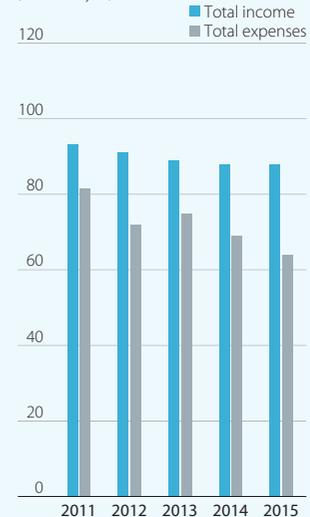
**Loans and bills discounted**  
(Billions of yen)



**Investment securities**  
(Billions of yen)



**Total income and expenses**  
(Billions of yen)



**Consolidated Balance Sheet**

As of March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
<b>Assets</b>			
Cash and due from banks (Note 3).....	¥ 256,078	¥ 257,212	\$ 2,130,964
Call loans and bills bought (Note 29).....	31,359	62,872	260,955
Debt purchased.....	6,832	10,206	56,852
Trading securities (Note 4).....	202	851	1,680
Money held in trust (Note 5).....	8,729	8,774	72,638
Investment securities (Notes 4, 12, 19 and 29).....	1,542,013	1,422,210	12,831,929
Loans and bills discounted (Notes 7 and 29).....	3,051,704	2,916,953	25,394,890
Foreign exchange assets (Note 8).....	5,627	8,300	46,825
Other assets (Notes 9 and 12).....	42,433	42,665	353,108
Tangible fixed assets (Notes 10, 11, and 14).....	57,516	57,845	478,621
Intangible fixed assets.....	1,794	1,782	14,928
Deferred tax assets (Note 28).....	629	930	5,234
Customers' liabilities for acceptances and guarantees (Note 19).....	23,126	23,789	192,444
Allowance for possible loan losses.....	(31,071)	(36,912)	(258,558)
<b>Total assets</b> .....	<b>4,996,976</b>	<b>4,777,483</b>	<b>41,582,558</b>
<b>Liabilities</b>			
Deposits (Notes 12, 15 and 29).....	4,281,984	4,163,311	35,632,720
Negotiable certificates of deposit (Note 29).....	93,504	93,773	778,097
Call money and bills sold (Note 29).....	42,551	28,069	354,090
Payables under securities lending transactions (Note 12).....	35,366	19,224	294,299
Borrowed money (Notes 12, 16 and 29).....	61,617	69,255	512,748
Foreign exchange liabilities (Note 8).....	371	130	3,087
Bonds (Notes 17 and 29).....	—	20,000	—
Bonds with stock acquisition rights (Note 17).....	24,034	—	200,000
Other liabilities (Note 18).....	32,753	30,951	272,555
Liability for employees' retirement benefits (Note 27).....	5,863	12,657	48,789
Liability for retirement benefits of directors and Audit & Supervisory Board Members.....	14	14	116
Liability for reimbursement of deposits.....	801	755	6,665
Allowance for repayment of excess interest.....	46	65	382
Reserve for other contingent losses.....	242	279	2,013
Deferred tax liabilities (Note 28).....	36,955	14,005	307,522
Deferred tax liabilities for land revaluation (Note 14).....	7,889	8,720	65,648
Negative goodwill.....	—	11	—
Acceptances and guarantees (Note 19).....	23,126	23,789	192,444
<b>Total liabilities</b> .....	<b>4,647,124</b>	<b>4,485,017</b>	<b>38,671,249</b>
<b>Equity</b> (Note 20)			
Common stock, authorized, 500,000,000 shares; issued, 265,450,406 shares as of March 31, 2015 and 2014.....	33,076	33,076	275,243
Capital surplus.....	23,968	23,969	199,450
Stock acquisition rights.....	69	30	574
Retained earnings.....	157,989	147,858	1,314,712
Treasury stock – at cost 5,129,847 shares and 1,602,119 shares as of March 31, 2015 and 2014, respectively.....	(3,486)	(977)	(29,008)
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities (Notes 4 and 6).....	115,988	71,996	965,199
Deferred losses on derivatives under hedge accounting.....	(704)	(60)	(5,858)
Land revaluation surplus (Note 14).....	11,756	10,700	97,828
Defined retirement benefit plans.....	6,241	1,417	51,934
Total.....	344,900	288,010	2,870,100
Minority interests.....	4,951	4,456	41,199
<b>Total equity</b> .....	<b>349,851</b>	<b>292,466</b>	<b>2,911,300</b>
<b>Total liabilities and equity</b> .....	<b>¥4,996,976</b>	<b>¥4,777,483</b>	<b>\$41,582,558</b>

See Notes to Consolidated Financial Statements.

## Consolidated Statement of Income

Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
<b>Income</b>			
Interest income:			
Interest on loans and discounts.....	¥40,633	¥42,087	\$338,129
Interest and dividends on securities.....	12,776	12,484	106,316
Other interest income.....	258	238	2,146
Fees and commissions.....	13,542	12,691	112,690
Other operating income (Note 22).....	13,956	17,240	116,135
Other income (Note 23).....	7,331	3,775	61,005
<b>Total income</b> .....	<b>88,499</b>	<b>88,519</b>	<b>736,448</b>
<b>Expenses</b>			
Interest expenses:			
Interest on deposits.....	2,242	2,540	18,656
Interest on borrowing and rediscounts.....	791	1,023	6,582
Other interest expenses.....	469	664	3,902
Fees and commissions.....	4,262	4,096	35,466
Other operating expenses (Note 24).....	10,002	11,151	83,232
General and administrative expenses.....	45,013	45,584	374,577
Other expenses (Note 25).....	1,657	4,011	13,788
<b>Total expenses</b> .....	<b>64,439</b>	<b>69,072</b>	<b>536,232</b>
<b>Income before income taxes and minority interests</b> .....	<b>24,060</b>	<b>19,447</b>	<b>200,216</b>
<b>Income taxes</b> (Notes 18 and 28)			
Current.....	4,450	6,943	37,030
Deferred.....	5,569	1,114	46,342
Income before minority interests.....	14,040	11,389	116,834
Minority interests.....	364	362	3,029
<b>Net income</b> (Note 32).....	<b>¥13,675</b>	<b>¥11,027</b>	<b>\$113,797</b>
		Yen	U.S. dollars
	2015	2014	2015
<b>Per share information</b> (Notes 2 (u) and 32)			
Basic net income.....	¥ 51.87	¥ 41.79	\$ 0.432
Diluted net income.....	51.68	41.78	0.430
Cash dividends applicable to the year.....	6.00	7.00	0.050

See Notes to Consolidated Financial Statements.

## Consolidated Statement of Comprehensive Income

Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
<b>Income before minority interests</b> .....	<b>¥14,040</b>	<b>¥11,389</b>	<b>\$116,834</b>
Other comprehensive income (Note 31):			
Net unrealized gains on available-for-sale securities.....	44,126	13,557	367,196
Deferred (losses) gains on derivatives under hedge accounting.....	(644)	110	(5,359)
Land revaluation surplus.....	816	—	6,790
Defined retirement benefit plans.....	4,824	—	40,143
Total other comprehensive income.....	<b>49,122</b>	<b>13,668</b>	<b>408,770</b>
<b>Comprehensive income</b> .....	<b>63,162</b>	<b>25,058</b>	<b>525,605</b>
Attributable to			
Owners of parent.....	62,665	24,645	521,469
Minority interests.....	497	412	4,135

See Notes to Consolidated Financial Statements.

# Consolidated Statement of Changes in Equity

Years ended March 31, 2015 and 2014

	Millions of yen											
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Accumulated Other Comprehensive Income				Total	Minority interests	Total equity
						Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation surplus	Defined retirement benefit plans			
Balance as of April 1, 2013	¥33,076	¥23,969	¥—	¥138,249	¥ (959)	¥ 58,488	¥(171)	¥10,864	¥ —	¥263,518	¥4,016	¥267,535
Changes during the year:												
Net income				11,027						11,027		11,027
Cash dividends, ¥6.00 per share				(1,583)						(1,583)		(1,583)
Purchase of treasury stock					(20)					(20)		(20)
Sales of treasury stock		(0)			2					1		1
Reversal of land revaluation surplus				164						164		164
Other changes			30			13,507	110	(164)	1,417	14,901	439	15,341
Net change in the year	—	(0)	30	9,608	(18)	13,507	110	(164)	1,417	24,491	439	24,931
Balance as of March 31, 2014	¥33,076	¥23,969	¥30	¥147,858	¥ (977)	¥ 71,996	¥ (60)	¥10,700	¥1,417	¥288,010	¥4,456	¥292,466
Cumulative effect of accounting change				(1,458)						(1,458)		(1,458)
Restated balance as of April 1, 2014	33,076	23,969	30	146,399	(977)	71,996	(60)	10,700	1,417	286,552	4,456	291,008
Changes during the year:												
Net income				13,675						13,675		13,675
Cash dividends, ¥7.00 per share				(1,846)						(1,846)		(1,846)
Purchase of treasury stock					(2,512)					(2,512)		(2,512)
Sales of treasury stock		(0)			3					3		3
Reversal of land revaluation surplus				(239)						(239)		(239)
Other changes			39			43,992	(644)	1,056	4,824	49,267	495	49,763
Net change in the year	—	(0)	39	11,589	(2,508)	43,992	(644)	1,056	4,824	58,347	495	58,843
Balance as of March 31, 2015	¥33,076	¥23,968	¥69	¥157,989	¥(3,486)	¥115,988	¥(704)	¥11,756	¥6,241	¥344,900	¥4,951	¥349,851

	Thousands of U.S. dollars											
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Accumulated Other Comprehensive Income				Total	Minority interests	Total equity
						Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation surplus	Defined retirement benefit plans			
Balance as of March 31, 2014	\$275,243	\$199,459	\$249	\$1,230,406	\$ (8,130)	\$599,117	\$ (499)	\$89,040	\$11,791	\$2,396,688	\$37,080	\$2,433,768
Cumulative effect of accounting change				(12,132)						(12,132)		(12,132)
Restated balance as of April 1, 2014	275,243	199,459	249	1,218,265	(8,130)	599,117	(499)	89,040	11,791	2,384,555	37,080	2,421,636
Changes during the year:												
Net income				113,797						113,797		113,797
Cash dividends, \$0.06 per share				(15,361)						(15,361)		(15,361)
Purchase of treasury stock					(20,903)					(20,903)		(20,903)
Sales of treasury stock		(0)			24					24		24
Reversal of land revaluation surplus				(1,988)						(1,988)		(1,988)
Other changes			324			366,081	(5,359)	8,787	40,143	409,977	4,119	414,105
Net change in the year	—	(0)	324	96,438	(20,870)	366,081	(5,359)	8,787	40,143	485,537	4,119	489,664
Balance as of March 31, 2015	\$275,243	\$199,450	\$574	\$1,314,712	\$(29,008)	\$965,199	\$(5,858)	\$97,828	\$51,934	\$2,870,100	\$41,199	\$2,911,300

See Notes to Consolidated Financial Statements.

# Consolidated Statement of Cash Flows

Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
<b>Operating activities:</b>			
Income before income taxes and minority interests.....	¥ 24,060	¥ 19,447	\$ 200,216
Depreciation.....	2,413	2,555	20,079
Losses on impairment of long-lived assets.....	413	156	3,436
Amortization of negative goodwill.....	(11)	(11)	(91)
Decrease in allowance for possible loan losses.....	(5,840)	(1,419)	(48,597)
Increase (decrease) in reserve for other contingent losses.....	(36)	24	(299)
Decrease in liability for retirement benefits.....	(8,252)	(2,521)	(68,669)
Decrease in liability for retirement benefits of directors and Audit & Supervisory Board Members.....	(0)	(290)	(0)
Increase (decrease) in liability for reimbursement of deposits.....	45	(38)	374
Decrease in allowance for repayment of excess interest.....	(18)	(26)	(149)
Interest income.....	(53,667)	(54,811)	(446,592)
Interest expense.....	3,503	4,228	29,150
Gains on sales and write-down of investment securities.....	(1,592)	(3,885)	(13,247)
Gains on money held in trust.....	(199)	(189)	(1,655)
Foreign exchange gains.....	(23)	(14)	(191)
Losses (gains) on disposals of fixed assets – net.....	103	(71)	857
Net increase in loans and bills discounted.....	(134,750)	(94,392)	(1,121,328)
Net increase in deposits.....	118,673	73,296	987,542
Net decrease in negotiable certificate of deposits.....	(268)	(751)	(2,230)
Net increase (decrease) in borrowed money (excluding subordinated loans).....	2,361	(1,168)	19,647
Net decrease (increase) in due from banks (excluding deposits in Bank of Japan).....	(47)	83	(391)
Net decrease in call loans and others.....	34,887	94,603	290,313
Net increase in call money and bills sold.....	14,482	13,766	120,512
Net increase in payables under securities lending transactions.....	16,141	9,089	134,318
Net decrease (increase) in foreign exchange assets.....	2,672	(2,616)	22,235
Net increase in foreign exchange liabilities.....	240	16	1,997
Interest received (cash basis).....	53,275	56,253	443,330
Interest paid (cash basis).....	(3,359)	(4,333)	(27,952)
Other.....	(2,059)	(3,664)	(17,134)
Subtotal.....	63,144	103,313	525,455
Income taxes – paid.....	(7,576)	(6,501)	(63,044)
<b>Net cash provided by operating activities.....</b>	<b>55,568</b>	<b>96,812</b>	<b>462,411</b>
<b>Investing activities:</b>			
Purchases of securities.....	(486,817)	(508,303)	(4,051,069)
Proceeds from sales of securities.....	261,370	397,609	2,175,002
Proceeds from redemptions of securities.....	181,792	212,489	1,512,790
Increase in money held in trust.....	—	(1,000)	—
Purchases of tangible fixed assets.....	(2,330)	(1,897)	(19,389)
Proceeds from sales of tangible fixed assets.....	0	777	0
Purchases of intangible fixed assets.....	(463)	(832)	(3,852)
<b>Net cash provided by (used in) investing activities.....</b>	<b>(46,447)</b>	<b>98,842</b>	<b>(386,510)</b>
<b>Financing activities:</b>			
Repayment of subordinated loans.....	(10,000)	(10,000)	(83,215)
Redemption of subordinated bonds.....	(20,000)	—	(166,430)
Proceeds from issuance of subordinated bonds and bonds with stock acquisition rights.....	24,034	—	200,000
Dividends paid.....	(1,846)	(1,583)	(15,361)
Dividends paid to minority shareholders.....	(2)	(2)	(16)
Purchase of treasury stock.....	(2,512)	(20)	(20,903)
Proceeds from sales of treasury stock.....	3	1	24
<b>Net cash used in financing activities.....</b>	<b>(10,324)</b>	<b>(11,604)</b>	<b>(85,911)</b>
Foreign currency translation adjustments on cash and cash equivalents.....	21	13	174
<b>Net increase in cash and cash equivalents.....</b>	<b>(1,182)</b>	<b>184,063</b>	<b>(9,836)</b>
Cash and cash equivalents, beginning of year.....	256,862	72,798	2,137,488
<b>Cash and cash equivalents, end of year (Note 3).....</b>	<b>¥255,680</b>	<b>¥ 256,862</b>	<b>\$2,127,652</b>

See Notes to Consolidated Financial Statements.

# Notes to Consolidated Financial Statements

Years ended March 31, 2015 and 2014

## 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 the 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 ¥120.17 to U.S.\$1, the rate of exchange at March 31, 2015, 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, 2015 and 2014 include the accounts of the Bank and nine consolidated subsidiaries.

The consolidated subsidiaries' respective fiscal periods end March 31 for the year ended March 31, 2015.

The goodwill or negative goodwill is amortized evenly over a five-year period. The Bank has five other nonconsolidated subsidiaries in which investments are not accounted for by the equity method because their net income (the portion corresponding to the Bank's equity), retained earnings (as above) and accumulated other comprehensive income (as above) have no material impact on the Group'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 "debt purchased" 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. For the hedges that offset the fluctuations in the fair value of fixed interest rates classified as available-for-sale securities, interest rate swaps are assigned to hedged items collectively by bond type as the hedging instrument. The Bank designates the hedges so as to ensure that the important conditions related to the hedged items and hedging instruments are largely identical; therefore the hedges are considered to be highly effective, and the assessment of the effectiveness is based on the similarity of the conditions.

Furthermore, certain consolidated subsidiaries have adopted 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 acceptances bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions.

The total face value at March 31, 2015 and 2014 was ¥16,755 million (\$139,427 thousand) and ¥17,033 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 ¥3,572 million (\$29,724 thousand) and ¥3,670 million at March 31, 2015 and 2014, 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 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 ¥16,603 million (\$138,162 thousand) and ¥21,426 million as of March 31, 2015 and 2014, respectively.

Allowance for possible loan losses 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) Retirement and Pension Plans

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

The projected benefit obligations are attributed to periods on a benefit formula basis. Past service costs are amortized on a straight-line basis over 10 years within the average remaining service period.

Actuarial gains and losses are amortized on a straight-line basis over 10 years within the average remaining service period from the fiscal year following the respective fiscal year in which the difference is recognized.

Consolidated subsidiaries adopt a simplified method where the amount to be required for voluntary termination at the fiscal year end is recorded as projected benefit obligations in the calculation of their liability for retirement benefits and retirement benefit costs.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

- (a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).
- (b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments (see Note 27).
- (c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014, and for (c) above, effective April 1, 2014.

With respect to (c) above, the Company changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis, the method of determining the discount rate from using the period that approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and recorded the effect of (c) above as of April 1, 2014, in retained earnings. As a result, liability for retirement benefits as of April 1, 2014, increased by ¥ 1,458 million (\$ 12,132 thousand), and retained earnings as of April 1, 2014, decreased by ¥ 1,458 million (\$ 12,132 thousand). The impact on profit or loss for the year ended March 31, 2015 was immaterial. The impact on per share data is included in Note 32 "Net income per share."

#### (m) Liability for retirement of directors and Audit & Supervisory Board Members

Consolidated subsidiaries provide Liability for retirement benefits of directors and Audit & Supervisory Board Members at the amount required if they all retired at fiscal year end, calculated based on the internal rules of the Group.

#### (n) Liability for reimbursement of deposits

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

#### (o) 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.

#### (p) 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.

#### (q) Foreign currency transactions

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

#### (r) Accounting for leases

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions.

##### *i. As lessee*

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were 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 that 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 that 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.

Lease revenue and lease costs are recognized over the lease period.

#### (s) Income taxes

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

are measured by applying currently enacted tax rates to the temporary differences.

#### (t) 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.

#### (u) Per share information

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

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

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

### 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, 2015 and 2014, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Cash and due from banks .....	¥256,078	¥257,212	\$2,130,964
Time deposits due from banks .....	(32)	—	(266)
Other due from banks .....	(365)	(350)	(3,037)
<b>Cash and cash equivalents.....</b>	<b>¥255,680</b>	<b>¥256,862</b>	<b>\$2,127,652</b>

### 4. Securities

Securities at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Japanese government bonds.....	¥ 477,792	¥ 461,114	\$ 3,975,967
Japanese local government bonds .....	282,565	299,072	2,351,377
Japanese corporate bonds.....	417,829	425,469	3,476,982
Corporate stocks.....	202,012	146,176	1,681,051
Other securities.....	161,812	90,377	1,346,525
<b>Total.....</b>	<b>¥1,542,013</b>	<b>¥1,422,210</b>	<b>\$12,831,929</b>

Fair value and other information on securities at March 31, 2015 and 2014 were as follows. Securities include "Trading securities" and trust beneficiary right under "Debt purchased," in addition to "Securities," which are presented on the consolidated balance sheets.

#### Securities

##### (1) Trading securities

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Gains (losses) included in profit (loss) during the fiscal year			
Trading securities.....	¥74	¥(118)	\$615

## (2) Held-to-maturity securities

Held-to-maturity securities as of March 31, 2015 and 2014 were as follows:

	Millions of yen		
	2015		
	Consolidated balance sheet amount	Fair value	Unrealized gains (losses)
Fair value exceeding consolidated balance sheet amount:			
Japanese government bonds.....	¥40,018	¥40,848	¥830
Fair value not exceeding consolidated balance sheet amount:			
Japanese government bonds.....	¥ 4,997	¥ 4,964	¥ (33)
<b>Total.....</b>	<b>¥45,015</b>	<b>¥45,812</b>	<b>¥796</b>

	Millions of yen		
	2014		
	Consolidated balance sheet amount	Fair value	Unrealized gains (losses)
Fair value exceeding consolidated balance sheet amount:			
Japanese government bonds.....	¥12,488	¥12,531	¥43
Fair value not exceeding consolidated balance sheet amount:			
Japanese government bonds.....	¥ 2,500	¥ 2,490	¥ (9)
<b>Total.....</b>	<b>¥14,988</b>	<b>¥15,022</b>	<b>¥33</b>

	Thousands of U.S. dollars		
	2015		
	Consolidated balance sheet amount	Fair value	Unrealized gains (losses)
Fair value exceeding consolidated balance sheet amount:			
Japanese government bonds.....	\$333,011	\$339,918	\$6,906
Fair value not exceeding consolidated balance sheet amount:			
Japanese government bonds.....	41,582	41,308	(274)
<b>Total.....</b>	<b>\$374,594</b>	<b>\$381,226</b>	<b>\$6,623</b>

## (3) Available-for-sale securities

Available-for-sale securities as of March 31, 2015 and 2014 were as follows:

	Millions of yen		
	2015		
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)
Consolidated balance sheet amount exceeding cost:			
Stocks.....	¥ 197,125	¥ 57,881	¥139,244
Bonds:.....	1,009,223	988,861	20,361
Japanese government bonds...	389,927	382,827	7,100
Japanese local government bonds.....	263,457	256,728	6,728
Japanese corporate bonds.....	355,837	349,305	6,532
Others.....	131,328	127,007	4,320
<b>Subtotal.....</b>	<b>¥1,337,676</b>	<b>¥1,173,750</b>	<b>¥163,925</b>

	Millions of yen		
	2014		
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)
Consolidated balance sheet amount not exceeding cost:			
Stocks.....	¥ 1,571	¥ 1,719	¥ (148)
Bonds:.....	123,949	124,273	(324)
Japanese government bonds...	42,849	43,025	(176)
Japanese local government bonds.....	19,108	19,154	(46)
Japanese corporate bonds.....	61,992	62,093	(101)
Others.....	27,286	27,446	(160)
<b>Subtotal.....</b>	<b>152,807</b>	<b>153,440</b>	<b>(633)</b>
<b>Total.....</b>	<b>¥1,490,483</b>	<b>¥1,327,191</b>	<b>¥163,292</b>

	Millions of yen		
	2014		
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)
Consolidated balance sheet amount exceeding cost:			
Stocks.....	¥ 140,655	¥ 57,534	¥ 83,120
Bonds:.....	1,100,140	1,079,841	20,298
Japanese government bonds...	423,168	416,614	6,553
Japanese local government bonds.....	282,578	275,026	7,552
Japanese corporate bonds.....	394,393	388,200	6,192
Others.....	54,530	53,912	618
<b>Subtotal.....</b>	<b>¥1,295,326</b>	<b>¥1,191,288</b>	<b>¥104,038</b>

	Millions of yen		
	2014		
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)
Consolidated balance sheet amount not exceeding cost:			
Stocks.....	¥ 2,207	¥ 2,548	¥ (340)
Bonds:.....	70,526	70,600	(74)
Japanese government bonds...	22,957	22,977	(19)
Japanese local government bonds.....	16,493	16,519	(26)
Japanese corporate bonds.....	31,076	31,103	(27)
Others.....	35,921	36,176	(254)
<b>Subtotal.....</b>	<b>108,656</b>	<b>109,325</b>	<b>(669)</b>
<b>Total.....</b>	<b>¥1,403,982</b>	<b>¥1,300,614</b>	<b>¥103,368</b>

	Thousands of U.S. dollars		
	2015		
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)
Consolidated balance sheet amount exceeding cost:			
Stocks.....	\$ 1,640,384	\$ 481,659	\$1,158,725
Bonds:.....	8,398,294	8,228,850	169,434
Japanese government bonds...	3,244,794	3,185,711	59,082
Japanese local government bonds.....	2,192,369	2,136,373	55,987
Japanese corporate bonds.....	2,961,113	2,906,757	54,356
Others.....	1,092,851	1,056,894	35,949
<b>Subtotal.....</b>	<b>\$11,131,530</b>	<b>\$9,767,412</b>	<b>\$1,364,109</b>
Consolidated balance sheet amount not exceeding cost:			
Stocks.....	\$ 13,073	\$ 14,304	\$ (1,231)
Bonds:.....	1,031,447	1,034,143	(2,696)
Japanese government bonds...	356,569	358,034	(1,464)
Japanese local government bonds.....	159,008	159,390	(382)
Japanese corporate bonds.....	515,869	516,709	(840)
Others.....	227,061	228,393	(1,331)
<b>Subtotal.....</b>	<b>1,271,590</b>	<b>1,276,857</b>	<b>(5,267)</b>
<b>Total.....</b>	<b>\$12,403,120</b>	<b>\$11,044,278</b>	<b>\$1,358,841</b>

(4) Bonds classified as held to maturity were not sold for the year ended March 31, 2015 and 2014.

#### (5) Available-for-sale securities sold

	Millions of yen		
	2015		
	Sales amount	Gains on sales	Losses on sales
Stocks.....	¥ 696	¥ 233	¥ 20
Bonds:.....	215,506	949	552
Japanese government bonds.....	197,612	818	552
Japanese local government bonds.....	5,641	73	—
Japanese corporate bonds.....	12,251	57	—
Others.....	35,208	918	—
<b>Total.....</b>	<b>¥251,411</b>	<b>¥2,102</b>	<b>¥572</b>

	Millions of yen		
	2014		
	Sales amount	Gains on sales	Losses on sales
Stocks.....	¥ 672	¥ 221	¥ 2
Bonds:.....	352,840	5,442	752
Japanese government bonds.....	216,798	1,496	518
Japanese local government bonds.....	54,238	1,643	123
Japanese corporate bonds.....	81,803	2,303	110
Others.....	31,803	134	1,130
<b>Total.....</b>	<b>¥385,316</b>	<b>¥5,799</b>	<b>¥1,886</b>

	Thousands of U.S. dollars		
	2015		
	Sales amount	Gains on sales	Losses on sales
Stocks.....	\$ 5,791	\$ 1,938	\$ 166
Bonds:.....	1,793,342	7,897	4,593
Japanese government bonds.....	1,644,437	6,807	4,593
Japanese local government bonds.....	46,941	607	—
Japanese corporate bonds.....	101,947	474	—
Others.....	292,984	7,639	—
<b>Total.....</b>	<b>\$2,092,127</b>	<b>\$17,491</b>	<b>\$4,759</b>

#### (6) Impairment losses on securities

For available-for-sale securities with market quotations (other than securities those whose fair value cannot be reliably determined), in cases where the fair value has fallen substantially from the acquisition cost and there is believed to be little likelihood of a recovery in 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 ¥13 million (\$108 thousand) of which equities accounted for the same amount for the year ended March 31, 2015.

No impairment loss was recognized for the year ended March 31, 2014.

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			
	2015		2014	
	Consolidated balance sheet amount	Gains (losses) included in profit (loss) during the fiscal year	Consolidated balance sheet amount	Gains (losses) included in profit (loss) during the fiscal year
Money held in trust classified as trading.....	¥8,729	¥(45)	¥8,774	¥65

	Thousands of U.S. dollars	
	2015	
	Consolidated balance sheet amount	Gains (losses) included in profit (loss) during the fiscal year
Money held in trust classified as trading.....	\$72,638	\$(374)

- (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
	2015	2014	2015
Net unrealized gains on investment securities.....	¥163,292	¥103,368	\$ 1,358,841
Other money held in trust.....	—	—	—
Deferred tax liabilities.....	(47,026)	(31,228)	(391,328)
Minority interests.....	(277)	(144)	(2,305)
Net unrealized gains on available-for-sale securities.....	¥115,988	¥ 71,996	\$ 965,199

## 7. Loans and bills discounted

Loans and bills discounted at March 31, 2015 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Bills discounted.....	¥ 16,658	¥ 16,842	\$ 138,620
Loans on bills.....	108,070	117,111	899,309
Loans on deeds.....	2,606,104	2,454,908	21,686,810
Overdrafts.....	320,870	328,091	2,670,133
<b>Total.....</b>	<b>¥3,051,704</b>	<b>¥2,916,953</b>	<b>\$ 25,394,890</b>

Loans in legal bankruptcy totaled ¥546 million (\$4,543 thousand) and ¥809 million as of March 31, 2015 and 2014, respectively. Nonaccrual loans totaled ¥52,770 million (\$439,127 thousand) and ¥56,543 million as of March 31, 2015 and 2014, 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 judgment 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.

Past due loans (three months or more) as to principal or interest payments totaled ¥231 million (\$1,922 thousand) and ¥309 million as of March 31, 2015 and 2014, respectively. Loans classified as loans in legal bankruptcy and nonaccrual loans are excluded.

Restructured loans totaled ¥18,269 million (\$152,026 thousand) and ¥27,990 million as of March 31, 2015 and 2014, 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 in recovering from financial difficulties and eventually being able to pay creditors. Loans classified as loans in legal bankruptcy, nonaccrual loans and past due three months or more are excluded.

## 8. Foreign exchanges

Foreign exchange assets and liabilities at March 31, 2015 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
<b>Assets:</b>			
Due from foreign correspondents.....	¥4,439	¥6,958	\$36,939
Foreign bills of exchange purchased.....	8	98	66
Foreign bills of exchange receivable.....	1,179	1,243	9,811
<b>Total.....</b>	<b>¥5,627</b>	<b>¥8,300</b>	<b>\$46,825</b>
<b>Liabilities:</b>			
Foreign bills of exchange sold....	¥ 357	¥ 95	\$ 2,970
Accrued foreign bills of exchange.....	13	35	108
<b>Total.....</b>	<b>¥ 371</b>	<b>¥ 130</b>	<b>\$ 3,087</b>

## 9. Other assets

Other assets at March 31, 2015 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Prepaid expenses.....	¥ 149	¥ 40	\$ 1,239
Accrued income.....	4,193	4,045	34,892
Derivatives.....	1,869	969	15,552
Other (Note 12).....	36,221	37,610	301,414
<b>Total.....</b>	<b>¥42,433</b>	<b>¥42,665</b>	<b>\$353,108</b>

## 10. Tangible fixed assets

Tangible fixed assets at March 31, 2015 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Buildings.....	¥15,515	¥15,392	\$129,108
Land.....	39,245	39,347	326,579
Construction in progress.....	116	224	965
Other.....	2,639	2,881	21,960
<b>Total.....</b>	<b>¥57,516</b>	<b>¥57,845</b>	<b>\$478,621</b>

Accumulated depreciation on tangible fixed assets at March 31, 2015 and 2014 amounted to ¥47,238 million (\$393,093 thousand) and ¥46,006 million, respectively.

## 11. Long-lived assets

The Group recognized impairment losses for the years ended March 31, 2015 and 2014, as follows:

The Bank groups assets by branch, which is 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 ¥413 million (\$3,436 thousand) and ¥156 million for the years ended March 31, 2015 and 2014, respectively, since the carrying amounts of the assets held by the above branches and other exceeded the sum of the undiscounted future cash flows. The recoverable amounts of these assets were measured at their net realizable selling prices, which were determined by quotations from real estate appraisal information, less estimated costs to dispose.

Location	Description	Classification	Impairment losses		
			Millions of yen		Thousands of U.S. dollars
			2015	2014	2015
Shiga Prefecture	Branch offices and other	Land, buildings and equipment.....	¥ 7	¥ 98	\$ 58
Shiga Prefecture	Idle asset	Land, buildings and equipment.....	—	5	—
Other	Branch offices and other	Land, buildings and equipment.....	406	28	3,378
Other	Shared asset	Buildings and equipment .....	—	22	—
<b>Total</b> .....			<b>¥413</b>	<b>¥156</b>	<b>\$3,436</b>

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

## 12. Assets pledged

Assets pledged as collateral and related liabilities at March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Investment securities.....	¥173,221	¥154,283	\$1,441,466
Other assets (investments in leases) (Note 9) .....	755	720	6,282

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Related liabilities			
Deposits.....	¥24,848	¥17,320	\$206,773
Payables under securities lending transactions .....	35,366	19,224	294,299
Borrowed money.....	31,503	28,637	262,153

In addition, investment securities totaling ¥58,133 million (\$483,756 thousand) and ¥58,375 million at March 31, 2015 and 2014, 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 (\$6,549 thousand) and ¥790 million at March 31, 2015 and 2014, 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, 2015 and 2014 amounted to ¥865,758 million (\$7,204,443 thousand) and ¥830,297 million, respectively, and the amounts of unused commitments whose original contract terms are within one year or unconditionally cancelable at any time were ¥840,343 million (\$6,992,951 thousand) and ¥806,354 million at March 31, 2015 and 2014, 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 that 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 revision 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, 2015 and 2014, the carrying amount of the land after the above one-time revaluation exceeded the fair value by ¥14,093 million (\$117,275 thousand) and ¥14,182 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 2-3 of the Enforcement Ordinance of the Act of Land Revaluation effective March 31, 1998.

## 15. Deposits

Deposits at March 31, 2015 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Current deposits.....	¥ 154,479	¥ 144,743	\$ 1,285,503
Ordinary deposits.....	1,880,034	1,763,085	15,644,786
Deposits at notice.....	43,710	34,269	363,734
Time deposits.....	2,100,170	2,120,000	17,476,658
Other deposits.....	103,589	101,211	862,020
<b>Total.....</b>	<b>¥4,281,984</b>	<b>¥4,163,311</b>	<b>\$35,632,720</b>

## 16. Borrowed money

At March 31, 2015 and 2014, the weighted-average interest rates applicable to borrowed money were 0.95% and 1.20%, respectively.

Borrowed money at March 31, 2015 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Subordinated loans.....	¥20,000	¥30,000	\$166,430
Borrowing from banks and other....	41,617	39,255	346,317
<b>Total.....</b>	<b>¥61,617</b>	<b>¥69,255</b>	<b>\$512,748</b>

Annual maturities of borrowed money at March 31, 2015 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2016.....	¥35,206	\$292,968
2017.....	2,349	19,547
2018.....	1,822	15,161
2019.....	1,328	11,051
2020.....	638	5,309
2021 and thereafter.....	20,271	168,686
<b>Total.....</b>	<b>¥61,617</b>	<b>\$512,748</b>

## 17. Bonds

Bonds at March 31, 2015 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars	Interest rate	Due
	2015	2014	2015		
Subordinated bonds (*1).....	¥ —	¥20,000	\$ —	1.89%	July 26, 2019
Convertible bonds with stock acquisition rights (*2).....	¥24,034	¥ —	\$20,000	—	June 23, 2020

(\*1) The Bank redeemed all of the above unsecured subordinated bonds on July 28, 2014 prior to maturity.

(\*2) The above convertible bonds with stock acquisition rights are subordinated bonds with non-viability write-off clause. The description of the said bonds was as follows:

Description of bonds.....	Unsecured convertible bonds with stock acquisition rights, payable in Euro/U.S. dollars, due June 23, 2020
Class of shares to be issued.....	Ordinary shares of common stock
Issue price for stock acquisition rights...	—
Exercise price of shares.....	\$5.95
Total amount of debt securities issued..	\$200,000 thousand
Total amount of shares issued by exercising stock acquisition rights.....	—
Percentage of shares with stock acquisition rights.....	100%
Exercise period of stock acquisition rights.....	From April 7, 2015 to June 9, 2020
Matters concerning substitute payment.....	At the time of exercise of respective stock acquisition rights, the bonds pertaining to the said stock acquisition rights shall be contributed, and the price of such bonds shall be the same amount as their face value.

## 18. Other liabilities

Other liabilities at March 31, 2015 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Accrued income taxes.....	¥ 860	¥ 4,024	\$ 7,156
Accrued expenses.....	4,259	4,719	35,441
Unearned income.....	7,629	7,185	63,485
Derivatives.....	2,953	1,049	24,573
Other.....	17,050	13,973	141,882
<b>Total.....</b>	<b>¥32,753</b>	<b>¥30,951</b>	<b>\$272,555</b>

## 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 ¥8,451 million (\$70,325 thousand) and ¥6,251 million as of March 31, 2015 and 2014, respectively, 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

There were no changes in the number of common stock for the years ended March 31, 2015 and 2014.

### (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") that reformed and replaced the Code with various revisions that are, for the most part, applicable to events or transactions that occur on or after May 1, 2006 and for the 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 a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, 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 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 that is determined by a specific formula. Under the Companies Act, stock acquisition rights are 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 at March 31, 2015 will be proposed at the Bank's ordinary general shareholders' meeting held on June 25, 2015.

	Millions of yen	Thousands of U.S. dollars
Cash dividends (dividend amount per share: ¥3 or \$0.025).....	¥780	\$6,490

## 21. Stock options

The stock options outstanding as of March 31, 2015, are as follows:

Description	Persons granted	Number of options granted	Date of grant	Exercise price	Exercise period
2013 Stock Option	14 directors	72,300 shares	August 20, 2013	¥1 (\$ 0.01)	From August 21, 2013 to August 20, 2043
2014 Stock Option	16 directors	71,800 shares	August 20, 2014	¥1 (\$ 0.01)	From August 21, 2014 to August 20, 2044

The stock option activity is as follows:

	2013 Stock Option	2014 Stock Option
<u>Year Ended March 31, 2015</u>		
<u>Non-vested</u>		
April 1, 2014—Outstanding	19,450	—
Granted	(—)	71,800
Canceled	(—)	(—)
Vested	(19,450)	(53,850)
March 31, 2015—Outstanding	—	17,950
<u>Vested</u>		
April 1, 2014—Outstanding	58,350	—
Vested	19,450	53,850
Exercised	(5,500)	(—)
Canceled	(—)	(—)
March 31, 2015—Outstanding	72,300	53,850
<u>Exercise price</u>		
	¥ 1 (\$0.01)	¥ 1 (\$0.01)
<u>Average stock price at exercise</u>		
	¥ 606 (\$5.04)	¥ — (\$ —)
<u>Fair value price at grant date</u>		
	¥ 528 (\$4.39)	¥ 589 (\$4.90)

### The Assumptions Used to Measure the Fair Value of the 2014 Stock Option

Estimate method:	Black-Scholes option-pricing model
Volatility of stock price:	26.941%
Estimated remaining outstanding period:	3 years and 4 months
Estimated dividend:	¥7 per share
Risk free interest rate:	0.092%

## 22. Other operating income

Other operating income for the years ended March 31, 2015 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Gains on foreign exchange transactions-net.....	¥ 818	¥ 765	\$ 6,807
Gains on sales of bonds.....	1,945	5,577	16,185
Other .....	11,192	10,898	93,134
<b>Total .....</b>	<b>¥13,956</b>	<b>¥17,240</b>	<b>\$116,135</b>

## 23. Other income

Other income for the years ended March 31, 2015 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Reversal of allowance for possible loan losses .....	¥4,855	¥ —	\$40,401
Recovery of claims previously charged-off .....	465	1,360	3,869
Other .....	2,010	2,415	16,726
<b>Total .....</b>	<b>¥7,331</b>	<b>¥3,775</b>	<b>\$61,005</b>

## 24. Other operating expenses

Other operating expenses for the years ended March 31, 2015 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Losses on sales of government bonds .....	¥ 564	¥ 2,000	\$ 4,693
Other .....	9,438	9,150	78,538
<b>Total .....</b>	<b>¥10,002</b>	<b>¥11,151</b>	<b>\$83,232</b>

## 25. Other expenses

Other expenses for the years ended March 31, 2015 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Provision of allowance for possible loan losses .....	¥ —	¥ 2,246	\$ —
Charge-off of loans and bills discounted .....	625	761	5,200
Losses on impairment of long-lived assets (Note 11) .....	413	156	3,436
Losses on sales of investment in stocks .....	20	102	166
Valuation losses on investment in stocks .....	13	15	108
Other .....	584	729	4,859
<b>Total .....</b>	<b>¥1,657</b>	<b>¥ 4,011</b>	<b>\$13,788</b>

## 26. Leases

### Lessee

The Group leases certain equipment. Total rental expense under finance leases for the years ended March 31, 2015 and 2014 was ¥0 million (\$0 thousand) and ¥1 million, respectively.

Finance lease transactions that commenced prior to April 1, 2008 are accounted for in accordance with 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 an "as if capitalized" basis for the years ended March 31, 2015 and 2014 was as follows:

	Tangible fixed assets		
	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Acquisition cost.....	¥ —	¥ 4	\$ —
Accumulated depreciation .....	—	(4)	—
<b>Net leased property .....</b>	<b>¥ —</b>	<b>¥ 0</b>	<b>\$ —</b>

Obligations under finance leases at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Due within one year .....	¥—	¥0	\$—
Due after one year .....	—	—	—
<b>Total .....</b>	<b>¥—</b>	<b>¥0</b>	<b>\$—</b>

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
	2015	2014	2015
Lease payments.....	¥0	¥1	\$0
Depreciation expense .....	0	1	0

### Lessor

One subsidiary leases certain equipment and other assets.

As stated in Note 2 (r) ii, finance lease transactions other than those in 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, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Gross lease receivables .....	¥17,868	¥18,382	\$148,689
Unguaranteed residual values .....	611	761	5,084
Unearned interest income.....	(1,766)	(1,969)	(14,695)
<b>Investments in leases.....</b>	<b>¥16,714</b>	<b>¥17,174</b>	<b>\$139,086</b>

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, 2015 are as follows:

	Millions of yen	Thousands of U.S. dollars
2016 .....	¥24	\$199
2017 .....	23	191
2018 .....	20	166
2019 .....	13	108
2020 .....	13	108
2021 and thereafter.....	46	382

Maturities of gross lease receivables related to investments in leases as of March 31, 2015 are as follows:

	Millions of yen	Thousands of U.S. dollars
2016 .....	¥5,692	\$47,366
2017 .....	4,728	39,344
2018 .....	3,480	28,958
2019 .....	2,306	19,189
2020 .....	1,136	9,453
2021 and thereafter.....	524	4,360

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 years ended March 31, 2015 and 2014, increased by ¥18 million (\$149 thousand) and ¥71 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, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Due within one year .....	¥19	¥15	\$158
Due after one year .....	29	32	241
<b>Total .....</b>	<b>¥48</b>	<b>¥48</b>	<b>\$399</b>

## 27. Retirement benefit plans

The Bank and consolidated subsidiaries have either funded or unfunded defined benefit plans. The Bank's funded defined benefit corporate pension plan (contract type) provides lump-sum or annuity payments, the amounts of which are determined based on the length of service and certain other factors. The Bank's lump-sum severance payment plan, which became a funded plan as a result of setting a retirement benefits trust, provides lump-sum payments determined based on the length of service, position, and certain other factors. The consolidated subsidiaries' unfunded lump-sum severance payment plans are based on a simplified method in the calculation of their liability for retirement benefits and retirement benefit costs.

### 1. Defined benefit plan (except for the plan adopting the simplified method)

(1) The changes in defined benefit obligation for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of year .....	¥42,515	¥44,353	\$353,790
Cumulative effect of accounting change .....	1,458	—	12,132
Balance at beginning of year (as restated) .....	43,973	44,353	365,923
Current service cost .....	1,659	1,716	13,805
Interest cost .....	659	665	5,483
Actuarial (gains) losses .....	374	(1,747)	3,112
Benefits paid .....	(2,326)	(2,472)	(19,355)
Prior service cost .....	—	—	—
Balance at end of year .....	¥44,340	¥42,515	\$368,977

(2) The changes in plan assets for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of year .....	¥29,946	¥25,757	\$249,196
Expected return on plan assets ..	382	354	3,178
Actuarial gains .....	7,085	3,195	58,958
Contribution from the employer .....	2,276	1,775	18,939
Benefits paid .....	(1,122)	(1,136)	(9,336)
Balance at end of year .....	¥38,568	¥29,946	\$320,945

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Funded defined benefit obligation .....	¥ 44,340	¥ 42,515	\$ 368,977
Plan assets .....	(38,568)	(29,946)	(320,945)
Net liability arising from the balance sheet .....	¥ 5,771	¥ 12,568	\$ 48,023

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Liability for retirement benefits .....	¥5,771	¥12,568	\$48,023
Asset for retirement benefits .....	—	—	—
Net liability arising from the balance sheet .....	¥5,771	¥12,568	\$48,023

(4) The components of net periodic benefit costs for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service cost .....	¥1,659	¥1,716	\$13,805
Interest cost .....	659	665	5,483
Expected return on plan assets .....	(382)	(354)	(3,178)
Recognized actuarial losses .....	288	766	2,396
Amortization of prior service cost ..	(5)	(16)	(41)
Net periodic benefit costs .....	¥2,218	¥2,777	\$18,457

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Prior service cost.....	¥ 5	¥—	\$ 41
Actuarial gains.....	(6,999)	—	(58,242)
Total.....	¥(6,993)	¥—	\$(58,192)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrecognized prior service cost.....	¥ —	¥ (5)	\$ —
Unrecognized actuarial gains.....	(9,186)	(2,187)	(76,441)
Total.....	¥(9,186)	¥(2,192)	\$(76,441)

(7) Plan assets:

a. Components of plan assets

	2015	2014
Bonds.....	20%	26%
Stocks.....	57	49
Cash and cash equivalents.....	6	5
General accounts.....	17	20
Total.....	100%	100%

(Note) Total plan assets included retirement benefits trust of 45% and 39%, for the years ended March 31, 2015 and 2014, respectively, mainly consisting of 5 stocks, which were set for a corporate pension plan and a lump-sum payment plan.

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering allocation of plan assets and the long-term rates of return that are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2015 and 2014, were set forth as follows:

	2015	2014
Discount rate.....	1.50%	1.50%
Expected rate of return on plan assets		
Plan assets (except for retirement benefits trust).....	2.10%	2.12%
Plan assets (retirement benefits trust).....	0.00%	0.00%
Estimated rate of salary increase.....	3.50%	3.50%

2. Defined benefit plan adopting the simplified method

(1) The changes in defined benefit obligation adopting the simplified method for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of year.....	¥ 89	¥ 84	\$ 740
Net periodic benefit costs.....	16	15	133
Benefits paid.....	(14)	(10)	(116)
Contribution to the plan.....	—	—	—
Balance at end of year.....	¥ 91	¥ 89	\$ 757

(2) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unfunded defined benefit obligation.....	¥91	¥89	\$757
Net liability arising from the balance sheet.....	¥91	¥89	\$757

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Liability for retirement benefits.....	¥91	¥89	\$757
Net liability arising from the balance sheet.....	¥91	¥89	\$757

(3) Net periodic benefit costs recognized in the simplified method for the years ended March 31, 2015 and 2014, were ¥16 million (\$133 thousand) and ¥15 million, respectively.

3. Defined contribution plan

Not applicable.

## 28. Income taxes

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities at March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Allowance for possible loan losses.....	¥ 13,247	¥ 17,801	\$ 110,235
Devaluation of stocks and other securities.....	6,051	6,878	50,353
Liability for employees' retirement benefits.....	6,422	7,463	53,440
Depreciation.....	1,759	1,783	14,637
Accrued enterprise tax.....	100	290	832
Other.....	2,612	2,311	21,735
Less valuation allowance.....	(16,262)	(17,285)	(135,324)
Total.....	¥ 13,931	¥ 19,245	\$ 115,927
Deferred tax liabilities:			
Reserve for advance depreciation of fixed assets.....	(184)	(203)	(1,531)
Reserve for special account of advanced depreciation of fixed assets.....	(101)	(112)	(840)
Net unrealized gains on available-for-sale securities.....	(47,026)	(31,228)	(391,328)
Defined retirement benefit plans.....	(2,945)	(775)	(24,506)
Total.....	(50,257)	(32,320)	(418,215)
Net deferred tax assets.....	¥(36,326)	¥(13,075)	\$(302,288)

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, 2015 and 2014, is as follows:

	2015	2014
Normal effective statutory tax rate .....	35.3%	37.7%
Permanent differences – mainly dividends received.....	(2.1)	(2.1)
Increase in valuation allowance for deferred tax assets .....	2.7	0.4
Decrease in deferred tax assets due to changes in statutory tax rate .....	5.0	4.2
Other .....	0.7	1.2
<b>Actual effective tax rate .....</b>	<b>41.6%</b>	<b>41.4%</b>

New tax reform laws enacted in 2015 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2015, to approximately 32.82% and for the fiscal year beginning on or after April 1, 2016, to approximately 32.06%. The effect of these changes was to decrease deferred tax assets by ¥37 million (\$307 thousand), deferred tax liabilities by ¥3,661 million (\$30,465 thousand), deferred losses on derivatives under hedge accounting by ¥34 million (\$282 thousand) and increase accumulated other comprehensive income for unrealized gain on available-for-sale securities by ¥4,850 million (\$40,359 thousand), minority interests by ¥7 million (\$58 thousand) and land revaluation surplus by ¥816 million (\$6,790 thousand), with a decrease of ¥816 million (\$6,790 thousand) in related deferred tax liability, in the consolidated balance sheet as of March 31, 2015, and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥1,199 million (\$9,977 thousand).

## 29. Financial instruments and related disclosures

### 1. Overall situation concerning financial instruments

#### (1) Basic policy for financial instruments

As a regional financial institution with its main business base in Shiga Prefecture, the Group provides financial services centered on banking operations.

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.

With respect to extending credit to overseas borrowers, the Group manages it by setting 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.

With respect to 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 abovementioned 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 performed for the purposes of hedging and cover transactions to customer transactions, the Group manages them so that asset and liability risks and market risks are offset with 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 risks 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 ¥4,075 million (\$33,910 thousand) as of March 31, 2015 and ¥3,862 million as of March 31, 2014.

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 ¥66,305 million (\$551,760 thousand) as of March 31, 2015, and ¥50,428 million as of March 31, 2014.

#### Backtesting

To verify the appropriateness of the risk amounts that are measured through VaR, the Group carries out backtesting 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, 2015 and 2014, 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		
	2015		
	Consolidated balance sheet amount	Fair value	Difference
Call loans and bills bought.....	¥ 31,359	¥ 31,359	¥ —
Investment securities			
Trading securities.....	3,966	3,966	—
Held-to-maturity securities.....	45,015	45,812	796
Available-for-sale securities.....	1,488,169	1,488,169	—
Loans and bills discounted.....	3,051,704	—	—
Allowance for possible loan losses (*1).....	(30,517)	—	—
	3,021,186	3,044,111	22,925
Assets total.....	4,589,697	4,613,419	23,722
Deposits.....	4,281,984	4,282,509	524
Negotiable certificates of deposit.....	93,504	93,512	8
Call money and bills sold.....	42,551	42,551	—
Borrowed money.....	61,617	64,009	2,391
Liabilities total.....	4,479,658	4,482,583	2,924
Derivative transactions (*2).....			
Deferred hedge accounting is not applied.....	(40)	(40)	—
Deferred hedge accounting is applied.....	(1,044)	(1,044)	—
Derivative transactions total.....	¥ (1,084)	¥ (1,084)	¥ —

	Millions of yen		
	2014		
	Consolidated balance sheet amount	Fair value	Difference
Call loans and bills bought .....	¥ 62,872	¥ 62,872	¥ —
Investment securities			
Trading securities.....	2,840	2,840	—
Held-to-maturity securities .....	14,988	15,022	33
Available-for-sale securities.....	1,401,067	1,401,067	—
Loans and bills discounted.....	2,916,953	—	—
Allowance for possible loan losses (*1).....	(35,897)	—	—
	2,881,056	2,905,478	24,421
Assets total.....	4,362,825	4,387,280	24,454
Deposits.....	4,163,311	4,163,973	662
Negotiable certificates of deposit.....	93,773	93,779	6
Call money and bills sold.....	28,069	28,069	—
Borrowed money.....	69,255	71,433	2,177
Bonds.....	20,000	20,085	85
Liabilities total.....	¥4,374,409	4,377,340	2,931
Derivative transactions (*2).....			
Deferred hedge accounting is not applied .....	39	39	—
Deferred hedge accounting is applied.....	(120)	(120)	—
Derivative transactions total.....	¥ (80)	¥ (80)	¥ —

	Thousands of U.S. dollars		
	2015		
	Consolidated balance sheet amount	Fair value	Difference
Call loans and bills bought .....	\$ 260,955	\$ 260,955	\$ —
Investment securities			
Trading securities.....	33,003	33,003	—
Held-to-maturity securities .....	374,594	381,226	6,623
Available-for-sale securities.....	12,383,864	12,383,864	—
Loans and bills discounted.....	25,394,890	—	—
Allowance for possible loan losses (*1).....	(253,948)	—	—
	25,140,933	25,331,705	190,771
Assets total.....	38,193,367	38,390,771	197,403
Deposits.....	35,632,720	35,637,089	4,360
Negotiable certificates of deposit.....	778,097	778,164	66
Call money and bills sold.....	354,090	354,090	—
Borrowed money.....	512,748	532,653	19,896
Liabilities total.....	37,277,673	37,302,013	24,332
Derivative transactions (*2).....			
Deferred hedge accounting is not applied .....	(332)	(332)	—
Deferred hedge accounting is applied.....	(8,687)	(8,687)	—
Derivative transactions total.....	\$ (9,020)	\$ (9,020)	\$ —

(\*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) Securities

Fair values of securities that have market prices are based on their market prices.

With respect to those without market prices, 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.

Fair value information for securities by classification is included in Note 4 "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 value.

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) Call money and bills sold

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.

#### (4) 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.

#### (5) Bonds

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

#### Derivatives

Fair value information for derivatives is included in Note 30 "Fair value information on derivative transactions."

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

The following instruments are not included in "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
	2015	2014	2015
Unlisted stocks (*1) (*2).....	¥3,316	¥3,314	\$27,594
Investment in capital of partnership and others (*3).....	1,545	—	12,856
<b>Total</b> .....	<b>¥4,861</b>	<b>¥3,314</b>	<b>\$40,451</b>

(\*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, 2015, no impairment losses for unlisted stocks were recorded. For the year ended March 31, 2014, impairment losses for unlisted stocks amounted to ¥15 million.

(\*3) Fair value of investment in capital of partnership and others is exempt from disclosure because partnership assets are composed of unlisted stock and others and their fair value cannot be reliably determined.

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

	Millions of yen					
	2015					
	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.....	¥ 31,359	¥ —	¥ —	¥ —	¥ —	¥ —
Investment securities.....	153,821	413,036	369,747	93,599	185,916	90,504
Held-to-maturity securities.....	—	—	—	—	45,000	—
Japanese government bonds.....	—	—	—	—	45,000	—
Available-for-sale securities.....	153,821	413,036	369,747	93,599	140,916	90,504
Japanese government bonds.....	39,206	174,100	103,000	36,000	61,000	11,000
Japanese local government bonds.....	50,245	71,439	104,352	32,638	17,128	—
Japanese corporate bonds.....	62,873	142,055	114,939	9,113	11,915	70,458
Others.....	1,495	25,441	47,455	15,848	50,872	9,046
Loans and bills discounted (*).....	807,659	586,812	415,627	253,320	330,122	578,793
<b>Total</b> .....	<b>¥992,839</b>	<b>¥999,849</b>	<b>¥785,374</b>	<b>¥346,920</b>	<b>¥516,038</b>	<b>¥669,297</b>

	Millions of yen					
	2014					
	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.....	¥ 62,872	¥ —	¥ —	¥ —	¥ —	¥ —
Investment securities.....	167,175	316,555	372,912	157,725	146,806	90,504
Held-to-maturity securities.....	—	—	—	—	15,000	—
Japanese government bonds.....	—	—	—	—	15,000	—
Available-for-sale securities.....	167,175	316,555	372,912	157,725	131,806	90,504
Japanese government bonds.....	43,000	99,706	168,800	63,000	61,000	3,000
Japanese local government bonds.....	39,278	73,439	79,399	69,028	30,301	—
Japanese corporate bonds.....	78,060	129,152	100,354	19,776	13,715	78,111
Others.....	6,835	14,257	24,358	5,920	26,789	9,392
Loans and bills discounted (*).....	779,140	578,293	391,756	230,107	295,476	559,146
<b>Total</b> .....	<b>¥1,009,188</b>	<b>¥894,849</b>	<b>¥764,669</b>	<b>¥387,833</b>	<b>¥442,282</b>	<b>¥649,650</b>

Thousands of U.S. dollars

	2015					
	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.....	\$ 260,955	\$ —	\$ —	\$ —	\$ —	\$ —
Investment securities.....	1,280,028	3,437,097	3,076,866	778,888	1,547,108	753,133
Held-to-maturity securities.....	—	—	—	—	374,469	—
Japanese government bonds.....	—	—	—	—	374,469	—
Available-for-sale securities.....	1,280,028	3,437,097	3,076,866	778,888	1,172,638	753,133
Japanese government bonds.....	326,254	1,448,780	857,119	299,575	507,614	91,536
Japanese local government bonds.....	418,116	594,482	868,369	271,598	142,531	—
Japanese corporate bonds.....	523,200	1,182,117	956,470	75,834	99,151	586,319
Others.....	12,440	211,708	394,898	131,871	423,333	75,276
Loans and bills discounted (*1).....	6,720,970	4,883,182	3,458,658	2,108,013	2,747,124	4,816,451
<b>Total</b> .....	<b>\$8,261,953</b>	<b>\$8,320,287</b>	<b>\$6,535,524</b>	<b>\$2,886,910</b>	<b>\$4,294,233</b>	<b>\$5,569,584</b>

(\*1) Loans in legal bankruptcy, virtual bankruptcy, and potential bankruptcy amounting to ¥53,316 million (\$443,671 thousand) and ¥57,353 million loans and bills discounted without contractual maturities amounting to ¥26,052 million (\$216,792 thousand) and ¥25,679 million are excluded from the table above as of March 31, 2015 and 2014.

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

Millions of yen

	2015					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (*).....	¥3,814,461	¥440,542	¥26,980	¥ —	¥ —	¥ —
Negotiable certificates of deposit.....	93,504	—	—	—	—	—
Call money and bills sold.....	42,551	—	—	—	—	—
Borrowed money.....	35,206	4,172	1,967	271	10,000	10,000
<b>Total</b> .....	<b>¥3,985,724</b>	<b>¥444,715</b>	<b>¥28,947</b>	<b>¥271</b>	<b>¥10,000</b>	<b>¥10,000</b>

Millions of yen

	2014					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (*).....	¥3,664,430	¥469,312	¥29,567	¥ —	¥ —	¥ —
Negotiable certificates of deposit.....	93,773	—	—	—	—	—
Call money and bills sold.....	28,069	—	—	—	—	—
Borrowed money.....	33,375	3,965	1,722	10,192	—	20,000
Bonds.....	—	—	—	20,000	—	—
<b>Total</b> .....	<b>¥3,819,648</b>	<b>¥473,277</b>	<b>¥31,290</b>	<b>¥30,192</b>	<b>¥ —</b>	<b>¥20,000</b>

Thousands of U.S. dollars

	2015					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (*).....	\$31,742,206	\$3,665,989	\$224,515	\$ —	\$ —	\$ —
Negotiable certificates of deposit.....	778,097	—	—	—	—	—
Call money and bills sold.....	354,090	—	—	—	—	—
Borrowed money.....	292,968	34,717	16,368	2,255	83,215	83,215
<b>Total</b> .....	<b>\$33,167,379</b>	<b>\$3,700,715</b>	<b>\$240,883</b>	<b>\$2,255</b>	<b>\$83,215</b>	<b>\$83,215</b>

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

### 30. Fair value information on derivative transactions

#### Derivative transactions to which hedge accounting is not applied

The following is the fair value information for derivative transactions to which hedge accounting is not applied at March 31, 2015 and 2014.

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

	Millions of yen			
	2015			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the counter:				
Interest rate swap				
Receivable fixed rate/pay				
floating rate .....	¥92	¥92	¥2	¥2
<b>Total .....</b>	<b>¥—</b>	<b>¥—</b>	<b>¥2</b>	<b>¥2</b>

Interest-rate-related transactions are not performed at March 31, 2014.

	Thousands of U.S. dollars			
	2015			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the counter:				
Interest rate swap				
Receivable fixed rate/pay				
floating rate .....	\$765	\$765	\$16	\$16
<b>Total .....</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$16</b>	<b>\$16</b>

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 income.

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.

#### (2) Currency-related transactions

	Millions of yen			
	2015			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the counter:				
Currency swap:.....	¥57,561	¥27,739	¥ 47	¥ 47
Forward exchange contracts:				
Sold .....	19,785	—	(560)	(560)
Bought .....	12,849	—	469	469
Currency options:				
Sold .....	34,888	19,053	(906)	156
Bought .....	34,888	19,053	906	75
<b>Total .....</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ (43)</b>	<b>¥ 188</b>

	Millions of yen			
	2014			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the counter:				
Currency swap:.....	¥72,202	¥53,683	¥ 76	¥ 76
Forward exchange contracts:				
Sold .....	14,995	—	(242)	(242)
Bought .....	12,724	—	205	205
Currency options:				
Sold .....	18,139	7,098	(429)	147
Bought .....	18,139	7,098	429	5
<b>Total .....</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ 39</b>	<b>¥ 193</b>

	Thousands of U.S. dollars			
	2015			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the counter:				
Currency swap:.....	\$478,996	\$230,831	\$ 391	\$ 391
Forward exchange contracts:				
Sold .....	164,641	—	(4,660)	(4,660)
Bought .....	106,923	—	3,902	3,902
Currency options:				
Sold .....	290,322	158,550	(7,539)	1,298
Bought .....	290,322	158,550	7,539	624
<b>Total .....</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (357)</b>	<b>\$ 1,564</b>

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 income.

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, 2015 and 2014.

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

#### (1) Interest-rate-related transactions

	Millions of yen			
	2015			
	Hedged items	Contractual value	Contractual value due after one year	Fair value
Principle treatment				
Interest rate swap:				
Receivable floating rate/				
pay fixed rate.....	Available-for-sale securities (bonds)	¥50,000	¥50,000	¥(1,037)

		Millions of yen			
		2014			
	Hedged items	Contractual value	Contractual value due after one year	Fair value	
Principle treatment	Available-				
Interest rate swap:	for-sale				
Receivable floating rate/	securities				
pay fixed rate.....	(bonds)	¥50,000	¥50,000		¥(93)
Special hedging treatment					
Interest rate swaps:					
Receivable floating rate/	Borrowed				
pay fixed rate.....	Money	150	150	Note 3	
<b>Total</b> .....		—	—		¥(93)

		Thousands of U.S. dollars			
		2015			
	Hedged items	Contractual value	Contractual value due after one year	Fair value	
Principle treatment	Available-				
Interest rate swap:	for-sale				
Receivable floating rate/	securities				
pay fixed rate.....	(bonds)	\$416,077	\$416,077		\$(8,629)

- 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 29-2.

## (2) Currency-related transactions

		Millions of yen			
		2015			
	Hedged items	Contractual value	Contractual value due after one year	Fair value	
Forward exchange	Loans				
contracts.....	denominated	¥848	¥—		¥(6)
	in foreign				
	currencies				

		Millions of yen			
		2014			
	Hedged items	Contractual value	Contractual value due after one year	Fair value	
Forward exchange	Loans				
contracts.....	denominated	¥1,242	¥—		¥(26)
	on foreign				
	currencies				

		Thousands of U.S. dollars			
		2015			
	Hedged items	Contractual value	Contractual value due after one year	Fair value	
Forward exchange	Loans				
contracts.....	denominated	\$7,056	\$—		\$(49)
	in foreign				
	currencies				

- 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 flows.

- (3) Stock-related transactions are not performed.
- (4) Bond-related transactions are not performed.

## 31. Comprehensive income

The components of other comprehensive income for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrealized gains on available-for-sale securities:			
The amount arising during the period.....	¥ 61,440	¥24,525	\$ 511,275
Reclassification adjustments to profit or loss.....	(1,516)	(3,912)	(12,615)
Before adjustments to tax effect.....	59,923	20,613	498,651
The amount of tax effect.....	¥(15,797)	(7,055)	\$(131,455)
<b>Total</b> .....	<b>44,126</b>	<b>13,557</b>	<b>367,196</b>
Deferred gains (losses) on derivatives under hedge accounting:			
The amount arising during the period.....	(1,025)	98	(8,529)
Reclassification adjustments to profit or loss.....	81	72	674
Before adjustments to tax effect.....	(943)	171	(7,847)
The amount of tax effect.....	299	(60)	2,488
<b>Total</b> .....	<b>(644)</b>	<b>110</b>	<b>(5,359)</b>
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.....	816	—	6,790
<b>Total</b> .....	<b>816</b>	<b>—</b>	<b>6,790</b>
Defined retirement benefit plans:			
The amount arising during the period.....	6,711	—	55,845
Reclassification adjustments to profit or loss.....	282	—	2,346
Before adjustments to tax effect.....	6,993	—	58,192
The amount of tax effect.....	(2,169)	—	(18,049)
<b>Total</b> .....	<b>4,824</b>	<b>—</b>	<b>40,143</b>
<b>Total other comprehensive income</b> .....	<b>¥ 49,122</b>	<b>¥13,668</b>	<b>\$ 408,770</b>

## 32. Net income per share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2015 and 2014, is as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net Income	Weighted-average shares	EPS	
<b>For the year ended March 31, 2015</b>				
Basic EPS:				
Net income available to common shareholders .....	¥13,675	263,633	¥51.87	\$0.432
Effect of dilutive securities:				
Warrants .....		960		
Diluted EPS:				
Net income for computation .....	¥13,675	264,594	¥51.68	\$0.430
<b>For the year ended March 31, 2014</b>				
Basic EPS:				
Net income available to common shareholders .....	¥11,027	263,864	¥41.79	
Effect of dilutive securities:				
Warrants .....		58		
Diluted EPS:				
Net income for computation .....	¥11,027	263,922	¥41.78	

Note: As noted in Note 2(l), the Company applied the revised accounting standard and guidance for retirement benefits effective April 1, 2014, and changed the methods of attributing the expected benefit to periods, determining the discount rate and estimating the expected future salary increases.

The impact on EPS and Diluted EPS for the year ended March 31, 2015 was immaterial.

## 33. Subsequent event

Appropriation of retained earnings

The following appropriation of retained earnings was authorized at the ordinary general shareholders' meeting held on June 25, 2015:

	Millions of yen	Thousands of U.S. dollars
Cash dividends, ¥3.0 (\$0.02) per share .....	¥780	\$6,490
<b>Total .....</b>	<b>780</b>	<b>6,490</b>

## 34. Segment information

For the years ended March 31, 2015 and 2014

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

### Related Information

#### (1) Information about services

	Millions of yen				
	2015				
	Lending services	Securities investment	Fees and commissions	Other	Total
Operating income from external customers.....	¥41,000	¥14,953	¥13,542	¥19,002	¥88,499
	Millions of yen				
	2014				
	Lending services	Securities investment	Fees and commissions	Other	Total
Operating income from external customers.....	¥43,243	¥18,476	¥12,691	¥13,877	¥88,290
	Thousands of U.S. dollars				
	2015				
	Lending services	Securities investment	Fees and commissions	Other	Total
Operating income from external customers.....	\$341,183	\$124,432	\$112,690	\$158,125	\$736,448

#### (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 years ended March 31, 2015 and 2014; 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, 2015 and 2014; 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 years ended March 31, 2015 and 2014; therefore major customer information is not presented.

## 35. Related party transactions

Transactions of the Bank with related parties for the year ended March 31, 2015, were as follows:

Related party	Category	Description of transactions	Transaction amount		Accounts name	Year-end balance	
			Millions of yen	Thousands of U.S. dollars		Millions of yen	Thousands of U.S. dollars
		Lending operation loan, net of collection .....	¥ (0)	\$ (0)	Loans.....	¥ 16	\$ 133
Yoshihisa Fujita	Director and relative	Interest receipts.....	0	0	Accrued interest.....	0	0
		Lending operation loan, net of collection.....	(1)	(8)	Loans.....	12	99
Taiyo & Co.	Company in which director or relative has the majority of the voting rights	Interest receipts.....	0	0	Unearned interest.....	0	0
		Lending operation loan, net of collection.....	(117)	(973)	Loans.....	128	1,065
		Guarantee of payment.....	80	665	Customers' liabilities for acceptances and guaranteest.....	180	1,497
		Interest receipts.....	2	16	Acceptances and guarantees.....	180	1,497
KUSANEN CO., LTD.	Company in which director or relative has the majority of the voting rights	Guarantee commission receipts.....	1	8	Unearned interest.....	1	8

Transactions of the Bank with related parties for the year ended March 31, 2014, were as follows:

Related party	Category	Description of transactions	Transaction amount		Accounts name	Year-end balance	
			Millions of yen	Thousands of U.S. dollars		Millions of yen	Thousands of U.S. dollars
		Lending operation loan, net of collection.....	¥(8)		Loans.....	¥17	
Yoshihisa Fujita	Director and relative	Interest receipts.....	0		Accrued interest.....	0	
		Lending operation loan, net of collection.....	14		Loans.....	14	
Taiyo & Co.	Company in which director or relative has the majority of the voting rights	Interest receipts.....	0		Unearned interest.....	0	

## 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 its consolidated subsidiaries as of March 31, 2015, 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 accordance 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 accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 its consolidated subsidiaries as of March 31, 2015, and the consolidated results of their operations and their cash flows for the year then ended in accordance 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 accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

*Deloitte Touche Tohmatsu LLC*

June 5, 2015

# Composition of Capital Disclosure (Capital ratio of the fiscal year ended March 31, 2015, Basel III)

## Capital ratio (consolidated)

(Appended Form 2 of Supplementary Provision of the Notification of Japanese Financial Services Agency No. 7, 2015)

Basel III Template No.	Items	Year ended March 31, 2015		Year ended March 31, 2014	
			Amounts excluded under transitional arrangements		Amounts excluded under transitional arrangements
<b>Common Equity Tier 1 capital: instruments and reserves</b>					
1a+2-1c-26	Directly issued qualifying common share capital plus related capital surplus and retained earnings	210,765		202,869	
1a	of which: capital and capital surplus	57,045		57,046	
2	of which: retained earnings	157,989		147,858	
1c	of which: treasury stock (-)	3,486		977	
26	of which: national specific regulatory adjustments (earnings to be distributed) (-)	783		1,057	
	of which: other than above	—		—	
1b	Subscription rights to common shares	69		30	
3	Accumulated other comprehensive income and other disclosed reserves	53,312	79,969	16,810	67,242
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group Common Equity Tier 1)	—		—	
	Total of items included in Common Equity Tier 1 capital: instruments and reserves subject to transitional arrangements	1,167		1,622	
	of which: common share capital issued by subsidiaries and held by third parties (amount allowed in group Common Equity Tier 1)	1,167		1,622	
6	Common Equity Tier 1 capital: instruments and reserves (A)	265,314		221,332	
<b>Common Equity Tier 1 capital: regulatory adjustments</b>					
8+9	Total intangible fixed assets (excluding those relating to mortgage servicing rights)	485	727	229	919
8	of which: goodwill (including those equivalent)	—	—	—	—
9	of which: other intangibles other than goodwill and mortgage servicing rights	485	727	229	919
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences	—	—	—	—
11	Deferred gains or losses on derivatives under hedge accounting	0	0	0	0
12	Shortfall of eligible provisions to expected losses	4,606	6,909	1,969	7,876
13	Securitization gain on sale	—	—	—	—
14	Gains and losses due to changes in own credit risk on fair valued liabilities	—	—	—	—
15	Asset for retirement benefits	—	—	—	—
16	Investments in own shares (excluding those reported in the Net assets section)	0	0	0	0
17	Reciprocal cross-holdings in common equity	—	—	—	—
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	—	—	—	—
19+20+21	Amount exceeding the 10% threshold on specified items	—	—	—	—
19	of which: significant investments in the common stock of financials	—	—	—	—
20	of which: intangible fixed assets relating to mortgage servicing rights	—	—	—	—
21	of which: deferred tax assets arising from temporary differences	—	—	—	—
22	Amount exceeding the 15% threshold on specified items	—	—	—	—
23	of which: significant investments in the common stock of financials	—	—	—	—
24	of which: intangible fixed assets relating to mortgage servicing rights	—	—	—	—
25	of which: deferred tax assets arising from temporary differences	—	—	—	—
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	1,245		2,088	
28	Common Equity Tier 1 capital: regulatory adjustments (B)	6,337		4,287	
<b>Common Equity Tier 1 capital (CET1)</b>					
29	Common Equity Tier 1 capital (CET1) ((A)-(B)) (C)	258,977		217,044	
<b>Additional Tier 1 capital: instruments</b>					
31a	Directly issued qualifying Additional Tier 1 instruments plus related capital surplus of which: classified as equity under applicable accounting standards	—		—	
31b	Subscription rights to Additional Tier 1 instruments	—		—	
30	Directly issued qualifying Additional Tier 1 instruments plus related capital surplus of which: classified as liabilities under applicable accounting standards	—		—	
32	Qualifying Additional Tier 1 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities	—		—	
34-35	Additional Tier 1 instruments issued by subsidiaries and held by third parties (amount allowed in group Additional Tier 1)	2,209		1,849	
33+35	Eligible Tier 1 capital instruments subject to transitional arrangements included in Additional Tier 1 capital: instruments	—		—	
33	of which: instruments issued by bank and its special purpose vehicles	—		—	
35	of which: instruments issued by subsidiaries	—		—	
	Total of items included in Additional Tier 1 capital: instruments subject to transitional arrangements	—		—	
	of which: transitional arrangements related to accumulated other comprehensive income	—		—	
36	Additional Tier 1 capital: instruments (D)	2,209		1,849	
<b>Additional Tier 1 capital: regulatory adjustments</b>					
37	Investments in own Additional Tier 1 instrument	—	—	—	—
38	Reciprocal cross-holdings in Additional Tier 1 instruments	—	—	—	—
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	—	—	—	—
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	—	—	—	—

Basel III Template No.	Items	Year ended March 31, 2015		Year ended March 31, 2014	
			Amounts excluded under transitional arrangements		Amounts excluded under transitional arrangements
	Total of items included in Additional Tier 1 capital: regulatory adjustments subject to transitional arrangements	3,454		3,938	
	of which: shortfall of eligible provisions to expected losses	3,454		3,938	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deduction	—		—	
43	Additional Tier 1 capital: regulatory adjustments (E)	3,454		3,938	
<b>Additional Tier 1 capital</b>					
44	Additional Tier 1 capital ((D) – (E)) (F)	—		—	
<b>Tier 1 capital (T1 = CET1 + AT1)</b>					
45	Tier 1 capital (T1 = CET1 + AT1) ((C)+(F)) (G)	258,977		217,044	
<b>Tier 2 capital: instruments and provisions</b>					
	Directly issued qualifying Tier 2 instruments plus related capital surplus of which:				
	classified as equity under applicable accounting standards	—		—	
46	Subscription rights to Tier 2 instruments	—		—	
	Directly issued qualifying Tier 2 instruments plus related capital surplus of which:				
	classified as liabilities under applicable accounting standards	24,034		—	
	Qualifying Tier 2 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities	—		—	
48-49	Tier 2 instruments issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	519		435	
47+49	Eligible Tier 2 capital instruments subject to transitional arrangements included in Tier 2: instruments and provisions	20,000		48,000	
47	of which: instruments issued by bank and its special purpose vehicles	20,000		48,000	
49	of which: instruments issued by subsidiaries	—		—	
50	Total of general allowance for credit losses and eligible provisions included in Tier 2	102		184	
50a	of which: provision for general allowance for credit losses	102		184	
50b	of which: eligible provisions	—		—	
	Total of items included in Tier 2 capital: instruments and provisions subject to transitional arrangements	48,998		44,089	
	of which: accumulated other comprehensive income	48,998		44,089	
51	Tier 2 capital: instruments and provisions (H)	93,655		92,709	
<b>Tier 2 capital: regulatory adjustments</b>					
52	Investments in own Tier 2 instruments	—		—	
53	Reciprocal cross-holdings in Tier 2 instruments	—		—	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	—		—	
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation	—		—	
	Total of items included in Tier 2 capital: regulatory adjustments subject to transitional arrangements	3,454		3,938	
	of which: shortfall of eligible provisions to expected losses	3,454		3,938	
57	Tier 2 capital: regulatory adjustments (I)	3,454		3,938	
<b>Tier 2 capital (T2)</b>					
58	Tier 2 capital (T2) ((H)-(I)) (J)	90,200		88,770	
<b>Total capital (TC = T1 + T2)</b>					
59	Total capital (TC = T1 + T2) ((G)+(J)) (K)	349,177		305,815	
<b>Risk weighted assets</b>					
	Total of items included in risk weighted assets subject to transitional arrangements	1,078		1,426	
	of which: intangibles other than mortgage servicing rights	1,076		1,426	
	of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences	—		—	
	of which: investments in own shares	2		0	
60	Risk weighted assets (L)	2,189,480		2,065,963	
<b>Capital ratio (consolidated)</b>					
61	Common Equity Tier 1 capital ratio (consolidated) ((C)/(L))	11.82		10.50	
62	Tier 1 capital ratio (consolidated) ((G)/(L))	11.82		10.50	
63	Total capital ratio (consolidated) ((K)/(L))	15.94		14.80	
<b>Regulatory adjustments</b>					
72	Non-significant investments in the capital of other financials that are below the thresholds for deduction (before risk weighting)	14,669		19,491	
73	Significant investments in the common stock of other financials that are below the thresholds for deduction (before risk weighting)	861		315	
74	Intangible fixed assets relating to mortgage servicing rights that are below the thresholds for deduction (before risk weighting)	—		—	
75	Deferred tax assets arising from temporary differences that are below the thresholds for deduction (before risk weighting)	638		1,003	
<b>Provisions included in Tier 2 capital: instruments and provisions</b>					
76	Provisions (general allowance for credit losses)	102		184	
77	Cap on inclusion of provisions (general allowance for credit losses)	458		456	
	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach				
78	(prior to application of cap) (if the amount is negative, report as "nil")	—		—	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	12,209		11,450	
<b>Capital instruments subject to transitional arrangements</b>					
82	Current cap on AT1 instruments subject to phase out arrangements	—		—	
	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)				
83	(if the amount is negative, report as "nil")	—		—	
84	Current cap on T2 instruments subject to transitional arrangements	42,000		48,000	
	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)				
85	(if the amount is negative, report as "nil")	—		2,000	

Note: "Basel III Template No." indicates the numbers in the table in Annex 1 of the document entitled Composition of capital disclosure requirements released by the Basel Committee on Banking Supervision on June 26, 2012.

# Matters concerning the disclosure of consolidated leverage ratio

## 1. Matters concerning the composition of consolidated leverage ratio (Appended Form 6 of Supplementary Provision of the Notification of the Financial Services Agency, The Japanese Government No. 7, 2014)

			Millions of yen	
Corresponding Line # on International Template (Table 2)	Corresponding Line # on International Template (Table 1)	Item	FY2014	FY2013
<b>On-balance sheet exposures</b>				
1		On-balance sheet exposures before deducting adjustment items	4,971,980	
1a	1	Total assets reported in the consolidated balance sheet	4,996,976	
1b	2	Amount of assets of subsidiaries that are not included in the scope of the leverage ratio on a consolidated basis (-)	—	
1c	7	Amount of assets of subsidiaries that are included in the scope of the leverage ratio on a consolidated basis (except those included in the total assets reported in the consolidated balance sheet)	—	
1d	3	Amount of assets that are deducted from the total assets reported in the consolidated balance sheet (-)	24,995	
2	7	Amount of adjustment items pertaining to Tier 1 capital (-)	5,092	
3		Total on-balance sheet exposures (A)	4,966,888	
<b>Derivative transaction exposures</b>				
4		Replacement cost associated with derivative transactions, etc.	1,869	
5		Add-on amount associated with derivative transactions, etc. Amount of receivables arising from providing cash margin in relation to derivative transactions, etc.	3,921	
6		Amount of receivables arising from providing cash margin, provided where deducted from the consolidated balance sheet pursuant to the operative accounting framework	—	
7		Amount of deductions of receivables (out of those arising from providing cash variation margin) (-)	—	
8		Amount of client-cleared trade exposures for which a bank or bank holding company acting as clearing member is not obliged to make any indemnification (-)	—	
9		Amount of adjusted effective notional amount of written credit derivatives	—	
10		Amount of deductions from effective notional amount of written credit derivatives (-)	—	
11	4	Total exposures related to derivative transactions (B)	5,790	
<b>Repo transaction exposures</b>				
12		Amount of assets related to repo transactions, etc.	—	
13		Amount of deductions from repo transactions, etc. (-)	—	
14		Amount of counterparty risk exposure for repo transactions, etc.	269	
15		Amount of agent transaction exposures	—	
16	5	Total exposures related to repo transactions, etc. (C)	269	
<b>Other off-balance sheet exposures</b>				
17		Notional amount of off-balance sheet transactions	855,180	
18		Amount of adjustments for conversation to in relation to off-balance sheet transactions	730,168	
19	6	Total exposures related to off-balance sheet transactions (D)	125,012	
<b>Consolidated leverage ratio</b>				
20		The amount of capital (Tier1 capital) (E)	258,977	
21	8	Total exposures ((A) + (B) + (C) + (D)) (F)	5,097,960	
22		Consolidated leverage ratio ((E) / (F))	5.08%	

\*Corresponding Line # on International Template, Table 1 refers to that in Table 1 and Table 2 in the rule text of "Basel III leverage ratio framework and disclosure requirements" published by the Basel Committee on Banking Supervision on January 12, 2014.

## 2. Reasons for any significant disparities in consolidated leverage ratio compared to the previous fiscal year (if any)

Not applicable.

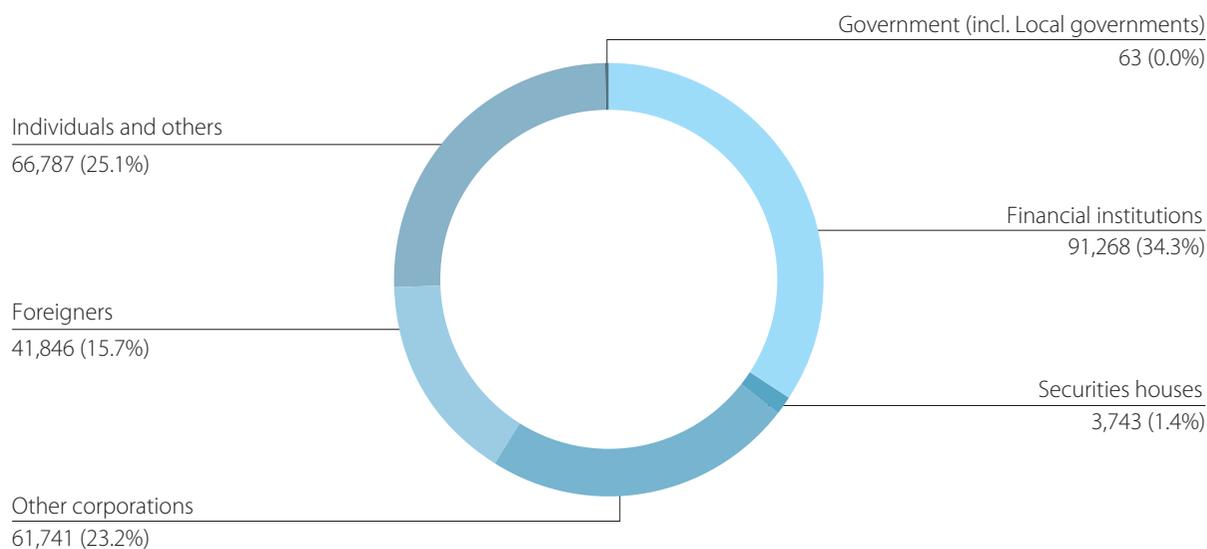
# Stock Information

As of March 31, 2015

## Major shareholders

	Number of shares held (Thousand shares)	As a percentage of total number of issued shares (%)
Japan Trustee Services Bank, Ltd.	13,420	5.05
Sompo Japan Nipponkoa Insurance Inc.	10,951	4.12
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST (Managing agent, The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	9,680	3.64
Nippon Life Insurance Company	8,054	3.03
Meiji Yasuda Life Insurance Company	7,999	3.01
Employee Stock Ownership of Shiga Bank	6,945	2.61
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS (Managing agent, The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	5,767	2.17
Mizuho Bank, Ltd.	5,600	2.10
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,368	1.64
Sumitomo Mitsui Trust Bank, Limited	3,506	1.32
Total	76,292	28.74

## 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.

# SHIGA BANK

