OFFERING CIRCULAR

THE SHIGA BANK, LTD.

(incorporated with limited liability under the laws of Japan)

U.S.$200,000,000 Subordinated Zero Coupon Convertible Bonds due 2020
Offer Price: 102.5 per cent.

The U.S.$200,000,000 Subordinated Zero Coupon Convertible Bonds due 2020 (being bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*) (the "Bonds", which term shall, unless the context requires otherwise, include the Stock Acquisition Rights (as defined below) incorporated in the Bonds) of THE SHIGA BANK, LTD. (the "Bank") will be issued in registered form in the denomination of U.S.$100,000 each with an associated stock acquisition right (*shinkabu yoyakuken*) ("Stock Acquisition Right") exercisable from, and including, 7 April 2015 up to, and including, 9 June 2020 (subject to certain restrictions described herein), and entitling the Bondholder (as defined in the terms and conditions of the Bonds (the "Conditions")) to acquire fully-paid and non-assessable shares of common stock of the Bank (the "Shares") at an initial conversion price, subject to adjustment in certain events as set out herein, of U.S.$5.95 per Share.

The Bonds constitute subordinated obligations of the Bank. Upon the occurrence of a Subordination Event (as defined in the Conditions), the rights and claims in respect of the Bonds shall be subordinated in right of payment to all Senior Indebtedness (as defined in the Conditions). **Further, the Bonds are subject to regulatory write-down and so, upon the occurrence of a Viability Event (as defined in the Conditions), no amount under the Bonds shall thereafter become due, the full principal amount of each Bond will be written down to zero and the Bonds will be cancelled and the Stock Acquisition Rights may not be exercised. Such write-down would result in the Bondholders losing the entire principal amount of the Bonds and the ability to exercise the Stock Acquisition Rights. See "Terms and Conditions—Condition 2—Viability Write-Down and Subordination"**. Payments in respect of the Bonds may be accelerated only in the case of the occurrence and continuation of specified events relating to or the winding-up or dissolution of the Bank. There is no right of acceleration of payments in respect of the Bonds upon a default in payment or in the performance of any covenant by the Bank.

Prior to (but not including) 25 March 2020, Stock Acquisition Rights may be exercised by the holder of a Bond during any particular calendar quarter (or, in respect of the calendar quarter commencing on 1 January 2020, until 24 March 2020) only if the Closing Price (as defined in the Conditions) of the Shares (converted into U.S. dollars) for the 20 consecutive Trading Days (as defined in the Conditions) ending on the last Trading Day of the immediately preceding calendar quarter is more than 130 per cent. of the Conversion Price (as defined in the Conditions) in effect on the last Trading Day of such immediately preceding calendar quarter.

On or after 24 March 2020, subject to prior confirmation from the Commissioner of the Financial Services Agency of Japan (the "FSA"), the Bank may acquire from the Bondholders all the Bonds held by them in exchange for an amount equal to 100 per cent. of the principal amount of the Bonds plus the Acquisition Shares (as defined in the Conditions) determined in accordance with the Conditions.

The closing price of the Shares on 5 March 2015, as reported by Tokyo Stock Exchange, Inc. (the "Tokyo Stock Exchange"), was ¥712 per Share. The prevailing rate of exchange of Japanese yen to U.S. dollars at 15:00 Tokyo time on 5 March 2015 was U.S.$1 = ¥119.83, as reported on Reuters' "JPNU" page.

Payments of principal, premium (if any) and any other amount due in respect of the Bonds will be made without withholding or deduction for or on account of Japanese taxes to the extent set out herein (see "Terms and Conditions—Condition 9—Taxation"). If Japanese withholding taxes are imposed on payments in respect of the Bonds, the Bank may, subject to prior confirmation from the Commissioner of the FSA, redeem all the Bonds at 100 per cent. of their principal amount (see "Terms and Conditions—Condition 7.4—Redemption for Taxation Reasons").

Approval in-principle has been received for the listing of the Bonds on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Offering Circular. Approval in-principle granted for the listing and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Bank or the Bonds.

The Bonds will initially be represented by a global certificate (the "Global Certificate") evidencing the Bonds in registered form, deposited with and registered in the name of, or a nominee for, a common depositary for each of Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg") on or about 23 March 2015 (the "Closing Date") for the accounts of their respective accountholders. The Managers (as described in "Subscription and Sale") expect to deliver the Bonds to investors through the facilities of Euroclear and Clearstream, Luxembourg on or about the Closing Date.

The Bonds are expected to be rated A by Japan Credit Rating Agency, Ltd. and A by Rating and Investment Information, Inc. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agencies at any time. A revision, suspension or withdrawal of the ratings assigned to the Bonds may adversely affect the market price of the Bonds.

This Offering Circular does not constitute an offer of, or the solicitation of an offer to buy or subscribe for, the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights or acquisition of the Bonds by the Bank, in any jurisdiction in which such offer or solicitation is unlawful. In particular, the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights or acquisition of the Bonds by the Bank have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")). In addition, the Bonds have not been, and will not be, registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "FIEA") and may not be sold within Japan. For a summary of certain restrictions on the sale and transfer of the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights or acquisition of the Bonds by the Bank, see "Subscription and Sale".

See "Investment Considerations" to read about certain factors that should be considered in connection with an investment in the Bonds.

Sole Bookrunner and Lead Manager

Mizuho International plc

Co-Lead Managers

Morgan Stanley **SMBC Nikko**

Co-Managers

Nomura **Daiwa Capital Markets Europe**

The date of this Offering Circular is 5 March 2015.

The Bank accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Bank (which has taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Bank, having made all reasonable enquiries, confirms that this Offering Circular contains all information with respect to the Bank, the Bank's subsidiaries, the Bonds and the Shares (including all information in relation to the applicable laws of Japan) which is material in the context of the issue and offering of the Bonds, the statements contained in it relating to the Bank and the Bank's subsidiaries are true and accurate and not misleading, the opinions, intentions, beliefs and expectations expressed in this Offering Circular with regard to the Bank and the Bank's subsidiaries are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, there are no other facts in relation to the Bank, the Bank's subsidiaries, the Bonds or the Shares the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Offering Circular misleading and all reasonable enquiries have been made by the Bank to ascertain such facts and to verify the accuracy of all such information and statements.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Bank or the Managers to subscribe for, or purchase, any of the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights. The distribution of this Offering Circular and the offering of the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights or acquisition of the Bonds by the Bank in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Bank and the Managers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on the offer and sale of the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights or acquisition of the Bonds by the Bank and distribution of this Offering Circular, see "Subscription and Sale".

No person has been authorised to give any information or to make any representation not contained in this Offering Circular, and any information or representation not contained in this Offering Circular must not be relied upon as having been authorised by or on behalf of the Bank, the Trustee or the Managers. Neither the delivery of this Offering Circular nor any sale made in connection herewith at any time implies that the information contained herein is correct as of any time subsequent to its date, nor does it imply that there has been no change in the affairs or the financial position of the Group (as defined below) since the date hereof. To the fullest extent permitted by law, the Managers accept no responsibility whatsoever for the contents of this Offering Circular or for any other statement made or purported to be made by a Manager or on its behalf in connection with the Bank, the Group or the issue and offering of the Bonds. Each Manager and the Trustee disclaims all and any liability, whether arising in tort or contract or otherwise in respect of this Offering Circular or any such statement.

The Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights or acquisition of the Bonds by the Bank are only being offered and sold outside the United States to non-U.S. Persons in reliance on Regulation S. The Bonds to be offered have not been and will not be registered under the FIEA and may not be sold within Japan or to, or for the account of, residents of Japan, unless otherwise permitted by the FIEA.

No action is being taken to permit a public offering of the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights or acquisition of the Bonds by the Bank or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights or acquisition of the Bonds by the Bank and the circulation of documents relating thereto, in jurisdictions including the United States, Japan, the European Economic Area (including the United Kingdom), Singapore, Hong Kong and Switzerland and to persons connected therewith. See "Subscription and Sale".

Under the Companies Act of Japan (Act No. 86 of 2005, as amended) (the "Companies Act"), the Bank may issue new Shares to a Bondholder (as defined in the Conditions) and/or transfer Shares that it holds as treasury stock to a Bondholder, in each case upon exercise of a Stock Acquisition Right or acquisition of the Bonds by the Bank. Accordingly, unless otherwise specified or the context requires, references in this Offering Circular to the issuance of Shares shall be read as including both the issuance of new Shares and the transfer of Shares held by the Bank as treasury stock and the words "issue", "issued" and "issuable" shall be construed accordingly. In addition, references to the word "acquire" used in conjunction with the Shares shall be read as *including both the words "issue" and "transfer", and the words "acquired" and "acquisition" shall be construed accordingly and references to "delivery" used in respect of the Shares shall be read as including the transfer of Shares by way of Japan Securities Depository Center, Inc.'s system.*

The Bank's fiscal year end is 31 March. The Bank's consolidated financial statements are prepared in accordance with generally accepted accounting principles in Japan ("Japanese GAAP"), which differ in certain respects from accounting principles generally accepted in certain other countries. Potential investors should consult their own professional advisers for an understanding of the differences between Japanese GAAP and International Financial Reporting Standards ("IFRS"), or generally accepted accounting principles in other jurisdictions, and an understanding of how those differences might affect the financial information contained herein.

The following financial statements are contained in this Offering Circular: (i) the audited consolidated balance sheets of the Bank as at 31 March 2012, 2013 and 2014 and the related audited consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years ended 31 March 2012, 2013 and 2014 and the notes thereto, and (ii) the unaudited interim consolidated balance sheet of the Bank as at 31 December 2014, and the related unaudited interim consolidated statements of income and comprehensive income for each of the nine months ended 31 December 2013 and 2014 and the notes thereto.

In this Offering Circular, unless otherwise specified or the context requires, references to "yen" and "¥" are to Japanese yen and references to "U.S.$" and "U.S. dollars" are to the lawful currency of the United States. In this Offering Circular, unless otherwise specified or the context requires, references to the "Group" are to the Bank and its consolidated subsidiaries taken as a whole.

In this Offering Circular, the last digits of some figures may have been rounded or truncated.

Many of the statements included in this Offering Circular contain forward-looking statements and information identified by the use of terminology such as "anticipate", "believe", "estimate", "expect", "intend", "may", "might", "plan", "project", "will" or similar phrases. The Bank bases these statements on beliefs as well as assumptions made using information currently available to the Bank. As these statements reflect the Bank's current views concerning future events, these statements involve risks, uncertainties and assumptions. The Bank's or the Group's actual future performance could differ materially from these forward-looking statements. Important factors that could cause actual results to differ from the Bank's expectations include those risks identified in "Investment Considerations" and the factors discussed in "Recent Business" and "Business", as well as other matters not yet known to the Bank or not currently considered material by the Bank. The Bank does not undertake to review or revise this Offering Circular or any forward-looking statements contained in this Offering Circular to reflect future events or circumstances. The Bank cautions prospective investors in the offering not to place undue reliance on these forward-looking statements. All written and oral forward-looking statements attributable to the Bank or persons acting on the Bank's behalf are qualified in their entirety by these cautionary statements.

IN CONNECTION WITH THIS ISSUE OF THE BONDS, MIZUHO INTERNATIONAL PLC (THE "STABILISING MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT THE BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

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SUMMARY INFORMATION

The following summary does not purport to be complete and is qualified in its entirety by, and is subject to, the more detailed information and financial statements and the notes thereto contained elsewhere in this Offering Circular. For a discussion of certain factors that should be considered by prospective investors in connection with an investment in the Bonds, see "Investment Considerations".

THE SHIGA BANK, LTD.

The Group is a regional banking group in Japan, with consolidated total assets of ¥4,895 billion as at 31 December 2014. The Bank is based in the Shiga prefecture and is the leading financial institution in the prefecture both in terms of outstanding loans and outstanding deposits. The Bank provides a variety of retail and corporate banking services, including deposits, loans, guarantees and other products, to a wide range of customers in Japan including individuals, small and medium-sized enterprises ("SMEs"), large corporations, local governments and governmental entities. As at 31 December 2014, the Bank operated 97 domestic branches and 39 sub-branches, covering most of the Shiga prefecture as well as strategic markets elsewhere in Japan, including Kyoto and Osaka, and a branch in Hong Kong and representative offices in Shanghai and Bangkok.

The Bank has a solid deposit base, which amounted to ¥4,333 billion as at 31 December 2014 on a non-consolidated basis. The Bank maintained a loan-to-deposit ratio of 69.4 per cent. on a non-consolidated basis as at 31 December 2014.

As at 31 December 2014, the Bank had nine consolidated subsidiaries. The Shares are listed on the First Section of the Tokyo Stock Exchange with the Securities Identification Code 8366.

The Bank is a joint stock company incorporated with limited liability under the laws of Japan. The Bank's registered head office is located at 1-38, Hamamachi, Otsu-shi, Shiga 520-8686, Japan.

THE OFFERING

Securities Offered	U.S.$200,000,000 in aggregate principal amount of Subordinated Zero Coupon Convertible Bonds due 2020 (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*).
Issue Price	100 per cent.
Offer Price	102.5 per cent.
Closing Date	On or about 23 March 2015
Delivery	It is expected that the Global Certificate in respect of the Bonds will be deposited with, and registered in the name of, or of a nominee for, a common depositary for each of Euroclear and Clearstream, Luxembourg on or about the Closing Date.
Form	The Bonds will be issued in registered form and evidenced on issue by the Global Certificate. Definitive Certificates of the Bonds will only be available in certain limited circumstances. See "Summary of Provisions relating to the Bonds while in Global Form".
Listing	Approval in-principle has been received for the listing of the Bonds on the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of U.S.$200,000 to be traded in a single transaction for so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.
Rating	The Bonds are expected to be rated A by Japan Credit Rating Agency, Ltd. and A by Rating and Investment Information, Inc. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agencies at any time. A revision, suspension or withdrawal of the ratings assigned to the Bonds may adversely affect the market price of the Bonds.
Lock-up	In connection with the issue and offering of the Bonds, the Bank has agreed not to, and not to direct any entities or any persons acting at the direction of the Bank to, (i) issue, offer, pledge, lend, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant (including stock acquisition rights) to purchase, make any short sale or otherwise transfer or dispose of, directly or indirectly, any Shares or any other capital stock of the Bank or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive, Shares or any other capital stock of the Bank or (ii) enter into any derivative transaction or any other transaction that transfers, in whole or in part, directly or indirectly, ownership (or any economic consequences thereof) of Shares or any other capital stock of the Bank, in each case, for a period beginning on the date of the Subscription Agreement (as defined in "Subscription and Sale") and ending on the date 180 calendar days after the Closing Date without the prior written consent of the Lead Manager (as defined in "Subscription and Sale"), on behalf of the Managers, other than (a) the issue and sale by the Bank of the Bonds or the issue or transfer of Shares upon exercise of the Stock Acquisition Rights or upon acquisition of the Bonds by the Bank, (b) the sale of Shares by the Bank to any holder of Shares constituting less than one unit for the purpose of making such holder's holding, when added to the Shares held by such holder, constitute one full unit of Shares, (c) the issue of Shares by the Bank as a result of any stock split, (d) the grant and issue of stock options or stock acquisition rights exercisable for Shares to its directors pursuant to the Bank's stock option plans, (e) the issue or transfer of Shares by the Bank upon exercise of stock options or stock acquisition rights granted to its directors pursuant to the Bank's stock option plans, (f) the sale by the Bank of Shares held by unidentified shareholders and (g) any other issue or sale of Shares required by applicable Japanese laws and regulations. See "Subscription and Sale".

Use of Proceeds	The net proceeds of the issue of the Bonds are estimated to be approximately U.S.$200 million and will be used primarily for making investments and loans denominated in U.S. dollars during the current fiscal year and the fiscal year ending 31 March 2016.

PRINCIPAL TERMS AND CONDITIONS OF THE BONDS

Form and Denomination	The Bonds are issued in registered form in the denomination of U.S.$100,000.
Status	The Bonds constitute direct, unconditional, unsecured and subordinated obligations of the Bank and at all times rank *pari passu* and without preference among themselves. The rights and claims of the Bondholders are subordinated as described in Condition 2.
Initial Conversion Price	U.S.$5.95 per Share The Conversion Price is subject to adjustment in certain events. See Condition 5.
Coupon..	Zero
Viability Event and Write-Down.........	Upon the occurrence of a Viability Event (as defined in the Conditions) no amounts shall thereafter become due under the Bonds or the Trust Deed (other than with respect to principal, premium (if any) and default interest that have become due and payable prior to the Viability Event), and Bondholders shall have no rights whatsoever to exercise the Stock Acquisition Right, or to take any other action or enforce any other rights, or to instruct the Trustee to take any action or enforce any rights, under the Bonds or the Trust Deed. On the Discharge Date (as defined in the Conditions) the full principal amount of each Bond will be written down to zero, and the Bonds will be cancelled. However, the Bank's obligations will remain with respect to any accrued and unpaid principal, premium (if any) and default interest if and only to the extent that such amounts became due and payable prior to the Viability Event. See Condition 2.
Subordination Events..........................	The Bonds constitute subordinated obligations of the Bank. Upon the occurrence of a Subordination Event (as defined in the Conditions), the rights and claims in respect of the Bonds (other than any amounts which shall have become due and payable prior to a Subordination Event and remain unpaid) shall be subordinated in right of payment to all Senior Indebtedness and shall rank at least equally and ratably with all other present and future unsecured, unconditional and dated subordinated obligations of the Bank (including those in respect of dated subordinated loans issued by the Bank) and in priority to the rights and claims of holders of all present and future unsecured, undated, conditional and subordinated obligations of the Bank and holders of all classes of equity (including holders of preference shares, if any) of the Bank, subject to a Viability Event. If a Viability Event occurs, it is expected that the full principal amount of each Bond will be written down to zero before the determination of the treatment of the Bank's remaining indebtedness or other securities without similar write-down features.
Exercise of Stock Acquisition Rights...	Subject to and upon compliance with the provisions of Condition 5, any holder of a Bond may exercise the Stock Acquisition Right at any time during the period from, and including, 7 April 2015 to, and including, the close of business (at the place where the Stock Acquisition Right is to be exercised) on 9 June 2020 (but in no event thereafter), to acquire fully-paid and non-assessable Shares.

	However, in no event can any Stock Acquisition Rights be exercised following the occurrence of a Viability Event. In addition, a Conversion Notice will not take effect if a Viability Event occurs prior to 23:59 hours (London time) on the Deposit Date (as defined in Condition 5.9.4). See Condition 5.9. Prior to (but not including) 25 March 2020, a Bondholder may exercise its Stock Acquisition Rights only if, as of the last day of any calendar quarter, the Closing Price of the Shares for the 20 consecutive Trading Days (as defined in Condition 3.1) (the Closing Price of the Shares on each Trading Day being converted into U.S. dollars at the Conversion Rate applicable on such Trading Day) ending on the last Trading Day of such calendar quarter is more than 130 per cent. of the Conversion Price (as defined in Condition 5.1.3) in effect on the last Trading Day of such calendar quarter. If this condition is satisfied, then the Bondholder may (subject to the Conditions) exercise the Stock Acquisition Rights on and after the first day of the following calendar quarter until the end of such quarter (or, in the case of the calendar quarter commencing on 1 January 2020, until 24 March 2020), provided the relevant Deposit Date (as defined in Condition 5.9.4) falls during the Exercise Period (as defined in Condition 5.1.4). This condition to the exercise of the Stock Acquisition Rights shall not be applicable (i) if a notice of redemption is given pursuant to Condition 7.2 or 7.4; or (ii) during any Conversion Price Reduction Period provided in Conditions 5.2.16, 5.2.17 and 5.2.18; or (iii) during any period in which (a) the long term issuer rating assigned to the Bank by JCR (as defined in Condition 5.1.6) is BBB- or lower, (b) the issuer rating assigned to the Bank by R&I (as defined in Condition 5.1.6) is BBB- or lower, (c) a long term issuer rating is no longer assigned to the Bank by JCR and/or an issuer rating is no longer assigned to the Bank by R&I and/or (d) the long term issuer rating assigned to the Bank by JCR and/or the issuer rating assigned to the Bank by R&I has been suspended or withdrawn. See Condition 5.
Reduction of Conversion Price upon Corporate Event, Delisting Event or Squeezeout Event	If the Bank gives notice of the satisfaction of certain conditions upon or following a Corporate Event (as defined in Condition 6.1), as specified in Condition 7.5, or gives notice of either of a Delisting Event or Squeezeout Event pursuant to Condition 7.6 or 7.7, then during the Conversion Price Reduction Period (as defined in Condition 5.2.16, 5.2.17 or 5.2.18), the Conversion Price shall be adjusted to a price determined by reference to the table set out in Condition 5.2.16 and subject to the provisions of Condition 5.2.16, 5.2.17 or 5.2.18, as the case may be. With effect from the day immediately following the last day of such period, the Conversion Price shall revert to the Conversion Price in effect immediately prior to the first day of such period, subject to certain adjustments. See Conditions 5.2.16, 5.2.17 and 5.2.18.
Redemption at Maturity......................	Unless the Bonds have previously been redeemed, acquired or cancelled, or unless the Stock Acquisition Rights incorporated therein have previously been exercised, the Bank will redeem the Bonds at 100 per cent. of their principal amount on 23 June 2020.

Acquisition of the Bonds at the Option of the Bank .... On or after 24 March 2020, subject to prior confirmation from the Commissioner of the FSA, the Bank may acquire from the Bondholders all, but not some only, of the Bonds outstanding on the Acquisition Option Date (as defined in Condition 7.3.1). All such Bonds shall be deemed to be so acquired by the Bank (and each Bondholder will be bound to agree to such acquisition) in exchange for the following: (i) an amount equal to 100 per cent. of the principal amount of the Bonds payable on the Acquisition Option Date, and (ii) the Acquisition Shares (as defined in Condition 7.3.1), if any, to be issued with effect as of the Acquisition Option Date.

In order to effect delivery of any Acquisition Shares, Bondholders will be required to deliver a Share Settlement Notice (as defined in Condition 7.3.2) no later than the Determination Date (as defined in Condition 7.3.2). See Condition 7.3.

Early Redemption at the Option of the Bank—Clean-up Call .... On or after 24 March 2020, subject to prior confirmation from the Commissioner of the FSA, the Bank may, having given not less than 30 nor more than 60 days' prior irrevocable notice (the "Clean-up Redemption Notice") to the Bondholders in accordance with Condition 19, redeem all, but not some only, of the Bonds then outstanding on the date fixed for such redemption at 100 per cent. of their principal amount, if at any time prior to the date upon which the Clean-up Redemption Notice is first given, the outstanding principal amount of the Bonds is less than 10 per cent. of the aggregate principal amount of the Bonds as of the date of issue thereof. See Condition 7.2.

Early Redemption—Redemption for Taxation Reasons .... Subject to prior confirmation from the Commissioner of the FSA, if the Bank satisfies the Trustee (as defined in the Conditions), immediately prior to giving the notice to the Bondholders, that (i) as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 5 March 2015, the Bank has or will become obliged to pay any Additional Amounts (as defined in Condition 9) in accordance with Condition 9 and (ii) the Bank is unable to avoid such obligation by taking reasonable measures available to it, the Bank may, but shall not be bound to, at any time, having given not less than 30 nor more than 60 days' prior irrevocable notice to the Bondholders in accordance with Condition 19, redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount. If, however, the outstanding principal amount of the Bonds at the time of such notice of redemption is 10 per cent. or more of the aggregate principal amount of the Bonds as at the date of issue thereof, the Bondholders will have the right to elect that their Bonds should not be redeemed and that, in respect of payments on the Bonds to be made after that date, payments will be made subject to the withholding of, or deduction for or on account of, Japanese taxes, duties, assessments and governmental charges. See Condition 7.4.

Early Redemption—Corporate Events.. If any of the following conditions is satisfied upon or following the occurrence of a Corporate Event, the Bank may, subject to prior confirmation from the Commissioner of the FSA and having given not less than 21 Tokyo Business Days' prior notice to the Bondholders, redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount:

(i) it is not legally possible under the then applicable laws (taking into account the then official or judicial interpretation or application of such laws) to effect a scheme provided for by Condition 6.4.1; or

(ii) it is legally possible as aforesaid but, despite the Bank using its best endeavours, the Bank cannot effect such a scheme in compliance with Condition 6.4.1; or

(iii) despite the Bank using its best endeavours pursuant to Condition 6.4.2, on (a) the date of occurrence of the relevant Corporate Event or (b) the 25th day prior to the relevant Corporate Event Effective Date, whichever occurs later, (x) no Listing (as defined in Condition 6.4.2) has been obtained for the shares of common stock of the New Obligor (as defined in Condition 6.1) and (y) no confirmation has been obtained by the New Obligor from any stock exchange in Japan or the governing body of any securities market in Japan that such Listing will be obtained on or prior to such Corporate Event Effective Date; or

(iv) the Bank has delivered to the Trustee, on or prior to the date of occurrence of the relevant Corporate Event, a certificate signed by a Representative Director stating that the Bank does not currently anticipate that a Listing will be obtained or maintained for the shares of common stock of the New Obligor on the relevant Corporate Event Effective Date for any reason stated in such certificate.

See Condition 7.5.

Early Redemption—Delisting of the Shares.. In certain circumstances where a tender offer is made to holders of Shares of the Bank by an Offeror (as defined in Condition 7.6.1) where, *inter alia*, the Bank expresses its opinion to support such offer, the Bank or the Offeror publicly announces or admits that the Shares may cease to be listed, quoted or dealt in on the Relevant Stock Exchange (as defined in Condition 3.1) and the Offeror acquires any Shares pursuant to the offer, the Bank may, subject to prior confirmation from the Commissioner of the FSA and having given not less than 21 Tokyo Business Days' prior notice to the Bondholders, redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount, subject to the provisions of Condition 7.6. See Condition 7.6.

Early Redemption—Squeezeout Redemption.. Upon the occurrence of a Squeezeout Event (as defined in Condition 7.7) the Bank may, subject to prior confirmation from the Commissioner of the FSA and having given not less than 21 Tokyo Business Days' prior notice to the Bondholders, redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount, subject to the provisions of Condition 7.7. See Condition 7.7.

Acceleration Events	Neither the Trustee nor the holders of the Bonds will have any right to accelerate any payment of principal or premium (if any) in respect of the Bonds other than where a Subordination Event or a Liquidation Event (each as defined in the Conditions) has occurred and is continuing.
Limitations on Acceleration	The only action the Trustee or the holders of the Bonds may take against the Bank on a Subordination Event or a Liquidation Event is to petition for the winding-up of the Bank in Japan or to prove in the winding-up of the Bank, if such petition is permissible under Japanese law.
Taxation	All payments by the Bank in respect of the Bonds will be made without any deduction for withholding taxes of Japan, except to the extent described in Condition 9.
Governing Law	English law
Jurisdiction	English courts
International Securities Identification Number ("ISIN")	XS1190318938
Common Code	119031893
Principal Agent and Registrar	Mizuho Trust & Banking (Luxembourg) S.A.
Trustee and Custodian	The Law Debenture Trust Corporation p.l.c.
Custodian's Agent in Japan	Mizuho Bank, Ltd.

INVESTMENT CONSIDERATIONS

Prior to making an investment decision, prospective investors should carefully consider, along with other matters set out in this Offering Circular, the following factors. All of these factors are contingencies that may or may not occur and the Bank is not in a position to express a view on the likelihood of any such contingency occurring.

Risks Related to the Write-Down and Subordination of the Bonds

The Bonds are subject to Viability Write-Down and cancellation, which will also impact the ability to exercise Stock Acquisition Rights

Upon the occurrence of a Viability Event, no amounts shall thereafter become due under the Bonds or the Trust Deed. Further, no exercise of the Stock Acquisition Rights may take place after the occurrence of the Viability Event. Additionally, a Conversion Notice will not take effect where the Viability Event has occurred prior to 23:59 hours (London time) on the Deposit Date therefor even if the Conversion Notice may have been delivered prior to the Viability Event.

Upon a Viability Write-Down, the Bank will be discharged from all obligations to the holders of the Bonds, except with respect to principal, premium (if any) and default interest (if any) that became due and payable prior to the Viability Event. On the Discharge Date, the full principal amount of each Bond will be written down to zero and the Bonds will be cancelled.

Notwithstanding that the Bonds are stated to rank ahead of certain junior securities, including all classes of equity, of the Bank, if a Viability Event occurs it is expected that a Viability Write-Down would take place before the treatment of the Bank's remaining indebtedness or other securities without similar write-down features is determined. Upon the occurrence of a Viability Event, the Bondholders will have no rights whatsoever to take any action or enforce any rights, or instruct the Trustee to take any action or enforce any rights, under the Bonds and the Trust Deed and may not exercise or claim any right of set-off in respect of any amount arising under, or in connection with, the Bonds or the Trust Deed. The Bondholders will not be entitled to make any claim in any bankruptcy, insolvency or liquidation proceedings involving the Bank or have any ability to initiate or participate in any such proceedings. None of the foregoing shall prejudice the Bondholders' rights to receive principal and interest that had become due and payable prior to the Viability Event.

Upon the occurrence of a Viability Write-Down, the Bonds will not convert into Shares and Bondholders will not receive any Shares or other participation rights in the Bank or be entitled to any other participation in the upside potential of any equity or debt securities of the Bank, or be entitled to any compensation in the event of any change in the Bank's potential recovery.

A Viability Notice will be given only after the occurrence of a Viability Event

The Bank will issue a Viability Notice as soon as practicable following the occurrence of a Viability Event but any failure or delay by the Bank to provide a Viability Notice shall not change or delay the effect of the Viability Event on the Bank's obligations under the Bonds and the Trust Deed.

A period of delay will exist between a Viability Event and the time that the Viability Notice is despatched, and between the despatch of the Viability Notice and notification to holders of the Bonds through the notification systems of Euroclear and Clearstream, Luxembourg, and the systems of any custodian through which an investor may be holding the Bonds. Such delay may exceed several days during which trading and settlement in the Bonds may continue. Such delay will not change or delay the effect of a Viability Event on the Bank's obligations under the Bonds and the Trust Deed and no exercise of the Stock Acquisition Rights may take place after the occurrence of the Viability Event irrespective of the timing of the Viability Notice or notification through Euroclear and Clearstream, Luxembourg or any custodian through which an investor may be holding the Bonds.

Transfers of Bonds on and around the time of a Viability Event is subject to risks

Although a Viability Notice will be sent by the Bank to Bondholders as soon as practicable after the occurrence of a Viability Event, the records of Euroclear and Clearstream, Luxembourg and any custodian through which an investor may be holding the Bonds may not be updated to reflect the Viability Event. Further, there may be no clear guidance as to how any of Euroclear and Clearstream, Luxembourg and any custodian through which an investor may be holding the Bonds will treat the clearance and settlement of transfers of the Bonds in the period following a Viability Event. It is possible that transfers of Bonds may fail to settle even though such transfers were initiated prior to the Viability Event. In such circumstances, transferors of the Bonds would not receive any consideration in respect of such intended transfer. Similarly, it is possible that transfers of Bonds will be settled even though such transfers were initiated after the Viability Event. In such circumstances, transferees of the Bonds may be required to pay consideration even though no amounts shall become due under the Bonds or the Trust Deed and no exercise of the Stock Acquisition Rights may take place, regardless of whether they have received actual or constructive notice of such fact.

The exact circumstances that trigger a Viability Event may be uncertain

The circumstances underlying the occurrence of a Viability Event are inherently uncertain and unpredictable and will be affected by a number of factors that are outside of the Bank's control. The Deposit Insurance Act of Japan (Act No. 34 of 1971, as amended) (the "Deposit Insurance Act") provides the framework with respect to an event that triggers a write-down or conversion of capital instruments of a deposit-handling financial institution (including the Bonds and any other capital instruments qualifying as Tier II capital of the Bank that, pursuant to their terms or by operation of law, are capable of being converted into equity or written down at the time of such event). Implementing ordinances under the amended Deposit Insurance Act and other related documents issued by the FSA have clarified that a write-down or conversion of capital instruments of a bank will be triggered only in circumstances where the Prime Minister of Japan confirms (*nintei*) that (i) the "item 2 measures" (*dai nigo sochi*), (ii) the "item 3 measures" (*dai sango sochi*) and/or (iii) the "specified item 2 measures" (*tokutei dai nigo sochi*), need to be applied to a bank.

The "item 2 measures" (*dai nigo sochi*) are the measures set forth in Article 102, Paragraph 1, Item 2 of the Deposit Insurance Act. The "item 3 measures" (*dai sango sochi*) are the measures set forth in Article 102, Paragraph 1, Item 3 of the Deposit Insurance Act. The "specified item 2 measures" (*tokutei dai nigo sochi*) are the measures set forth in Article 126-2, Paragraph 1, Item 2 of the Deposit Insurance Act. Under the terms of the Bonds, a Viability Event will only occur if one or more of such conditions are satisfied.

Confirmation (*nintei*) by the Prime Minister of Japan with respect to the "item 2 measures" (*dai nigo sochi*) may only be made with respect to a bank which is at risk of suspending or has suspended repayment of deposits, or the liabilities of which exceed its assets, and the failure of which the Prime Minister of Japan recognises as having the potential to cause significant problems in maintaining the financial order in Japan or the region in which such bank is operating ("systemic risk") without taking the "item 2 measures" (*dai nigo sochi*), after deliberation at a meeting organised under the Cabinet Office (the "Financial Crisis Management Meeting"). The "item 2 measures" (*dai nigo sochi)* consist of the provision of financial aid necessary to meet obligations to depositors in excess of deposit insurance.

Confirmation (*nintei*) by the Prime Minister of Japan with respect to "item 3 measures" (*dai sango sochi*) may only be made with respect to a bank which is at risk of suspending or has suspended repayment of deposits, and the liabilities of which exceed its assets, and in a case in which systemic risk cannot be avoided through use of "item 2 measures" (*dai nigo sochi*) and without taking the "item 3 measures" (*dai sango sochi*), after deliberation at the Financial Crisis Management Meeting. The "item 3 measures" (*dai sango sochi*) consist of acquisition of such bank's shares by the Deposit Insurance Corporation (the "DIC").

The confirmation (*nintei*) by the Prime Minister of Japan with respect to the "specified item 2 measures" (*tokutei dai nigo sochi*) may only be made with respect to a financial institution, including banks, where such financial institution's liabilities exceed, or are likely to exceed, its assets, or where such financial institution has suspended, or is likely to suspend, repayment of its obligations, and the Prime Minister of Japan recognises that the failure of such financial institution may cause significant disruption in the financial markets or other financial systems in Japan without taking the specified item 2 measures (*tokutei dai nigo sochi*), after deliberation at the Financial Crisis Management Meeting. The "specified item 2 measures" (*tokutei dai nigo sochi)* consist of (i) supervision by the DIC over the operation of the business of and the management and disposal of assets of the relevant financial institution (*tokubetsu kanshi*) as set forth in Article 126-3 of the Deposit Insurance Act and (ii) certain categories of financial aid provided by the DIC to assist the merger, business transfer, corporate split or other reorganization with respect to the relevant financial institution (*tokutei shikin enjo*) as set forth in Article 126-28 of the Deposit Insurance Act.

There have been no precedents of the application of the above provisions of the amended Deposit Insurance Act to any bank, and it is uncertain how the Prime Minister of Japan, the FSA or any other applicable supervisory authorities in Japan interpret and apply such provisions.

The occurrence of a Viability Write-Down is inherently uncertain and unpredictable. Accordingly, the trading behaviour of the Bonds may not follow the trading behaviour of other types of subordinated securities. Any indication that a Viability Event may occur can be expected to have a material adverse effect on the market price of the Bonds.

Furthermore, future regulatory or legislative developments or other factors (including change in the official positions regarding application or interpretation of applicable laws and regulations) could lead to the Bank issuing similar debt instruments in the future that have a write-down (or equity conversion) provision with procedures that differ from the Viability Write-Down provision of the Bonds and that may be more favourable to holders of such instruments.

See “Supervision and Regulation”.

The Bank’s obligations under the Bonds are subordinated

The Bonds constitute subordinated obligations of the Bank. Upon the occurrence of a Subordination Event (as defined in the Conditions), the rights and claims in respect of the Bonds shall be subordinated in right of payment to all Senior Indebtedness and shall rank at least equally and ratably with all other present and future unsecured, unconditional and dated subordinated obligations of the Bank (including those in respect of dated subordinated loans issued by the Bank).

In addition, the Bank expects from time to time to incur additional indebtedness and other obligations that will constitute Senior Indebtedness and the Bonds and the Trust Deed do not contain any provisions restricting the Bank’s ability to incur further Senior Indebtedness.

Further, no Stock Acquisition Right may be exercised after the Bonds have been declared due and payable following the continuance of a Subordination Event or a Liquidation Event.

The Bonds may not be a suitable investment for all investors

Each potential investors of the Bonds should determine the suitability of such investment in light of its own circumstances. In particular, each potential investor should:

- understand the terms of the Bonds, in particular the provisions governing a Viability Write-Down (including the circumstances under which a Viability Event may occur) and the provisions relating to subordination;
- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Offering Circular;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its own overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds; and
- be able to evaluate (either alone or with the assistance of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the corresponding risks.

Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Offering Circular.

Risks Related to the Bank’s Business

The Japanese economy and demographic trends

Nearly all of the Bank’s operations and assets are based in Japan. As a result, the Bank’s business is affected by trends in the economic environment in Japan, and their consequential impact on the Bank’s funding costs and investment returns and the financial condition and financial needs of its customers.

The Japanese economy over many years has been characterised by, among other things, limited GDP growth, deflationary price trends, near-zero interest rates and limited levels of corporate capital expenditure and consumer spending. More recently, fiscal and monetary policies of the Japanese government and the Bank of Japan have resulted in major changes in the economic landscape. In particular, the Bank of Japan has been pursuing a policy of large-scale monetary easing, which has kept interest rates and consequently the Bank's funding costs low. The abundance of money is believed to have been the main factor contributing to increased asset prices, in particular in the equity markets, and depressed lending margins. At the same time, the stated policy of the Bank of Japan to encourage inflation by setting an inflation target has, when combined with effects of the continued depreciation of the value of yen against other major currencies and an increase in the consumption tax rate in April 2014, contributed to recent increases in the costs of energy, labour and raw materials, which resulted in increases in overall price levels and reduced household disposable income in real terms. Such increases in prices and squeeze on income could have a dampening effect on the economy. Furthermore, the Japanese government is contemplating a further increase in the consumption tax rate in or after April 2017. It is unclear how the Japanese economy will respond or whether or how long the trends discussed above may continue. Each of these factors could have a profound effect on the Bank's funding costs, lending margins, investment returns and credit costs, and in turn on the Bank's results of operations and financial condition.

Furthermore, demographic trends are expected to have a negative impact on the Japanese economy and the Bank. Even though the Bank's deposit base has continued to expand in recent years, the Bank expects the aggregate amount of individual deposits in the country and in the Shiga prefecture, where the Bank's business is primarily based, to decrease in the long term as the Japanese population continues to age and decrease. Because a majority of the Bank's funding is obtained in the form of deposits placed by individual customers, a diminishing market for deposits will present particular challenges for the Bank's funding base and future growth. In addition, the declining birth rate and aging of the population is contributing to reduced demand for borrowing, as fewer businesses require capital for expansion and the number of business closures increases, whether due to reduced patronage or business owners closing their businesses upon retirement or their difficulty in finding a successor to take over operations. The Bank expects the shrinking market for regional banking to result in increased competition among local banking institutions, which might have significant long term implications on the Bank's business strategy, results of operations and financial condition.

Concentration of geographical area and customer base

The Bank's business and customer base are primarily located in the Shiga prefecture and, to a lesser extent, Kyoto City. As at 30 September 2014, deposits placed with the Bank's branches in the Shiga prefecture accounted for 86.7 per cent. of the Bank's outstanding deposits and loans made by its branches in the Shiga prefecture accounted for 63.0 per cent. of the Bank's outstanding loans, each on a non-consolidated basis. In addition, a large proportion of the Bank's loans, deposits and net interest income is derived from SMEs and individuals in the market. As at 30 September 2014, loans to SMEs and individuals accounted for 67.5 per cent. of the Bank's total outstanding loans on a non-consolidated basis. As a result, the Bank's sources of income as well as funding are highly concentrated and the Bank's results of operations could be adversely affected by developments that have a particular negative impact on these customers in the Shiga prefecture. For example, the recent devaluation of the yen currency and price inflation have had a particularly negative impact on individuals and SMEs, whose income has struggled to keep pace with inflation. The continued shift to a service-oriented economy is also expected to have a marked impact on the Shiga prefecture, whose economy is particularly reliant on manufacturing. Adverse changes in the economic or business environment in the region may adversely affect the Bank's results of operations or financial condition to a greater extent than those of its competitors with more geographically diversified operations and may put pressure on the Bank's growth prospects.

Implementation of medium term business plan

The Bank is currently implementing its 5th medium term business plan, entitled "For the Future with You", for the three years ending 31 March 2016 (the "Medium Term Business Plan"), which sets forth various strategic initiatives and measures and establishes a number of key target figures that the Bank aims to achieve by the end of the fiscal year ending 31 March 2016. See "Business—Strategy".

However, there is no assurance that the Bank will be successful in implementing such initiatives and measures or that such initiatives and measures will have their anticipated effects. In addition, the Bank may not be able to meet other key target figures announced in the Medium Term Business Plan due to a number of factors, including, but not limited to, differences in the actual economic environment compared with its original assumptions.

Exposure to market fluctuations

The Bank undertakes trading and investment activities, primarily for asset liability management purposes, involving a variety of financial instruments, including derivatives. The value of, and the income generated from, these assets is subject to volatility caused by, among other things, changes in interest rates, changes in credit ratings of the bonds in the Bank's portfolio, equity and debt prices and foreign currency exchange rates. In particular, the Bank held ¥474 billion of Japanese government bonds and ¥294 billion of local government bonds as well as ¥425 billion of debentures as at 31 December 2014, at their respective balance sheet values, together accounting for 24.4 per cent. of total assets, each on a consolidated basis as at such date. An increase in interest rates may negatively affect the value of the Bank's bond portfolio. Declines in the Japanese stock market may also reduce the value of the Bank's equity securities portfolio. Furthermore, changes in currency exchange rates may result in foreign currency translation losses for the Bank. The Bank's results of operations, financial condition and capital ratios in future periods will be exposed to risks of loss associated with these activities.

In addition, the Bank's interest income is primarily dependent on the margin between the rates that it pays to depositors and the rates that it charges on loans, which are determined at the time of contract or, in the case of floating rates, periodically revised for certain set periods based on market rates. Time lags between when deposit interest rates and loan interest rates are revised and other changes in the composition of the Bank's assets and liabilities could narrow the Bank's margins, as a result of which the Bank's results of operations and financial condition may be adversely affected.

Credit costs

The Bank's non-performing loans and credit costs may be affected by a number of factors, such as the general economic conditions and business environment in Japan or in the region where the Bank operates, financial and fiscal policies of the Japanese government and real estate prices, causing a negative impact on the Bank's financial condition and results of operations. This may also result in a decrease in capital ratio of the Bank. As at 31 December 2014, the Bank's total risk-monitored loans (as classified under the Banking Act of Japan (Act No. 59 of 1981, as amended) (the "Banking Act")) amounted to ¥78 billion and constituted 2.6 per cent. of total outstanding loans on a consolidated basis.

The Bank records reserves for possible loan losses in compliance with the Financial Inspection Manual of the FSA, based on an assessment of the extent of the default or delinquency, the borrower's financial condition, the value of any real estate or securities collateral and other relevant factors. However, if the Bank's estimates of expected losses to be incurred from such loans turn out to be wrong, for example as a result of a deterioration in market conditions or in the financial health of the borrower or a decrease in the value of any collateral beyond the Bank's initial assumptions, the Bank may be required to make additional reserves, which may adversely impact the Bank's results of operations. Also, the Bank may not always be able to realise the full estimated value of real estate and other collaterals due to lack of liquidity in the real estate market, fluctuation in asset prices and the cost of enforcement. Furthermore, the Bank may be required to dispose of non-performing loans at significant discounts in order to move such loans off its balance sheet, incurring credit costs as a result.

In addition, even after the occurrence of a default, the Bank may sometimes choose not to enforce its rights after giving consideration to the overall efficiency and effectiveness of any potential legal remedy. In some cases, the Bank may also agree to reschedule or waive some of the outstanding loans to support the rehabilitation of the borrower. These actions may increase the Bank's credit costs and may have an adverse impact on the Bank's results of operations.

Exposure to local governments and agencies

The Bank has close relationships with many local governments in the Shiga prefecture, and has extended significant credit to them and related quasi-governmental entities. The exposure may be in the form of direct loans or loans that they guarantee or indemnify, or holding of bonds issued by them. As at 31 December 2014, the Bank provided ¥309 billion in loans to, and held ¥294 billion in bonds issued by, local governments, each on a non-consolidated basis. A significant decline in the credit quality of important local governments in the Bank's region could expose the Bank to unanticipated losses.

In addition, the Bank currently acts as a designated financial institution handling remittances and other financial businesses for most local governments in the Shiga prefecture, which gives it certain marketing advantages and enhances the value of its franchise. The loss of these relationships may negatively affect the Bank's attractiveness to customers.

Exposure to particular business sectors

While the Bank believes that its loan portfolio is well diversified, certain business sectors continue to account for a larger proportion of its loan portfolio than others, including (i) manufacturing, (ii) real estate and goods rental and leasing and (iii) wholesale and retail, which accounted for 16.4 per cent., 14.5 per cent. and 12.8 per cent., respectively, of the Bank's outstanding loan portfolio as of 30 September 2014. Domestic or global economic conditions affecting these industries may have a particular adverse impact on the Bank's credit costs and results of operations.

Capital adequacy requirements

The Basel regime imposes requirements on banks to maintain a certain level of regulatory capital relative to the size of its risk exposure. The Basel Committee has issued "A global regulatory framework for more resilient banks and banking systems" ("Basel III"), outlining the global regulations for stronger bank capital adequacy, including the following: the introduction of the Common Equity Tier 1 ratio, the raising of the quality of the capital base, the introduction of the capital conservation buffer, the enhancement of risk coverage and the introduction of the leverage ratio. The Basel III requirements are implemented by the FSA under its revised notice with regard to capital requirements for banks with international operations, including the Bank, which notice came into effect in March 2013 with certain transitional measures.

As at 31 December 2014, the Bank's consolidated total capital ratio was 14.69 per cent., consolidated Tier 1 ratio was 11.08 per cent. and consolidated Common Equity Tier 1 ratio was 11.08 per cent. on a transitional basis, each being well in excess of the respective minimums of 8.0 per cent. for consolidated total capital ratio, 6.0 per cent. for consolidated Tier 1 ratio (or, as a transitional measure, 5.5 per cent. until 30 March 2015) and 4.5 per cent. for consolidated Common Equity Tier 1 ratio (or, as a transitional measure, 4.0 per cent. until 30 March 2015) required as at the end of transitional period under the FSA notice implementing Basel III. However, the Bank's level of regulatory capital may be affected by, among other things, any changes in retained earnings, the market value of its securities or fluctuation in risk assets. In addition, transitional rules gradually restricting the recognition of certain existing subordinated debt and deferred tax assets as regulatory capital, together with the Bank's inability to refinance such existing subordinated debt on the same terms, are expected to have an impact on the Bank's capital ratios. Starting from March 2015, the Bank will also be required to comply with rules on liquidity coverage ratio and disclosure of leverage ratio.

These and any further changes in bank capital regulation may have a negative impact on the Bank's regulatory capital position, which may in turn affect its results of operations. In particular, a shortfall in regulatory capital may reduce the Bank's flexibility in extending credit or investing its funds or otherwise carrying out its normal activities, and may have a negative impact on the Bank's results of operations.

Liquidity risk

The Bank requires liquidity in order to finance its operations. Like many other banks, the majority of the Bank's liabilities consist of deposits which are payable at immediate or short notice, whereas its loans and investment assets tend to have much longer maturities. While the Bank manages the maturity profiles of its assets and liabilities carefully and seeks to ensure a sufficiently large buffer of liquidity, adverse market and economic conditions or deterioration of the financial condition of the Bank may limit or adversely affect the Bank's access to the liquidity required to operate its business or to increase deposit payback. Under those conditions, the Bank may temporarily or for an extended period of time be unable to obtain liquidity, or can only do so at a significantly higher interest rate. In addition, the Bank may be required to sell its financial assets at unfavourable prices in order to raise funds.

Change in the credit rating of the Bank

Credit ratings are subject to revision, suspension or withdrawal by the assigning rating agency at any time. A downgrade in the credit rating of the Bank may increase funding costs or affect the Bank's ability to access the capital markets. In particular, upon a credit downgrade, transaction counterparties may reduce the limit of their credit exposure to the Bank, and the Bank may only be able to obtain funding at an increased interest rate.

Banking regulation and compliance

The Bank is subject to extensive regulation and may be materially affected by changes in laws, regulations, policies, accounting rules, voluntary codes or practice or interpretation thereto. These changes and their effects on the Bank may be unpredictable and beyond the Bank's control.

The FSA's Financial Inspection Manual for financial institutions and related guidelines are revised or amended from time to time. Implementation of any such changes could place new constraints on the Bank's operations or result in increased administrative costs.

While the Bank believes it has a strong compliance system, any failure to comply with applicable laws could result in administrative or judicial proceedings against the Bank, including suspension of its business and financial penalties, which could adversely affect the Bank's business, reputation, results of operations and financial condition.

Competition

The Bank operates in the highly competitive financial services industry, in which various types of participants offer similar services and compete for the same customers. The Bank's competitors include:

- other regional banks, in particular those based in the Kinki region that have, as part of their strategy to expand operations beyond their respective home markets, increased their presence in the Shiga prefecture and Kyoto City by opening branches and offering competitive rates of interest on loans to target selected strategic customers;
- credit unions and co-operative banks, which may have strong relationships with the SMEs, and city banks, including the so-called "mega-banks", which operate national branch networks and offer a more comprehensive range of services;
- government-controlled and government-affiliated entities, including the government-owned postal savings bank, which is broadening the range of services they provide;
- other banks or financial institutions which reach out to the Bank's customers through their presence on the Internet;
- large retailer chains which operate banks and integrate banking services into their retail operations; and
- non-bank financial institutions which may provide products similar to the Bank's.

In pursuit of opportunities in a shrinking market, some regional banks have started to seek new opportunities through mergers and acquisitions or cooperation in certain business areas with other regional banks, in order to expand beyond their home markets. The competitive environment may continue to change if other regional banks promote economy of scale as their growth strategy. Government actions, such as those taken to alter the regulatory framework, may also affect the Bank's competitive position. The proposed privatisation of the government-owned postal savings bank, together with plans for the gradual expansion of its permitted sphere of activities and increase of its deposit limit per depositor, may allow it to offer a more comprehensive range of services and cause the competitive environment to change. There can be no assurance that the Bank will be able to respond effectively to current or future competition.

Natural disasters, uncontrollable events and accidents

The Bank's operations may be affected by the risk of earthquakes as well as other natural disasters. In addition, other events that are outside the Bank's control, such as fire, deliberate acts of sabotage, industrial accidents, blackouts, terrorist attacks or criminal acts, could damage, cause operational interruptions or otherwise adversely affect any of the Bank's facilities and activities, as well as potentially causing injury or death to its personnel. An outbreak of infectious disease, such as new strains of avian flu, affecting the Bank's employees could cause difficulties for the Bank's operations. In the event of a major natural disaster or other uncontrollable events or accidents, the Bank's facilities and activities may experience significant damage, its information systems may cease to function, its operations may be halted, large losses and expenses to repair or replace the facility may be incurred, or other problems may arise. Although the Bank has prepared back-up procedures and business continuation plans in anticipation of such problems, there can be no assurance that the procedures that the Bank has implemented will be sufficient to cover all possible scenarios. In addition, a natural calamity in the Shiga prefecture or surrounding region may cause significant damage to the Bank's customers, adversely affecting their livelihoods or businesses and, in turn, the Bank's credit risks.

Operational risk and outsourcing

The Bank is exposed to potential losses resulting from fraud, misconduct and other unlawful behaviour, as well as from clerical oversight or flawed procedures. Although the Bank has strengthened its compliance and other internal control measures, persons inside and outside the organisation may commit operational errors or engage in fraudulent activities including frauds or theft of funds targeting the Bank or its customers. Such conduct could lead to investigations, administrative actions or litigation, and may require the Bank to indemnify victims of such conduct for related losses. The Bank may not be able to recover such losses and may suffer damage to its reputation, which could have an adverse effect on its financial condition or results of operations.

In addition, the Bank outsources part of its operations to third party vendors for efficiency reasons. The Bank may not have full control or oversight over such third party vendors. In the event any operational error, systems failure, leakage of data or other unfortunate incidents is committed or caused by such third party vendors, the Bank might nonetheless be held responsible and suffer damage to its reputation and business.

Business expansion

The Bank may sometimes seize on opportunities offered by deregulation to expand into new areas of business. However, entering into new businesses exposes the Bank to new risks that it might not be familiar with or have prepared for. Such initiatives to expand might not always be successful or achieve the intended results, and could result in losses that could negatively affect its financial condition or results of operations.

Information technology

The Bank is increasingly reliant on information and technology ("IT") systems, including an internet banking system, to provide services to customers, administer customer data, execute transactions and manage the Bank's operations. These information systems may be damaged or interrupted by natural disasters, hacking and other criminal activities, human error, misconduct, malfunction, power loss, sabotage, computer viruses and similar events, or the interruption or loss of support services from third parties such as telephone carriers and IT vendors. In addition, the Bank is currently transitioning to a new backbone IT system. Any disruption, outage, delay or other difficulty experienced by any of the Bank's IT systems, whether during their usual operation or in connection with the transition to the new system, could result in interruptions in the Bank's settlement functions, delays in the services provided to customers, or a decrease in consumer confidence in the Bank's business, or otherwise adversely affect the Bank's results of operations.

Unauthorised network intrusions and financial crimes

As holders of bank account and credit card information, financial institutions are increasingly being targeted by sophisticated criminals seeking to intrude into their networks to access customer information or execute unauthorised payments. Vulnerabilities are constantly being discovered in hardware and software systems which may be exploited for illegal access or abuse. The Bank constantly seeks to improve its network security and remain up to date with the latest best practices. However, with current technology it is not possible to build a fail-proof system that can prevent all unauthorised intrusions or abuse. Unauthorised access may also be gained through the vulnerability of a customer's computer system. If the Bank or its customers become victim to such criminal activities, the Bank may itself suffer financial losses or have to compensate customers for their financial losses, and may suffer damage to its reputation, which could have an adverse effect on its financial condition or results of operations.

Handling of personal and other confidential information

The nature of the Bank's business requires it to hold a significant amount of personal and other confidential information. In recent years, there have been a number of publicly reported cases in Japan of leakages of personal information and records in the possession of corporations, including financial institutions. Although the Bank has taken appropriate measures to secure personal and other confidential information, it cannot completely eliminate the risk of personal information being leaked and subsequently misused due to human error by employees or contractual parties, system failures or by improper access from within or outside the organisation. Under Japanese law, if personal information about customers is leaked or improperly accessed and subsequently misused, the Bank may be held responsible and may be subject to civil liability and regulatory action. Moreover, such incidents could create a negative public perception of the Bank's operations, which may, in turn, harm customer and market confidence in the Bank.

Legal and litigation risks

The Bank faces the risk of litigation and regulatory proceedings in connection with its operations. Any actual or alleged violation of laws and regulations by the Bank or its employees, disagreement on the interpretation of laws and regulations between the Bank and the competent authority, entering into inappropriate agreements with customers or any other activity causing the Bank to become party to litigation could cause reputational damage to the Bank as well as have an adverse effect on its results of operations.

Internal control and compliance

The Bank has established and operates internal controls with the aim of ensuring the effectiveness and efficiency of business operations, reliability of financial reporting, compliance with applicable laws and regulations relevant to business activities and safeguarding of assets. However, if the internal controls that the Bank implements fail to function effectively, or if there are deficiencies or material weaknesses in such internal controls, it may adversely affect the reliability of the Bank's financial reporting and compliance processes.

Reputational risks

Maintaining the Bank's reputation is vital to its ability to attract and maintain customers, investors and employees. The Bank's reputation could be damaged through various circumstances such as fraud or other misconduct or unlawful behaviour by directors, officers or employees, system failures, compliance failures, investigations, litigation or unfavourable outcomes of governmental inspections. Compliance issues in the Bank's human resource management or socially unacceptable conduct by the Bank's employees could also negatively affect the Bank's reputation. Negative coverage, discussions or perception of the Bank or the banking industry in general in the media, on the Internet or in the local community or by the Bank's customers or investors, even if inaccurate or untrue, may have an adverse effect on the Bank's reputation and the Bank's business and results of operations.

Retirement and pension plan

The Bank's pension costs may increase if the fair value of plan assets declines or if there is a change in the actuarial assumptions on which the calculations of the projected benefit obligations are based, such as a decline in the expected rate of return on plan assets. In addition, the Bank may have to recognise expenses related to the recognition of previously unrecognised prior service costs as a result of plan amendments. Changes in the interest rate and other factors may also adversely affect the amount of unfunded pension obligations and in turn the Bank's results of operations.

Impairment of assets

The Bank owns the land and/or the building of its headquarters and many of its branches. If there are any changes to accounting standards regarding impairment of fixed assets or losses that arise from the fixed assets held by the Bank, this may have an adverse effect on the Bank's financial condition and results of operations.

Deferred tax assets

The Bank recognises deferred tax assets in proportion to possible future taxable profit according to the current accounting principles in Japan. If there are any changes to accounting principles or tax laws or regulations causing a restriction in recording deferred tax assets in the future, or the Bank is unable to recover some or all of the deferred tax assets, this could have an adverse effect on the Bank's results of operations and regulatory capital levels. In particular, the Japanese government is currently proposing a reduction of the corporate tax rate. If such legislation is passed, the Bank might be required to write down part of its deferred tax assets, which could have a negative effect on its net income in the year that such write-down is recognised.

Risk management

The Bank has adopted a number of operational procedures in accordance with its risk management policies and rules for the purpose of controlling its risks. However, some of these risk management procedures and policies are based on historical market data or the Bank's past experience, and might not be able to foresee or adequately cope with future risks. In the event of market movements that exceed expectations or other anticipated risks, it is possible that the Bank's risk management procedures might fail to function properly, thereby having an adverse effect on the Bank's financial condition and results of operations.

Recruitment, retention and development of employees

The Bank's success depends on its ability to attract and retain qualified employees to support existing operations and future growth. If the Bank is unable to recruit sufficient employees or develop them professionally to the skill levels required, it could encounter difficulties in staffing its current operations or suffer losses in productivity or competitiveness and its future growth could be constrained.

Considerations relating to Financial Information

Differences in Japanese GAAP and financial reporting standards in other jurisdictions

The Bank's consolidated financial statements are prepared and presented in accordance with Japanese GAAP, which differs in certain material respects from IFRS and generally accepted accounting principles and financial reporting standards in other jurisdictions. The Bank's consolidated financial statements may, therefore, differ from those prepared for companies outside Japan. This Offering Circular does not include a reconciliation of the Bank's financial statements to IFRS or to any other generally accepted accounting principles or reporting standards. It is likely that such reconciliation would identify material quantitative differences between Japanese GAAP and IFRS or between Japanese GAAP and such other generally accepted accounting principles or reporting standards.

Comparability of interim and annual financial and operating information included in this Offering Circular

This Offering Circular contains interim financial statements and financial and operating information as of the dates and for the periods indicated in this Offering Circular, which have not been audited by the Bank's independent auditors. In addition, interim financial and operating information may reflect seasonal factors and/or may reflect temporary economic or market trends that cannot be extrapolated. Accordingly, the interim financial statements and financial and operating information contained in this Offering Circular are not wholly comparable with the annual financial statements and financial and operating information contained in this Offering Circular and should not be so compared.

Additional Risks Related to the Bonds and the Shares

Fluctuations in the exchange rate between Japanese yen and U.S. dollar

The principal of the Bonds and the Conversion Price are denominated in U.S. dollars whereas the Bank's Share price is reported only in Japanese yen. As a result, fluctuations in the exchange rate between the Japanese yen and the U.S. dollar will affect, among other things, the secondary market price of the Bonds and U.S. dollar equivalent value of the Shares issuable upon exercise of the Stock Acquisition Rights or acquisition of the Bonds by the Bank. In addition, cash dividends, if any, in respect of the Shares issuable upon exercise of the Stock Acquisition Rights or acquisition of the Bonds by the Bank will be paid in Japanese yen. Accordingly, fluctuations in the exchange rate between the Japanese yen and the U.S. dollar will affect, among other things, the U.S. dollar equivalent value of the amounts a holder of Shares will receive in respect of dividends and the U.S. dollar equivalent value of the proceeds which an investor would receive upon sale of the Shares issuable upon exercise of the Stock Acquisition Rights or acquisition of the Bonds by the Bank. Further, the Conversion Price has been calculated in U.S. dollars at the rate of U.S.$1=¥119.83, whereas certain other calculations in respect of the Bonds, including the trading prices of the Shares on the Tokyo Stock Exchange and the Closing Price of the Shares for determining whether the conditions for conversion have been satisfied, will be determined initially in Japanese yen and converted for the purposes of the Bonds into U.S. dollars at an exchange rate prevailing at such time. As a result, fluctuations in exchange rate between the Japanese yen and the U.S. dollar will have an impact on the ability to exercise the Stock Acquisition Rights as well as the economics of the conversion.

Future changes to Japanese law relating to Stock Acquisition Rights and the Shares may have a mandatory effect under Japanese law

Future changes to provisions relating to Stock Acquisition Rights and/or the Shares issuable upon the exercise of Stock Acquisition Rights or acquisition of the Bonds by the Bank may have a mandatory effect under Japanese law. Condition 15.2 provides for amendments to be made to the Conditions relating to the Stock Acquisition Rights where those amendments become necessary in order to comply with mandatory provisions of Japanese law even if those amendments are materially prejudicial to the interests of Bondholders.

The rights of shareholders under Japanese law may be different from those that apply to companies incorporated in other jurisdictions

The corporate affairs of the Bank are governed by, and in accordance with, the Articles of Incorporation, the Share Handling Regulations and the Regulations of the Board of Directors and other related regulations thereunder of the Bank, as well as the Companies Act. Legal principles relating to such matters as the validity of corporate procedures, directors' and officers' fiduciary duties (including actions that may legitimately be taken by them in respect of unsolicited takeover attempts) and liabilities, and shareholders' rights under Japanese law may be different from those that apply to companies incorporated in other jurisdictions. Bondholders who acquire Shares upon exercise of the Stock Acquisition Rights, or upon the acquisition of the Bonds by the Bank, may have more difficulty in asserting their rights as a shareholder of the Bank than they would as a shareholder of a corporation organised in another jurisdiction.

A trading market for the Bonds may not develop

Prior to the issue of the Bonds, there has been no trading market for the Bonds. Although approval in-principle has been received for the listing of the Bonds on the SGX-ST, there can be no assurance that an active trading market for the Bonds will develop. Furthermore, there can be no assurance that the Bonds will not trade at prices lower than the initial Offer Price (as defined in "Summary Information—The Offering").

The trading price of the Bonds will be affected by fluctuations in the trading price of the Shares

The trading price of the Bonds is expected to be affected by fluctuations in the trading price of the Shares and it is impossible to predict whether the trading price of the Shares will rise or fall. Any decline in the trading price of the Shares will have an adverse effect on the trading price of the Bonds. Trading prices of the Bonds and Shares will be influenced by, among other things, the financial position and results of operations of the Bank including the reporting of financial results.

There are limitations on the timing of exercise of Stock Acquisition Rights that will impact Bondholders' rights

Under the current handling rules and practices of the Japan Securities Depository Center, Inc. ("JASDEC"), it takes at least three business days for the delivery of the Shares to the Bondholders after the Stock Acquisition Date (as defined in Condition 5.9.4). In order to avoid mistakes and confusion in the course of system processing with regard to the shareholders' rights in connection with the Shares to be delivered to the Bondholders upon their exercise of the Stock Acquisition Rights, Stock Acquisition Rights may not be exercised during such period where the relevant Stock Acquisition Date (or the next following Tokyo Business Day, if the Stock Acquisition Date will not be a Tokyo Business Day) would fall on any of the days in the period from, and including, the second Tokyo Business Day prior to each Record Date or other Shareholder Determination Date (each as defined in Condition 3.1) (or the third Tokyo Business Day prior to each Record Date or Other Shareholder Determination Date, if the Record Date or other Shareholder Determination Date will not be a Tokyo Business Day) to, and including, such Record Date or other Shareholder Determination Date (or the Tokyo Business Day immediately following such Record Date or other Shareholder Determination Date if the Record Date or other Shareholder Determination Date is not a Tokyo Business Day). Bondholders should therefore note in particular that exercises of Stock Acquisition Rights are restricted in the period on and around any Record Date in respect of Shares set by the Bank (including, but not limited to, the Record Date for the distribution of dividends).

No cash amounts will be payable in respect of non-unit shares

The rights of holders of Shares not constituting one whole unit are limited under the Bank's Articles of Incorporation, and may not be tradable on the stock exchange on which they are listed. Currently, the Bank's

Articles of Incorporation provide that one unit comprises 1,000 Shares. Since the coming into effect of the Act on Book-Entry Transfer of Bonds, Shares, etc. of Japan (Act No. 75 of 2001, as amended) (including regulations promulgated thereunder, the "Book-Entry Act"), making it possible for listed shares of Japanese companies comprising less than one whole unit to be delivered through the JASDEC book-entry transfer system, JASDEC has given guidance to the effect that stock acquisition rights of Japanese companies issued since then should be structured so that exercising holders should have shares not constituting one whole unit delivered to their accounts, instead of automatically selling back such shares to the issuer of such stock acquisition rights and receiving cash amounts in respect of them. Bondholders exercising their Stock Acquisition Rights will therefore not be receiving cash amounts in respect of the Shares of less than one whole unit which would have been issuable upon such exercise in the practice before the Book-Entry Act came into effect, but will be receiving those Shares. Accordingly, holders of Shares constituting less than one unit will need to request the Bank to purchase such Shares in accordance with the rules of the JASDEC book-entry transfer system and the Bank's Share Handling Regulations. See "Description of the Shares and Certain Regulations—Unit Share System".

The Bank intends to repurchase its Shares

Concurrently with the offering of the Bonds, the Bank announced on 5 March 2015 that it intends to repurchase up to 3.5 million Shares (approximately 1.33 per cent. of the issued Shares (excluding treasury stock) as at 28 February 2015) at a maximum cost of ¥2.5 billion from the market in the period from and including 6 March 2015 to and including 30 April 2015. The Bank does not plan to apply the net proceeds of the issue of the Bonds in U.S. dollars toward the cost of the repurchase in Japanese yen.

The Bank has also announced that in order to execute the abovementioned Share repurchase plan, it intends to repurchase the Shares through the Tokyo Stock Exchange's ToSTNeT-3 system at 8:45 a.m. (Tokyo time) on 6 March 2015 at the closing price of the Shares on the Tokyo Stock Exchange on 5 March 2015. The result of such repurchase will be announced in Japan on 6 March 2015. As the amount which the Bank is able to repurchase through the ToSTNeT-3 system is entirely dependent on the volume of Shares offered by investors at a certain price and at a certain time, there can be no assurance that such repurchase will be executed in full.

To the extent any Shares remain to be repurchased (within the maximum cost of ¥2.5 billion and the maximum number of 3.5 million Shares) after the abovementioned repurchase through the ToSTNeT-3 system, the Bank intends to repurchase further Shares on the auction market, at the market prices prevailing at the relevant time until 30 April 2015. There can however be no assurance that any such repurchase will be proposed by the Bank as currently intended or, if proposed by the Bank, executed in full.

The Bank does not undertake to review or revise this Offering Circular to reflect any repurchases of Shares (or lack thereof) as referred to above. See "Information Concerning the Shares—Proposed Share Repurchase by the Bank".

Execution of the above Share repurchase plan is expected to result in decreased shareholders' equity and increased cash out through financing activities. Although the Bank believes such changes will not materially affect its creditworthiness, there can be no assurance that rating agencies, banks, other financial institutions or investors will not view any Share repurchase unfavourably, which may adversely impact credit rating, financing, share price or investor relations.

Dilution as a result of exercise of stock options

The Bank has granted stock options for its Share to certain of its directors and may issue further stock options in the future. New issuance of Shares upon their exercise will increase the number of Shares available in the market and such dilution may adversely affect the market prices of the Shares and thereby the prices of the Bonds. Under the Terms and Conditions, no adjustment to the Conversion Price will be made as a result of the issuance of Shares or securities exercisable for Shares pursuant to any employees' or executives' share or option scheme (See Condition 5.5).

Change in credit rating of the Bonds or the Bank may affect the trading price of the Bonds

Credit ratings are subject to revision, suspension or withdrawal by the assigning rating agency at any time. A downgrade in, or suspension or withdrawal of, the credit rating of the Bonds or the Bank may have a negative effect on the trading price of the Bonds in the secondary markets.

FATCA Withholding

The United States has passed legislation referred to as the Foreign Account Tax Compliance Act ("FATCA"), which will impose new information reporting requirements and in some cases a 30 per cent. withholding tax with respect to, among other things, payments made by certain entities.

Whilst the Bonds are in global form and held within Euroclear and Clearstream, Luxembourg as international central securities depositories, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by Euroclear and Clearstream, Luxembourg. However, FATCA may affect payments on the Bonds made to custodians or intermediary financial institutions in the subsequent payment chain leading to the ultimate investor of the Bonds if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment on the Bonds) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors in the Bonds should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors in the Bonds should consult their own tax advisers to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Bank's obligations under the Bonds are discharged once it has paid the nominee for the common depositary (as registered holder of the Bonds in global form) and therefore the Bank has no responsibility for any amount thereafter transmitted through the hands of Euroclear and Clearstream, Luxembourg and custodians or intermediaries.

Considerations Related to Forward-looking Statements

Forward-looking statements in this Offering Circular involving risks and uncertainties

Statements in this Offering Circular with respect to the Bank's plans, strategies, projected financial figures and beliefs, as well as other statements that are not historical facts are forward-looking statements involving risks and uncertainties. The important factors that could cause actual results to differ materially from such statements include, but are not limited to, the impact of general economic and market conditions in the markets where the Bank operates, the level of demand for the Bank's products, the level of competition, and the Bank's ability to adapt itself to market, industry and general economic, political and business conditions.

TERMS AND CONDITIONS OF THE BONDS

The following terms and conditions of the Bonds, subject to completion and amendment, and save for the paragraphs in italics, will be endorsed on the Certificates (as defined herein) evidencing the Bonds.

The U.S.$200,000,000 Subordinated Zero Coupon Convertible Bonds due 2020 (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*) (the "Bonds", which term shall, unless the context requires otherwise, include Stock Acquisition Rights (as defined below) incorporated in the Bonds) in the denomination of U.S.$100,000 each issued by THE SHIGA BANK, LTD. (the "Bank") are constituted by a trust deed (the "Trust Deed") dated 23 March 2015 made between the Bank and The Law Debenture Trust Corporation p.l.c. (the "Trustee", which expression shall include its successors as trustee under the Trust Deed, as trustee for the holders of the Bonds). Each Bond is issued in the denomination of U.S.$100,000 each and a stock acquisition right (*shinkabu yoyakuken*) (the "Stock Acquisition Right"), entitling the Bondholder (as defined in Condition 1.2) to acquire fully paid and non-assessable shares of common stock of the Bank (the "Shares") as described below, is incorporated in each Bond as an integral part thereof. Copies of the Trust Deed and of the agency agreement (the "Agency Agreement") dated 23 March 2015 relating to the Bonds between, *inter alios*, the Bank, the Trustee, the principal agent (the "Principal Agent"), the registrar (the "Registrar") and the other agents referred to therein are available for inspection by Bondholders by prior appointment during normal business hours at the specified office for the time being of the Trustee, being at the date of issue of the Bonds at Fifth Floor, 100 Wood Street, London EC2V 7EX, and at the specified office(s) of each of the Principal Agent and the Agents (as defined below). References herein to the "Agents" shall, unless the context otherwise requires, include the Principal Agent and any other or further agent(s) appointed by the Bank in connection with the Bonds for the purpose of making payments and transfers and acceptance of notices of the exercise of the Stock Acquisition Rights from time to time.

The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of and are bound by all those provisions of the Agency Agreement applicable to them. The statements in these terms and conditions (these "Conditions") include summaries of, and are subject to, the detailed provisions of the Trust Deed. Any terms defined in the Trust Deed and not in these Conditions shall have the same meanings when used herein except where otherwise indicated.

1 Form, Denomination, Issue Price, Title, Status, Transfers of Bonds and Relationship between Bonds and Stock Acquisition Rights

1.1 Form, Denomination and Issue Price

The Bonds are issued in registered form in the denomination of U.S.$100,000 each and are not exchangeable for bonds with stock acquisition rights in bearer form. The issue price of the Bonds (excluding the Stock Acquisition Rights) is 100 per cent. of the principal amount of the Bonds. The issue price of the Stock Acquisition Rights is zero.

A bond certificate (each, a "Certificate") will be issued in respect of each Bond. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register (the "Register") of holders of Bonds to be kept by the Registrar in accordance with Condition 1.4.1.

1.2 Title

Title to the Bonds will pass only by transfer and registration of title in the Register. The holder of any Bond will (except as otherwise declared by a court of competent jurisdiction or required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust, or any interest in it, or any writing on, or theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder.

In these Conditions, a "Bondholder" and (in relation to a Bond) "holder" mean the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first name thereof).

Upon issue, the Bonds will be evidenced by a global certificate deposited with and registered in the name of, or a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg (the "Global Certificate").

The Conditions are modified by certain provisions contained in the Global Certificate. Except in the limited circumstances described in the Trust Deed, owners of interests in the Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of the Bonds.

1.3 Status

The Bonds constitute direct, unconditional, unsecured and subordinated obligations of the Bank and at all times rank *pari passu* and without preference among themselves. The rights and claims of the Bondholders are subordinated as described in Condition 2.

1.4 Transfers of Bonds

1.4.1 *The Register:* The Bank will cause to be kept at the specified office of the Registrar, and in accordance with the terms of the Agency Agreement, the Register on which shall be entered the names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers, acquisitions and redemptions of the Bonds and exercises of Stock Acquisition Rights.

Each Bondholder shall be entitled to receive one Certificate in respect of each Bond held by such holder.

1.4.2 *Transfers:* A Bond may be transferred upon the surrender (at the specified office(s) of the Principal Agent, the Registrar or any other Agent) of the Certificate evidencing such Bond, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Bank), duly completed and executed and any other evidence as the Registrar and/or the relevant Agent may reasonably require. No transfer of a Bond will be valid unless and until entered on the Register. Upon such transfer, a new Certificate will be issued to the transferee in respect of the Bond so transferred. All transfers of the Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of the Bonds scheduled to the Agency Agreement. The regulations may be changed by the Bank, with the prior written approval of the Registrar, the Principal Agent and the Trustee. A copy of the current regulations will be made available during normal business hours by the Principal Agent or the Registrar to any Bondholder upon request.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems, as described in "Summary of Provisions Relating to the Bonds While in Global Form".

1.4.3 *Delivery of New Certificates:* Each new Certificate to be issued pursuant to Condition 1.4.2 shall be available for delivery within three Transfer Business Days of receipt of the duly completed and signed form of transfer, and surrender of the original Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Registrar or any of the Agents to whom delivery or surrender of such form of transfer and Certificate shall have been made, or if so requested in the form of transfer, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address so specified (at the Bank's expense) unless such holder requests otherwise and pays in advance to the Registrar or the relevant Agent (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In these Conditions, "Transfer Business Day" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Registrar or the relevant Agent (as the case may be).

1.4.4 *Formalities Free of Charge:* Registration of a transfer of Bonds and issuance of Certificates in relation thereto shall be effected without charge by or on behalf of the Bank, the Registrar or the Agents, but upon (i) payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Agent may require); and (ii) the Bank and the Registrar or the relevant Agent being reasonably satisfied that the regulations concerning transfer of Bonds having been satisfied.

1.4.5 *No Registration of Transfer:* No Bondholder may require the transfer of a Bond to be registered (i) during the period of seven days ending on (and including) the due date for redemption pursuant to Condition 7.1, 7.5, 7.6 or 7.7, (ii) during the period from and including the Determination Date (as defined in Condition 3.1) or, if earlier, the time at which a Share Settlement Notice in respect of such Bond has been given pursuant to Condition 7.3, up to but excluding the Acquisition Option Date (as defined in Condition 3.1), (iii) after a Conversion Notice (as defined in Condition 3.1) has been given with respect to such Bond pursuant to Condition 5.9.1 (unless such Conversion Notice is withdrawn pursuant to Condition 5.9.4 in which event registration of transfer of such Bond may be made on or after the date on which such Conversion Notice is withdrawn) or (iv) after a notice of redemption has been given pursuant to Condition 7.2 or 7.4 (except for any Bond held by a Bondholder who has given notice to the Bank pursuant to the second paragraph of Condition 7.4).

1.5 Relationship between Bonds and Stock Acquisition Rights

The obligations of the Bank in respect of the Bonds and the Stock Acquisition Rights incorporated therein shall arise and shall be extinguished or cease to be exercisable simultaneously subject as provided herein.

The Bonds and the Stock Acquisition Rights incorporated therein may not be transferred or dealt with separately from each other.

2 Viability Write-Down and Subordination

2.1 Viability Event

As soon as practicable following the occurrence of a Viability Event, the Bank shall give notice (the "Viability Notice") to the Trustee and the Bondholders in accordance with Condition 19 setting out the following matters: (a) that a Viability Event has occurred, (b) that a Viability Write-Down will take place on the Discharge Date, (c) the Discharge Date and (d) confirming that no exercise of the Stock Acquisition Rights may take place after the occurrence of the Viability Event and, additionally, that a Conversion Notice will not take effect where a Viability Event has occurred prior to 23:59 hours (London time) on the Deposit Date therefor. Any failure or delay by the Bank to provide a Viability Notice shall not change or delay the effect of the Viability Event on its obligations on the Bonds and the Trust Deed.

A "Viability Event" will be deemed to have occurred if the Prime Minister of Japan confirms (*nintei*) that any of:

(i) the "item 2 measures" (*dai nigo sochi*), which are the measures set forth in Article 102, Paragraph 1, Item 2 of the Deposit Insurance Act; and/or

(ii) the "item 3 measures" (*dai sango sochi*), which are the measures set forth in Article 102, Paragraph 1, Item 3 of the Deposit Insurance Act; and/or

(iii) the "specified item 2 measures" (*tokutei dai nigo sochi*), which are the measures set forth in Article 126-2, Paragraph 1, Item 2 of the Deposit Insurance Act,

need to be applied to the Bank.

See "Risk Factors – Risks Related to the Write-Down and Subordination of the Bonds" and "Supervision and Regulation – Japan – Governmental Measures to Treat Troubled Institutions – Addressing Potential Financial Crises" for further description of the circumstances and risks relating to a Viability Event.

2.2 Write-down

Notwithstanding anything to the contrary contained in the Conditions or the Trust Deed, upon the occurrence of a Viability Event no amounts shall thereafter become due under the Bonds or the

Trust Deed and, other than with respect to principal, premium (if any) and default interest that have become due and payable prior to the Viability Event (as specified in Condition 2.2(ii)):

(a) Bondholders shall have no rights whatsoever to exercise the Stock Acquisition Rights, or to take any other action or enforce any other rights, or to instruct the Trustee to take any action or enforce any rights, under the Bonds or the Trust Deed;

(b) except for any indemnity, prefunding and/or security provided by a Bondholder in a direction or resolution or related to such direction or resolution, any direction previously given to the Trustee by any Bondholders shall cease automatically and shall be null and void and of no further effect;

(c) no Bondholder may exercise or claim any right of set-off in respect of any amount arising under, or in connection with, the Bonds or the Trust Deed and each holder of Bonds shall, by virtue of its holding of any Bonds, be deemed to have waived all such rights of set-off; and

(d) with respect to the Bonds and the Trust Deed, neither the Bondholders nor the Trustee will be entitled to make any claim in any bankruptcy, insolvency or liquidation proceedings involving the Bank or have any ability to initiate or participate in any such proceedings or do so through a representative.

On the Discharge Date:

(i) the full principal amount of each Bond will be written down to zero and the Bonds will be cancelled and all references to the principal amount of the Bonds will be construed accordingly, other than principal, premium (if any) and default interest that has become due and payable prior to the Viability Event;

(ii) the Bank's obligations shall remain with respect to any accrued and unpaid principal, premium (if any) and default interest, if and only to the extent that such principal, premium (if any) and default interest became due and payable prior to the Viability Event; and

(iii) the holders will be deemed to irrevocably waive their right to receive, and no longer have any rights against the Bank with respect to, repayment of the principal amount of the Bonds written down pursuant to paragraph (i) above, and except as described in paragraph (ii) above, all rights of any holder for payment of any amounts under or in respect of the Bonds (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, an Acceleration Event) will become null and void and any holder who has received such payment shall be obliged to return the amount so received immediately to the Bank.

The events described in paragraphs (i) through (iii) above being a "Viability Write-Down".

By the acquisition of the Bonds, each holder of Bonds, to the extent permitted by applicable laws and regulations (x) agrees to be bound by and consents to the Viability Write-Down that will result in the cancellation of all of the principal amount and premium (if any) of the Bonds (other than payments of principal, premium (if any) and default interest that has become due and payable prior to the Viability Event); and (y) agrees that the Viability Event does not constitute a default or Acceleration Event under the Bonds or the Trust Deed.

2.3 Subordination Event

In the event of a Subordination Event the rights and claims in respect of the Bonds (other than in respect of any amounts which shall have become due and payable prior to a Subordination Event and remain unpaid) shall be subordinated in right of payment to all Senior Indebtedness and shall rank at least equally and ratably with all other present and future unsecured, unconditional and dated subordinated obligations of the Bank (including those in respect of dated subordinated loans issued by the Bank) and in priority to the rights and claims of holders of all present and future unsecured, undated, conditional and subordinated obligations of the Bank and holders of all classes of equity (including holders of preference shares, if any) of the Bank. If a competent court in Japan shall have adjudicated the Bank to be subject to the bankruptcy proceedings pursuant to the provisions of the Bankruptcy Act, the claims of the Bondholders under the Bonds shall rank junior to the claims of all statutory subordinated bankruptcy claims (*retsugoteki hasan saiken*), as set forth in the Bankruptcy Act, in distribution in such bankruptcy proceedings.

Notwithstanding that the Bonds are stated to rank equally and ratably with certain dated subordinated obligations and ahead of certain junior securities of the Bank, if a Viability Event occurs it is expected that a Viability Write-Down would take place before the treatment of the Bank's remaining indebtedness or other securities without similar write-down features is determined.

2.4 Subordination Event Conditions to Payment

If a Subordination Event has occurred and is continuing, any amounts (other than any amounts which shall have become due and payable prior to such Subordination Event and remain unpaid) due under the Bonds will become payable only upon one of the following conditions being fulfilled:

(i) in the case of a Bankruptcy Event, the total amount of any and all Senior Indebtedness which is listed on the final distribution list of the Bank submitted to the court in such bankruptcy proceedings shall have been assured to be paid in full out of the amounts available for distribution in such bankruptcy proceedings (including by way of distributions by deposit of funds in escrow with the competent authority);

(ii) in the case of a Corporate Reorganisation Event, the total amount of any and all Senior Indebtedness which is listed on the reorganisation plan of the Bank at the time when the court's approval of such plan becomes final and conclusive shall have been paid in full in such proceedings to the extent that such liabilities shall have been fixed;

(iii) in the case of a Civil Rehabilitation Event, the total amount of any and all Senior Indebtedness which is listed on the rehabilitation plan of the Bank at the time when the court's approval of such plan becomes final and conclusive shall have been paid in full in such proceedings to the extent that such liabilities shall have been fixed (provided, however, that if the court finally and conclusively (a) approves summary or consent rehabilitation proceedings or the cancellation of the rehabilitation plan, or (b) cancels or discontinues the rehabilitation proceedings, this provision shall not apply, as if the Bank had never been subject to a Civil Rehabilitation Event); or

(iv) in the case of a Foreign Event, conditions equivalent to those set out in (i), (ii) or (iii) above have been fulfilled; provided that, notwithstanding any provision herein to the contrary, if the imposition of any such condition is not allowed under such proceedings, any amount which becomes due under the Bonds shall become payable in accordance with the conditions for payment set forth in the Trust Deed and not be subject to such impermissible condition.

Each Bondholder agrees that if any payment on a Bond is made to the holder of such Bond after the occurrence of a Subordination Event and the amount of such payment exceeds the amount, if any, that should have been paid to such holder upon the proper application of the subordination provisions in Condition 2.3 and Condition 2.4, the payment of such excess amount shall be deemed null and void and such holder shall be obliged to return the amount of the excess payment within ten days after receiving notice of the excess payment, and shall also thereby agree that upon the occurrence of a Subordination Event and for so long as such Subordination Event shall continue any liabilities of the Bank to such holder under the Bonds which would otherwise become so payable on or after the date on which such Subordination Event occurs shall not be set off against any liabilities of such holder owed to the Bank unless, until and only in such amount as the liabilities of the Bank under the Bonds become payable pursuant to the proper application of the subordination provisions in Condition 2.3 and Condition 2.4.

3 Definitions and Construction of References

3.1 Definitions

In these Conditions (unless the context otherwise requires):

"Acceleration Event" has the meaning provided in Condition 10.1;

"Account Management Institution" means an account management institution (*koza-kanri-kikan*) which is an entity entitled under the Book-Entry Act to open and maintain an account for another person or entity;

"Acquisition Notice" has the meaning provided in Condition 7.3.1;

"Acquisition Option Date" has the meaning provided in Condition 7.3.1;

"Acquisition Shares" has the meaning provided in Condition 7.3.1;

"Acquisition Share Value" has the meaning provided in Condition 7.3.1;

"Additional Amounts" has the meaning provided in Condition 9;

"Additional Shares" has the meaning provided in Condition 5.3;

"Annual Fiscal Period" means a period commencing on 1 April and ending on the following 31 March; provided that, if the Bank shall change its financial year so as to end on a date other than 31 March, "Annual Fiscal Period" shall be deemed to be amended mutatis mutandis and any such change shall be promptly notified by the Bank to the Trustee in writing;

"Asset Transfer Event" means the passing of a resolution at a general meeting of shareholders of the Bank (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Bank) for the sale or transfer of all or substantially all of the assets of the Bank to another entity (the "Asset Transferee"), pursuant to the terms of which the Bank's obligations under the Bonds are to be transferred to or assumed by the Asset Transferee;

"Asset Transferee" has the meaning provided in the definition of Asset Transfer Event;

"Auditors" means the independent auditors for the time being of the Bank or, if there shall be joint independent auditors, any one or more of such independent auditors or, if they are unable or unwilling to carry out any action requested of them under these Conditions or the Trust Deed, such other auditors or firm of auditors as may be appointed by the Bank and approved and notified in writing to the Trustee by the Bank to act as such and, failing such appointment, as may be nominated by the Trustee subject to it being indemnified and/or secured and/or prefunded to its satisfaction;

"Authorised Officer" means any one of the directors or officers of the Bank or the New Obligor (as the case may be) or any other person whom the Bank or the New Obligor (as the case may be) shall have identified to the Trustee by notice in writing as being duly authorised to sign any document or certificate on behalf of the Bank or the New Obligor (as the case may be);

"Average VWAP per Share" has the meaning provided in Condition 7.3.1;

"Bank's Territory" has the meaning provided in Condition 12.2;

"Bankruptcy Act" means the Bankruptcy Act of Japan (Act No. 75 of 2004, as amended);

"Bankruptcy Event" means a competent court in Japan having adjudicated the Bank to be subject to bankruptcy proceedings pursuant to the provisions of the Bankruptcy Act;

"Base Dividend" has the meaning provided in Condition 5.2.4;

"Bondholder" and "holder" have the meaning provided in Condition 1.2;

"Bonds without Share Settlement Notice" has the meaning provided in Condition 7.3.3;

"Book-Entry Act" means the Act Concerning Book-Entry Transfer of Corporate Bonds, Shares etc. of Japan (Act No. 75 of 2001, as amended);

"Business Day" has the meaning provided in Condition 8.3;

"Certificate" has the meaning provided in Condition 1.1;

"Civil Rehabilitation Act" means the Civil Rehabilitation Act of Japan (Act No. 225 of 1999, as amended);

"Civil Rehabilitation Event" means a competent court in Japan having adjudicated the Bank to be subject to civil rehabilitation proceedings pursuant to the provisions of the Civil Rehabilitation Act;

"Clean-up Redemption Notice" has the meaning provided in Condition 7.2;

"Closed Period" has the meaning provided in Condition 7.10;

"Closing Date" means 23 March 2015;

"Closing Price" means, in respect of the Shares or the shares of common stock of the New Obligor (as the case may be), for any Trading Day, the last reported selling price (regular way) of the Shares or the shares of common stock of the New Obligor (as the case may be) on the Relevant Stock Exchange on such Trading Day or, if the Shares or the shares of common stock of the New Obligor (as the case may be) are not listed or admitted to trading on the Relevant Stock Exchange, the average of the closing bid and offered prices of the Shares or the shares of common stock of the New Obligor (as the case may be) for such Trading Day as furnished by any trading participant of the Relevant Stock Exchange selected from time to time by the Bank or the New Obligor (as the case may be);

"Companies Act" means the Companies Act of Japan (Act No. 86 of 2005, as amended);

"Consolidated Financial Statements" means, in relation to any Fiscal Period of the Bank, the unaudited consolidated financial statements of the Bank and its Consolidated Subsidiaries prepared in accordance with the Relevant GAAP or, if in respect of such Fiscal Period audited consolidated financial statements have been prepared, the audited consolidated financial statements of the Bank and its Consolidated Subsidiaries prepared as aforesaid;

"Consolidated Subsidiary" means, in relation to a Fiscal Period of the Bank, Subsidiaries consolidated in the relevant Consolidated Financial Statements;

"Conversion Notice" means a duly completed and signed notice of conversion required to accompany any Bonds deposited for the purposes of the exercise of the Stock Acquisition Rights, the current form of which is set out in Schedule A to the Agency Agreement;

"Conversion Price" has the meaning provided in Condition 5.1.3;

"Conversion Price Reduction End Date" has the meaning provided in Condition 5.2.16, 5.2.17 and 5.2.18, as the case may be;

"Conversion Price Reduction Period" has the meaning provided in Condition 5.2.16, 5.2.17 and 5.2.18, as the case may be;

"Conversion Price Reduction Start Date" has the meaning provided in Condition 5.2.16, 5.2.17 and 5.2.18, as the case may be;

"Conversion Rate" means, with respect to any date, the spot currency exchange rate for foreign exchange transactions in Dollars and yen for value at the Dollar/Yen mid rate at 15:00 Tokyo time on the date on which such rate is to be determined as shown on Reuters "JPNU" page (or such other page as may replace that page for the purpose of displaying Dollar/Yen exchange rates). Where the Dollar/Yen mid rate is not shown in Reuters "JPNU" page (or such other page as may replace that page for the purpose of displaying Dollar/Yen exchange rates), the Conversion Rate shall be as determined in good faith and in a commercially reasonable manner by the Principal Agent (for the avoidance of doubt, the Conversion Rate will not be rounded up or down, as the case may be);

"Corporate Event" has the meaning provided in Condition 6.1;

"Corporate Event Effective Date" has the meaning provided in Condition 6.3;

"Corporate Reorganisation Act" means the Corporate Reorganisation Act of Japan (Act No. 154 of 2002, as amended);

"Corporate Reorganisation Event" means a competent court in Japan having adjudicated the Bank to be subject to corporate reorganisation proceedings pursuant to the provisions of the Corporate Reorganisation Act;

"Corporate Split Counterparty" has the meaning provided in the definition of Corporate Split Event;

"Corporate Split Event" means the passing of a resolution at a general meeting of shareholders of the Bank (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Bank) for any corporate split (*shinsetsu bunkatsu* or *kyushu bunkatsu*) in which the Bank's obligations under the Bonds are to be transferred to or assumed by the corporation which is the counterparty to such corporate split (the "Corporate Split Counterparty");

"Current Market Price per Share" has the meaning provided in Condition 5.2.9;

"Custodian" means The Law Debenture Trust Corporation p.l.c. at its specified office at Fifth Floor, 100 Wood Street, London EC2V 7EX, or such other custodian as may from time to time be appointed, or at such other specified office as may from time to time be designated, by or on behalf of the Bank, in each case with the prior written approval of the Trustee, and notice of whose appointment or designation has been given to the Bondholders in accordance with Condition 19 and shall, unless the context otherwise requires, include the nominee of the Custodian;

"Custodian's Agent" means Mizuho Bank, Ltd. at its specified office at 16-13, Tsukishima 4-chome, Chuo-ku, Tokyo 104-0052, Japan or such other agent of the Custodian in Japan as may from time to time be appointed, or at such other specified office as may from time to time be designated, by or on behalf of the Custodian, in each case with the prior written approval of the Trustee, and notice of whose appointment or designation has been given to the Bondholders in accordance with Condition 19;

"Delisting Event" has the meaning provided in Condition 7.6;

"Deposit Date" has the meaning provided in Condition 5.9.4;

"Deposit Insurance Act" means the Deposit Insurance Act of Japan (Act No. 34 of 1971, as amended);

"Determination Date" has the meaning provided in Condition 7.3.2;

"Discharge Date" means the date to be determined by the Bank after discussions with the Financial Services Agency of Japan and any other relevant Japanese governmental organisations and notified to the Bondholders in accordance with Condition 19, such date to fall no more than ten Tokyo Business Days from the date of the Viability Notice;

"Dividend Adjustment Amount" has the meaning provided in Condition 7.3.1;

"Dollars" and "U.S.$" mean U.S. dollars, the lawful currency of the United States of America.

"Due Date" has the meaning provided in Condition 9;

"Ex-Dividend Date" has the meaning provided in Condition 7.3.1;

"Exercise Period" has the meaning provided in Condition 5.1.4;

"Extraordinary Dividend" has the meaning provided in Condition 5.2.4;

"Extraordinary Resolution" means a resolution passed (i) at a meeting of the Bondholders duly convened and held in accordance with the provisions contained in the Trust Deed by a majority consisting of not less than three-quarters of the votes cast thereon or (ii) by a written resolution or electronic consent in accordance with the Trust Deed;

"Financial Instruments and Exchange Act" means the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended);

"Fiscal Period" means, as the context may require, a period (i) commencing on 1 April ending on the following 31 March; or (ii) three month periods each commencing on 1 April, 1 July, 1 October and 1 January; provided that, if the Bank shall change its financial year so as to end on a date other than 31 March, the provisions of items (i) and (ii) above shall be deemed to be amended mutatis mutandis and any such change shall be promptly notified by the Bank to the Trustee in writing;

"Floor Conversion Price" means U.S.$5.94, subject to adjustment in the same manner as provided in Condition 5.2 (except for any of Condition 5.2.16, 5.2.17 or 5.2.18), in the period to but excluding the relevant Conversion Price Reduction Start Date, and disregarding any Retroactive Adjustment to take effect on or after the relevant Conversion Price Reduction Start Date (but without prejudice to the Bank's obligations in respect thereof) in accordance therewith;

"Foreign Event" means the Bank becoming subject to bankruptcy, corporate reorganisation, rehabilitation proceedings or other equivalent proceedings pursuant to any applicable law of any jurisdiction other than Japan;

"Holding Company" has the meaning provided in the definition of Holding Company Event;

"Holding Company Event" means the passing of a resolution at a general meeting of shareholders of the Bank (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Bank) for the Bank to become a wholly-owned subsidiary of another corporation (the "Holding Company") by way of share exchange (*kabushiki-kokan*) or share transfer (*kabushiki-iten*);

"Independent Financial Adviser" means an independent investment bank, securities company or accounting firm of international repute appointed by the Bank at its own expense and approved in writing by the Trustee or, if the Bank fails to make such appointment and such failure continues for a reasonable period (as determined by the Trustee in its absolute discretion) and the Trustee is indemnified and/or secured and/or prefunded to its satisfaction against the costs, fees and expenses of such adviser or otherwise in connection with such appointment, as may be appointed by the Trustee in its absolute discretion (without liability for so doing) following notification to the Bank, which appointment shall be deemed to be an appointment by the Bank;

"Initial Conversion Price" means U.S.$5.95, subject to adjustment in the same manner as provided in Condition 5.2 (except for any of Condition 5.2.16, 5.2.17 or 5.2.18), in the period to but excluding the relevant Conversion Price Reduction Start Date, and disregarding any Retroactive Adjustment to take effect on or after the relevant Conversion Price Reduction Start Date (but without prejudice to the Bank's obligations in respect thereof) in accordance therewith;

"JCR" has the meaning provided in Condition 5.1.6;

"Last Day Conversion Price" has the meaning provided in Condition 7.3.1;

"Liquidation Event" means where an order is made or an effective resolution is passed for the winding-up or dissolution of the Bank, except for the purposes of an amalgamation, merger or reconstruction the terms of which have been previously approved by the Trustee or an Extraordinary Resolution of Bondholders;

"Listing" has the meaning provided in Condition 6.4.2;

"Merged Company" means the corporation formed by the relevant Merger Event or the corporation into which the Bank shall have merged following a Merger Event;

"Merger Event" means the passing of a resolution at a general meeting of shareholders of the Bank (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Bank) for any consolidation or amalgamation (*shinsetsu gappei*) of the Bank with, or merger (*kyushu gappei*) of the Bank into any other corporation (other than a consolidation, amalgamation or merger in which the Bank is the continuing corporation);

"New Obligor" has the meaning provided in Condition 6.1;

"New Obligor Current Market Price per Share" has the meaning provided in Condition 6.5.3;

"New Stock Acquisition Rights" has the meaning provided in Condition 12.2;

"New Territory" has the meaning provided in Condition 12.2;

"Number of Deliverable Shares" has the meaning provided in Condition 6.5.3;

"Number of Held Shares" has the meaning provided in Condition 6.5.3;

"Offeror" has the meaning provided in Condition 7.6;

"Proceedings" has the meaning provided in Condition 21.2;

"R&I" has the meaning provided in Condition 5.1.6;

"Record Date" means the date fixed by the Articles of Incorporation of the Bank or otherwise specified by the Bank for the purpose of determining entitlements to dividends or other distributions to, or rights of, holders of Shares; provided, however, that if the Bank has fixed no such record date and the context so requires, the "Record Date" shall be construed as a reference to the date of any event in question coming into effect;

"Reference Share Price" has the meaning provided in Condition 5.2.16, 5.2.17 and 5.2.18, as the case may be;

"Register" has the meaning provided in Condition 1.1;

"Registered Account" has the meaning provided in Condition 8.1;

"Relevant GAAP" means the accounting principles which are adopted by the Bank or the New Obligor (as the case may be) for the preparation of the Consolidated Financial Statements under the Financial Instruments and Exchange Act, being one of those generally accepted in Japan or International Financial Reporting Standards (as issued by the International Accounting Standards Board or, if applicable, as adopted or endorsed by the Accounting Standards Board of Japan);

"Relevant Number of Shares" has the meaning provided in Condition 5.2.4;

"Relevant Securities" has the meaning provided in Condition 5.2.8;

"Relevant Stock Exchange" means Tokyo Stock Exchange, Inc. or, if at the relevant time the Shares or the shares of common stock of the New Obligor (as the case may be) are not listed on Tokyo Stock Exchange, Inc., the principal stock exchange or securities market in Japan on which the Shares or the shares of common stock of the New Obligor (as the case may be) are then listed or quoted or dealt in;

"Relevant VWAP Period" has the meaning provided in Condition 7.3.1;

"Representative Director" means a director of the Bank (or the New Obligor, as the case may be) who is for the time being a representative director within the meaning of the Companies Act or, where applicable, a representative statutory executive officer of the Bank (or the New Obligor, as the case may be) within the meaning of the Companies Act;

"Retroactive Adjustment" has the meaning provided in Condition 5.3;

"Securities" includes, without limitation, Shares, other shares, options, warrants or other rights (including stock acquisition rights) to subscribe for or purchase or acquire Shares and securities convertible into or exchangeable for Shares;

"Senior Indebtedness" means with respect to the Bonds, all liabilities of the Bank other than any obligations which rank or are expressed to rank either *pari passu* with or junior to the claims under the Bonds;

"Shareholder Determination Date" means (i) any Record Date and (ii) any other date set for the purpose of determination of the holders of Shares in connection with Paragraph 1 of Article 151 of the Book-Entry Act;

"Shareholder Determination Date Restriction Period" means the period from and including the second Tokyo Business Day falling immediately prior to any Shareholder Determination Date to and including such Shareholder Determination Date (provided that if such Shareholder Determination Date falls on a date that is not a Tokyo Business Day, then the Shareholder Determination Date Restriction Period means the period from and including the third Tokyo Business Day falling immediately prior to such Shareholder Determination Date to and including the Tokyo Business Day immediately following such Shareholder Determination Date);

"Share Settlement Notice" has the meaning provided in Condition 7.3.2;

"Squeezeout Event" means the passing of a resolution at a general meeting of shareholders of the Bank approving its acquisition of all of the outstanding Shares in exchange for a consideration, following the outstanding Shares being transformed into callable shares (*zenbushutokujoko tsuki shuruikabushiki*) by way of an amendment to the Bank's Articles of Incorporation, for the purpose of, including but not limited to, making the Bank a wholly-owned subsidiary of another corporation;

"Stock Acquisition Date" has the meaning provided in Condition 5.9.4;

"Stock Split" means any kind of stock split in relation to the Shares, including a free share distribution to the holders of Shares, a stock dividend or a sub-division of Shares;

"Subordination Event" means either a Bankruptcy Event, a Corporate Reorganisation Event, a Civil Rehabilitation Event or a Foreign Event;

"Subsidiary" means a company, more than 50 per cent. of the outstanding shareholders' voting rights of which is at any given time owned by the Bank, by one or more other Subsidiaries or by the Bank and one or more other Subsidiaries, or any other company which is otherwise considered to be controlled by the Bank under the Relevant GAAP (and, for this purpose, "voting rights" means the voting power attached to stocks or shares for the election of directors, officers or trustees of such company, other than voting powers attached to stocks or shares outstanding having such power by reason of the happening of a contingency);

"Tax Redemption Date" has the meaning provided in Condition 7.4;

"Tax Redemption Notice" has the meaning provided in Condition 7.4;

"Tokyo Business Day" has the meaning provided in Condition 5.1.4;

"Trading Day" means, in respect of the Shares or the shares of common stock of the New Obligor (as the case may be), a day on which the Relevant Stock Exchange is open for business, but does not include a day on which (a) no last selling price (regular way) for the Shares or the shares of common stock of the New Obligor (as the case may be) is reported by the Relevant Stock Exchange and (b) if the Shares or the shares of common stock of the New Obligor (as the case may be) are not listed or admitted to trading on the Relevant Stock Exchange, no closing bid or offered price of the Shares or the shares of common stock of the New Obligor (as the case may be) is furnished as provided in the definition of Closing Price;

"Transfer Business Day" has the meaning provided in Condition 1.4.3;

"Viability Event" has the meaning provided in Condition 2.1;

"Viability Notice" has the meaning provided in Condition 2.1;

"Viability Write-Down" has the meaning provided in Condition 2.2;

"VWAP" has the meaning provided in Condition 7.3.1; and

"yen" and "¥" mean Japanese yen, the lawful currency of Japan.

3.2 Construction of Certain References

References to any statute or provision of any statute shall be deemed to include a reference to any statute or the provision of any statute which amends, extends, consolidates or replaces the same, or which has been amended, extended, consolidated or replaced by the same, and shall include any ordinances, regulations, instruments or other subordinate legislation made under the relevant statute.

Except where the context requires otherwise, references to the "issue" of Shares shall include the transfer and/or delivery of Shares by the Bank, whether newly issued or previously issued and held by or on behalf of the Bank (and the words "issue", "issued" and "issuable" shall be construed accordingly), and references in these Conditions to the word "acquire" used in conjunction with the Shares shall be read as including both the words "issue" and "transfer", and the words "acquired" and "acquisition" shall be construed accordingly (other than where the references are to the acquisition of the Bonds pursuant to Condition 7.3) and references to "delivery" used in respect of the Shares shall be read as including the transfer of Shares by way of Japan Securities Depository Center, Inc.'s system. The words "substitution" and "grant" used in relation to the exchange of the Bank's obligations in respect of the Bonds for those of a New Obligor following a Corporate Event shall be read as including the necessary legal concepts for such exchange to occur under both Japanese law and English law.

The headings in these Conditions are for convenience only and shall be ignored in construing these Conditions.

4 Default Interest

The Bonds do not bear interest unless payment of any amount in respect of any Bond is improperly withheld or refused, in which case such unpaid amount will bear interest (both before and after judgment) from the date of default to the earlier of (i) the day on which all sums due in respect of such Bond up to but excluding that day are received by or on behalf of the relevant Bondholder, and (ii) the day seven days after the Principal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to but excluding that seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Bondholders under these Conditions) at the rate of interest per annum determined by the Principal Agent as being equal to the offered rate quoted by a leading bank in the Euro-dollar market selected by the Principal Agent for deposits in Dollars for the period of three months, as at 11:00 a.m. (London time) on the date of such default. If interest is required to be calculated for a period of less than one year, it will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

5 Exercise of Stock Acquisition Rights

5.1 Conversion Price, Exercise Period, Shares Issuable and Procedure

5.1.1 *Contribution of the Bond*: Subject to and upon compliance with the provisions of this Condition 5, each Bondholder is entitled to exercise the Stock Acquisition Right incorporated in each Bond held by it in accordance with and subject to these Conditions. The Bond, the Certificate in respect of which having been deposited with an Agent for exercise of the relevant Stock Acquisition Right pursuant to Condition 5.9.1, shall be deemed to be acquired by the Bank as a capital contribution in kind by such Bondholder at the price equal to the principal amount of the Bond as of the Stock Acquisition Date.

5.1.2 *Number of Shares*: The number of Shares to be acquired by a Bondholder exercising its Stock Acquisition Rights will be determined by dividing the aggregate principal amount of the Bonds deposited by such Bondholder at the same time upon exercise of the Stock Acquisition Rights by the Conversion Price applicable on the Stock Acquisition Date. Fractions of a Share will not be issued upon exercise of any Stock Acquisition Right and no adjustment or cash payment will be made in respect thereof. However, if two or more Stock

Acquisition Rights are exercised at any one time by the same Bondholder, the number of Shares which shall be acquired upon exercise of such Stock Acquisition Rights shall be calculated on the basis of the aggregate principal amount of the Bonds in which the Stock Acquisition Rights so exercised are incorporated.

For the avoidance of doubt, if a Bondholder would receive a number of Shares ("Non-unit Shares") not constituting a unit (tangen) of Shares or integral multiples thereof upon exercise of the Stock Acquisition Right(s) or upon a Retroactive Adjustment, such Non-unit Shares shall be delivered to the relevant Bondholder in the same manner as the Shares constituting a whole unit of Shares, and no cash amounts shall be paid by the Bank in respect of such Non-unit Shares. As at the date of this Offering Circular, the Bank's Articles of Incorporation provide that 1,000 Shares constitute one unit. Under the book-entry transfer system established pursuant to the Book-Entry Act, Shares constituting less than one unit are transferable. Under the rules of the Japanese stock exchanges, however, Shares constituting less than one unit do not comprise a trading unit, except in limited circumstances, and accordingly may not be sold on the Japanese stock exchanges. Further, a holder of Shares representing less than one unit cannot exercise any voting rights pertaining to those Shares. A holder of Shares representing less than one unit may at any time require the Bank to purchase such Shares through the relevant Account Management Institution. The Bank's Articles of Incorporation currently provide that a holder of Shares representing less than one unit may also request the Bank to sell to such holder Shares constituting less than one unit which, when added to the Shares held by such holder, shall constitute one full unit.

5.1.3 *Conversion Price*: The price at which Shares shall be acquired upon exercise of the Stock Acquisition Rights (the "Conversion Price") shall initially be U.S.$5.95 per Share, subject to adjustment in the manner provided in Condition 5.2.

Adjustments to the Conversion Price will be calculated based on a percentage of yen values, and reflected in the Dollar value of the Conversion Price without applying an exchange rate.

5.1.4 *Exercise Period*: Subject to Condition 5.1.5, each Stock Acquisition Right may be exercised at any time during the period from, and including, 7 April 2015 to, and including, the close of business (at the place where the Stock Acquisition Right is to be exercised) on 9 June 2020 or,

(i) if a Viability Event occurs, then up to the time of such Viability Event,

In addition, a Conversion Notice will not take effect if a Viability Event occurs prior to 23:59 hours (London time) on the Deposit Date (as defined in Condition 5.9.4). See Condition 5.9.

(ii) if the relevant Bond shall have been called for redemption pursuant to Condition 7.2 or 7.4, then up to the close of business (at the place as aforesaid) on the third Tokyo Business Day prior to the date fixed for redemption thereof (unless the relevant Bondholder has elected that such Bond shall not be redeemed pursuant to the second paragraph of Condition 7.4),

(iii) if the Bonds are to be redeemed pursuant to Condition 7.5, 7.6 or 7.7, then up to the close of business (at the place as aforesaid) on the third Tokyo Business Day prior to the date fixed for redemption thereof,

(iv) if the relevant Bond shall have been acquired by the Bank pursuant to Condition 7.3 or purchased by the Bank or a Subsidiary pursuant to Condition 7.8 and cancelled by the Bank pursuant to Condition 7.3.1 or 7.9, respectively, then up to the time when such Bond is so cancelled, or

(v) if the relevant Bond shall have been declared due and payable pursuant to Condition 10.1, then up to the time when such Bond becomes so declared due and payable, provided that,

(w) in no event shall the Stock Acquisition Rights be exercised after 9 June 2020,

(x) the Stock Acquisition Rights may not be exercised for such period as may be designated by the Bank if the Bank reasonably determines that such suspension is necessary in order to consummate the relevant transaction in compliance with these Conditions (including Conditions 6.4.1, 7.6 and 7.7), and provided that such period may not exceed 30 days, shall end on a date not later than 14 days after the Corporate Event Effective Date and may not extend into a Conversion Price Reduction Period provided in Conditions 5.2.16, 5.2.17 and 5.2.18,

(y) in the case of acquisition pursuant to Condition 7.3, the Stock Acquisition Rights may not be exercised for the period from but excluding the date of the Acquisition Notice to and including the Acquisition Option Date, and

(z) the Stock Acquisition Rights may not be exercised where the relevant Stock Acquisition Date (or the next following Tokyo Business Day, if the Stock Acquisition Date will not be a Tokyo Business Day) would fall on a date within any Shareholder Determination Date Restriction Period; provided that if there is a change to the mandatory provisions of Japanese law, regulation or practice relating to the delivery of shares upon exercise of stock acquisition rights through book-entry transfer system established pursuant to the Book-Entry Act, then this Condition 5.1.4 and the definition of Shareholder Determination Date Restriction Period may be amended to the extent permitted by applicable law by the Bank to reflect such change in law, regulation or practice without the consent of the Trustee or the Bondholders and notice thereof (together with the reason for such change) shall be given promptly by the Bank to the Trustee in writing and to the Bondholders in accordance with Condition 19. If the Bank sets a Shareholder Determination Date on a day other than such dates as are fixed by the Articles of Incorporation of the Bank at the date hereof, the Bank shall give the Trustee in writing and the Bondholders in accordance with Condition 19 a notice of each such Shareholder Determination Date and of each such period in which the Stock Acquisition Rights may not be exercised pursuant to the provisions in this paragraph, no later than the five Tokyo Business Days prior to such Shareholder Determination Date, as the case may be.

The Bank shall give the Trustee in writing and the Bondholders in accordance with Condition 19 a notice of the determination and period referred to in (x) above at least 30 days prior to the commencement of such period.

The period during which the Stock Acquisition Rights are exercisable pursuant to this Condition 5.1.4 is referred to in these Conditions as the "Exercise Period". Upon expiration of the Exercise Period, the Stock Acquisition Rights incorporated in the relevant Bonds will lapse and cease to be exercisable or valid for any purposes.

As of the date of this Offering Circular, the Bank's Articles of Incorporation fix 31 March and 30 September as the Record Dates. By way of example, in respect of the Record Date falling on 30 September 2015, it is anticipated that the Stock Acquisition Rights will not be exercisable where the Stock Acquisition Date would fall on any day from (and including) 28 September 2015 to (and including) 30 September 2015.

The term "Tokyo Business Day" means any day (other than a Saturday, Sunday or a day which shall be a legal holiday in Tokyo or a day on which banking institutions in Tokyo are obliged or authorised by law or executive order to close) on which banks are open for business in Tokyo.

5.1.5 *Condition to Conversion:* Prior to (but not including) 25 March 2020, a Bondholder may exercise its Stock Acquisition Rights only if, as of the last day of any calendar quarter, the Closing Price of the Shares for the 20 consecutive Trading Days (the Closing Price of the Shares on each Trading Day being converted into Dollars (calculated to the nearest one tenth of a cent in accordance with Condition 5.7) at the Conversion Rate applicable on such Trading Day) ending on the last Trading Day of such calendar quarter is more than 130 per cent. of the Conversion Price (calculated to the nearest one tenth of a cent in accordance with Condition 5.7) in effect on the last Trading Day of such calendar quarter, as determined by the Principal Agent and notified to the Bondholders in accordance with Condition 19, subject to adjustment in the manner provided in Condition 5.2. If this condition is satisfied, then a Bondholder may (subject to these Conditions) exercise the Stock Acquisition Rights on and after the first day of the following calendar quarter until the end of such quarter (or, in the case of the calendar quarter commencing on 1 January 2020, until 24 March 2020), provided the relevant Deposit Date falls during the Exercise Period. For the avoidance of doubt, even where a condition to the exercise of the Stock Acquisition Rights set forth in this Condition 5.1.5 is not applicable by virtue of Condition 5.1.6, 5.1.7 or 5.1.8, the Stock Acquisition Rights shall not be exercisable after the expiration of the Exercise Period.

5.1.6 *Ratings Requirements:* The condition to the exercise of the Stock Acquisition Rights set forth in Condition 5.1.5 shall not be applicable during any period in which (i) the long term issuer rating assigned to the Bank by Japan Credit Rating Agency, Ltd. or its successors (together, "JCR") is BBB- (or equivalent if the rating category is changed) or lower, (ii) the issuer rating assigned to the Bank by Rating and Investment Information, Inc. or its successors (together, "R&I") is BBB- (or equivalent if the rating category is changed) or lower, (iii) a long term issuer rating is no longer assigned to the Bank by JCR and/or an issuer rating is no longer assigned to the Bank by R&I and/or (iv) the long term issuer rating assigned to the Bank by JCR and/or the issuer rating assigned to the Bank by R&I has been suspended or withdrawn. Upon the occurrence of any of the events set out in (i), (ii), (iii) or (iv) above, the Bank shall forthwith give notice thereof to the Trustee in writing and to the Bondholders in accordance with Condition 19.

5.1.7 *Redemption Events:* If a notice of redemption is given pursuant to Condition 7.2 or 7.4, the condition to the exercise of the Stock Acquisition Rights set forth in Condition 5.1.5 shall not be applicable on and after the date of notice of such redemption except in the case of the Stock Acquisition Rights attaching to the Bonds elected by the relevant Bondholders not to be redeemed pursuant to Condition 7.4.

5.1.8 *Conversion Price Reduction:* The condition to the exercise of the Stock Acquisition Rights set forth in Condition 5.1.5 shall not be applicable during any Conversion Price Reduction Period provided in Conditions 5.2.16, 5.2.17 and 5.2.18.

5.1.9 *Rights Attached to Shares Acquired upon Exercise of Stock Acquisition Rights:* Shares acquired upon exercise of the Stock Acquisition Rights shall have the same rights in all respects (including in relation to any distribution of dividends) as the Shares outstanding on the relevant Stock Acquisition Date (except for any right the Record Date for which precedes such Stock Acquisition Date and any other right excluded by mandatory provisions of applicable law).

5.2 Adjustments of the Conversion Price

Upon the happening of any of the events described below, the Conversion Price shall be adjusted as follows:

5.2.1 *Stock Split and Consolidation of Shares:* if the Bank shall (a) make a Stock Split, (b) consolidate its outstanding Shares into a smaller number of shares, or (c) re-classify any of its Shares into other securities of the Bank, then the Conversion Price shall be appropriately adjusted so that the holder of any Bond, the Stock Acquisition Date in respect of which occurs after the coming into effect of the adjustment described in this Condition 5.2.1, shall be entitled to receive the number of Shares and/or other securities of the Bank which it would have held or have been entitled to receive after the coming into effect of any of the events described above had the Stock Acquisition Right in respect of such Bond been exercised immediately prior to the coming into effect of such event (or, if the Bank has fixed a prior Record Date for the determination of shareholders entitled to receive any such Shares or other securities issued upon any such Stock Split, consolidations or re-classification, immediately prior to such Record Date), but without prejudice to the effect of any other adjustment to the Conversion Price made with effect from the date of the coming into effect of such event (or such Record Date) or any time thereafter. An adjustment made pursuant to this Condition 5.2.1 shall become effective immediately on the relevant event becoming effective or, if a prior Record Date is fixed therefor, immediately after the Record Date; provided that, in the case of a relevant transaction which must, under applicable Japanese law, be approved by a general meeting of shareholders or the Board of Directors of the Bank before being legally effective, and which is so approved after the Record Date fixed for the determination of shareholders entitled to receive such Shares or other securities, such adjustment shall, immediately upon such approval being given, become effective retroactively to immediately after such Record Date.

If the Bank shall make a Stock Split and the Record Date therefor is also:

(i) the Record Date for the issue of any rights or warrants (including stock acquisition rights) which requires an adjustment of the Conversion Price pursuant to Condition 5.2.2 or 5.2.3; or

(ii) the last date (in the place of issue) of the period during which payment may be made for any securities convertible into or exchangeable for Shares which requires an adjustment of the Conversion Price pursuant to Condition 5.2.5 or 5.2.8; or

(iii) the last date (in the place of issue) of the period during which payment may be made for the issue or transfer of any Shares which requires an adjustment of the Conversion Price pursuant to Condition 5.2.6 or 5.2.8; or

(iv) the date of issue of any rights or warrants which requires an adjustment of the Conversion Price pursuant to Condition 5.2.7 or 5.2.8, then (except where such Stock Split gives rise to a Retroactive Adjustment of the Conversion Price under this Condition 5.2.1) no adjustment of the Conversion Price in respect of such Stock Split shall be made under this Condition 5.2.1, but in lieu thereof an adjustment shall be made under Condition 5.2.2, 5.2.3, 5.2.5, 5.2.6, 5.2.7 or 5.2.8, as the case may be, by including in item "n" of the formula described therein the aggregate number of additional Shares to be delivered pursuant to such Stock Split;

5.2.2 *Issue to Shareholders of Rights or Warrants to Acquire Shares:* if the Bank shall allot, grant, issue or offer to the holders of Shares rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire Shares:

(i) at a consideration per Share receivable by the Bank (determined as provided in Condition 5.2.10) which is fixed on or prior to the Record Date mentioned below and is less than the Current Market Price per Share on such Record Date; or

(ii) at a consideration per Share receivable by the Bank (determined as aforesaid) which is fixed after the Record Date mentioned below and is less than the Current Market Price per Share on the date in Japan on which the Bank fixes the said consideration,

then the Conversion Price in effect (in a case within (i) above) on the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) on the date in Japan on which the Bank fixes the said consideration shall be adjusted in accordance with the following formula:

$$\mathrm{NCP} = \mathrm{OCP} \times \frac{\mathrm{N} + \mathrm{v}}{\mathrm{N} + \mathrm{n}}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan (in a case within (i) above) on such Record Date or (in a case within (ii) above) on the date in Japan on which the Bank fixes the said consideration, but excluding the number of Shares, if any, contained in the definition of "n" immediately below, but only to the extent that such Shares are then issued and outstanding.

n = the number of Shares to be allotted, issued or acquired on exercise of all such rights or warrants at the initial subscription, purchase or acquisition price.

v = the number of Shares which the aggregate consideration receivable by the Bank (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share specified in (i) above or, as the case may be, (ii) above.

Such adjustment shall become effective (in a case within (i) above) immediately after the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) immediately after the day upon which the Bank fixes the said consideration but retroactively to immediately after the Record Date for the said determination.

If, in connection with an allotment, grant, issue or offer to the holders of Shares of rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire Shares, any such rights and/or warrants which are not subscribed for, purchased or otherwise acquired by the persons entitled thereto are offered to and/or subscribed for, purchased or otherwise acquired by others (whether as placees or members of the public or pursuant to underwriting arrangements or otherwise), no further adjustment shall be required or made to the Conversion Price by reason of such offer and/or subscription, purchase or acquisition;

5.2.3 *Issue to Shareholders of Rights or Warrants to Acquire Convertible/Exchangeable Securities:* if the Bank shall grant, issue or offer to the holders of Shares rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire any securities convertible into or exchangeable for Shares (including bonds with stock acquisition rights):

(i) at a consideration per Share receivable by the Bank (determined as provided in Condition 5.2.10) which is fixed on or prior to the Record Date mentioned below and is less than the Current Market Price per Share on such Record Date; or

(ii) at a consideration per Share receivable by the Bank (determined as aforesaid) which is fixed after the Record Date mentioned below and is less than the Current Market Price per Share on the date in Japan on which the Bank fixes the said consideration,

then the Conversion Price in effect (in a case within (i) above) on the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) on the date in Japan on which the Bank fixes the said consideration shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan (in a case within (i) above) on such Record Date or (in a case within (ii) above) on the date in Japan on which the Bank fixes the said consideration.

n = the number of Shares to be acquired upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or ratio following the exercise of all such rights or warrants at the initial subscription, purchase or acquisition price.

v = the number of Shares which the aggregate consideration receivable by the Bank (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share specified in (i) above or, as the case may be, (ii) above.

Such adjustment shall become effective (in a case within (i) above) immediately after the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) immediately after the day upon which the Bank fixes the said consideration but retroactively to immediately after the Record Date for the said determination.

If, in connection with a grant, issue or offer to the holders of Shares of rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire securities convertible into or exchangeable for Shares (including bonds with stock acquisition rights), any such securities convertible into or exchangeable for Shares (including bonds with stock acquisition rights) which are not subscribed for, purchased or otherwise acquired by the persons entitled thereto are offered to and/or subscribed for, purchased or otherwise acquired by others (whether as placees or members of the public or pursuant to underwriting arrangements or otherwise), no further adjustment shall be required or made to the Conversion Price by reason of such offer and/or subscription, purchase or acquisition;

5.2.4 *Distribution to Shareholders of Assets (including Extraordinary Dividends)*: if the Bank shall distribute to the holders of Shares (i) evidences of its indebtedness (such as bonds), (ii) shares of capital stock of the Bank (other than Shares), (iii) cash or assets of the Bank, or (iv) rights or warrants (including stock acquisition rights) to subscribe for, purchase or otherwise acquire shares (other than Shares) or securities of the Bank (other than those rights and warrants referred to in Conditions 5.2.2 and 5.2.3), in each of the cases set out in (i) through (iv) above, excluding dividends (being "distribution of surplus" within the meaning of, and subject to the limitation on amounts prescribed by, the Companies Act) other than Extraordinary Dividends), then the Conversion Price in effect on the Record Date for the determination of shareholders entitled to receive such distribution shall be adjusted in accordance with the following formula:

$$\mathrm{NCP} = \mathrm{OCP} \times \frac{\mathrm{CMP} - \mathrm{fmv}}{\mathrm{CMP}}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

CMP = the Current Market Price per Share on the Record Date for the determination of shareholders entitled to receive such distribution, including a distribution of an Extraordinary Dividend.

fmv = (i) in cases other than an Extraordinary Dividend, the fair market value ((a) as determined by the Bank in consultation with an Independent Financial Adviser (whose advice the Bank will take fully into account), or (b) if pursuant to applicable Japanese law such determination is to be made by application to a court of competent jurisdiction, as determined by such court or by an appraiser appointed by such court, and in each of the cases set out in (a) and (b) above, described in a certificate of the Bank signed by a Representative Director and delivered by the Bank to the Trustee) of the portion of the evidences of indebtedness, shares, cash, assets, rights or warrants so distributed applicable to one Share or, (ii) in the case of an Extraordinary Dividend, the amount of such Extraordinary Dividend divided by the Relevant Number of Shares used in the calculation thereof.

Such adjustment shall become effective immediately after the Record Date for the determination of shareholders entitled to receive such distribution (including a distribution of an Extraordinary Dividend); provided, however, that (a) if such distribution must, under applicable Japanese law, be approved by a general meeting of shareholders or the Board of Directors of the Bank before being legally made, and if such distribution is so approved after the Record Date fixed for the determination of shareholders entitled to receive such distribution, such adjustment shall, immediately upon such approval being given, become effective retroactively to immediately after such Record Date and (b) if the fair market value of the evidences of indebtedness, shares, cash or assets, rights or warrants so distributed cannot be determined until after the Record Date fixed for the determination of shareholders entitled to receive such distribution, such adjustment shall, immediately upon such fair market value being determined, become effective retroactively to immediately after such Record Date.

"Extraordinary Dividend" means, in relation to an Annual Fiscal Period ending on or after the last day of the Annual Fiscal Period in which the Closing Date falls, the part of any dividend (such dividend being the historical dividend without making any retroactive adjustment resulting from Stock Splits or otherwise) in respect of any number of Shares amounting to the Relevant Number of Shares, the Record Date for which falls within such Annual Fiscal Period which, when aggregated with the amount of all other dividends the Record Date for which falls within such Annual Fiscal Period in respect of such number of Shares amounting to the Relevant Number of Shares, is in excess of the sum of (i) the Base Dividend and (ii) the amount, if any, previously determined to be an Extraordinary Dividend in respect of that Annual Fiscal Period:

"Base Dividend" means ¥100,836.

The Base Dividend is the amount obtained by multiplying the Relevant Number of Shares (calculated at the initial Conversion Price) by ¥6.0.

"Relevant Number of Shares" means, such number of Shares (disregarding fractions of a Share) as Bondholders would be entitled to receive in respect of each Bond deposited (were it to be so deposited) for exercise of the Stock Acquisition Right incorporated therein at the Conversion Price in effect at the Record Date in respect of the relevant dividend.

5.2.5 *Issue to Non-shareholders of Convertible/Exchangeable Securities*: if the Bank shall issue any securities convertible into or exchangeable for Shares, including bonds with stock acquisition rights (other than the Bonds or in any of the circumstances described in Conditions 5.2.2 and 5.2.3), and the consideration per Share receivable by the Bank (determined as provided in Condition 5.2.10) shall be less than the Current Market Price per Share on the date in Japan on which the Bank fixes the said consideration (or, if the issue of such convertible or exchangeable securities is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Bank fixes the consideration to be recommended at such meeting), then the Conversion Price in effect on the last day of the period during which payment may be made in respect of the issue of such convertible or exchangeable securities shall, subject to Condition 5.2.8, be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the last day of the period during which payment may be made in respect of such convertible or exchangeable securities.

n = the number of Shares to be acquired upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or rate.

v = the number of Shares which the aggregate consideration receivable by the Bank (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share.

Such adjustment shall become effective immediately after the calendar day in Japan corresponding to the last day (in the place of issue) of the period during which payment may be made in respect of such convertible or exchangeable securities;

5.2.6 *Issue to Non-shareholders of Shares*: if the Bank shall issue or transfer any Shares (other than Shares issued or transferred (i) on conversion or exchange of any convertible or exchangeable securities (including the Bonds) allotted, granted, issued or offered by the Bank, (ii) on the exercise of any rights or warrants (including stock acquisition rights) allotted, granted, issued or offered by the Bank, (iii) to the extent permitted by the Bank's Articles of Incorporation, to any holder of Shares constituting less than one unit for the purpose of making such holder's holding, when added to the Shares held by such holder, constitute a full one unit, (iv) in any of the circumstances described in Conditions 5.2.1, 5.2.2 and 5.2.3, (v) to shareholders of any corporation which merges into the Bank upon such merger or which becomes a wholly-owned subsidiary of the Bank by a share exchange (*kabushiki-kokan*), in proportion to their shareholding in such corporation immediately prior to such merger or such exchange or (vi) to any corporation or to shareholders of any corporation which transfers its business to the Bank following the split of such corporation's business (*kyushu bunkatsu*)), and the consideration per Share receivable by the Bank (determined as provided in Condition 5.2.10) shall be less than the Current Market Price per Share on the date in Japan on which the Bank fixes the said consideration (or, if the issue or transfer of such Shares is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Bank fixes the consideration to be recommended at such meeting), then the Conversion Price in effect on the last day of the period during which payment may be made in respect of the issue or transfer of such Shares shall, subject to Condition 5.2.8, be adjusted in accordance with the following formula:

$$\mathrm{NCP} = \mathrm{OCP} \times \frac{\mathrm{N} + \mathrm{v}}{\mathrm{N} + \mathrm{n}}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the last day of the period during which payment may be made in respect of the issue or transfer of such Shares, but excluding the number of Shares, if any, contained in the definition of "n" immediately below, but only to the extent that such Shares are then issued and outstanding.

n = the number of Shares being issued or transferred as aforesaid.

v = the number of Shares which the aggregate consideration receivable by the Bank (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share.

Such adjustment shall become effective immediately after the calendar day in Japan corresponding to the last day (in the place of issue) of the period during which payment may be made in respect of the issue or transfer of such Shares;

5.2.7 *Issue to Non-shareholders of Rights or Warrants to Acquire Shares or Convertible/ Exchangeable Securities*: if the Bank shall grant, issue or offer any rights or warrants (including stock acquisition rights) entitling non-shareholders to subscribe for, purchase or otherwise acquire Shares or securities convertible into or exchangeable for Shares (other than the Stock Acquisition Rights or in any of the circumstances described in Conditions 5.2.2, 5.2.3, 5.2.4 and 5.2.5) and the consideration per Share receivable by the Bank (determined as provided in Condition 5.2.10) shall be less than the Current Market Price per Share on the date in Japan on which the Bank fixes the said consideration (or, if the grant, issue or offer of such rights or warrants is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Bank fixes the consideration to be recommended at such meeting), then the Conversion Price in effect on the date of the grant, issue or offer of such rights or warrants shall, subject to Condition 5.2.8, be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the date of the grant, issue or offer of such rights or warrants.

n = the number of Shares to be acquired on exercise of all such rights or warrants at the initial subscription, purchase or acquisition price, or upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or rate following the exercise of all such rights or warrants.

v = the number of Shares which the aggregate consideration receivable by the Bank (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share.

Such adjustment shall become effective immediately after the calendar day in Japan corresponding to the calendar day at the place of the issue of such rights or warrants;

5.2.8 *Combined Adjustment*: if the Bank shall grant, issue, transfer or offer (as the case may be) securities of a type falling within Condition 5.2.5, 5.2.6 or 5.2.7 which otherwise require an adjustment to the Conversion Price pursuant thereto and the date of grant, issue, transfer or offer of such securities or, if applicable, the last day of the period during which payment may be made in respect thereof (in each case, referred to as the "relevant date") is also the relevant date in respect of securities of another type or types (including a different tranche or issue of a same type) falling within Conditions 5.2.5, 5.2.6 and/or 5.2.7 which otherwise require an adjustment to the Conversion Price pursuant thereto (all such securities being hereafter referred to as "Relevant Securities"), then any adjustment of the Conversion Price shall not be made separately under each such Condition but in one calculation in accordance with the following formula:

$$NCP = OCP \times \frac{N + v1 + v2 + v3}{N + n1 + n2 + n3}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the relevant date but excluding the number of Shares contained in the definition of "n2" below to the extent that such Shares are then issued and outstanding.

n1 = the number of Shares to be acquired upon conversion or exchange of any convertible or exchangeable securities (included within the Relevant Securities) at the initial conversion or exchange price or rate.

n2 = the number of any Shares (included within the Relevant Securities) being issued or transferred.

n3 = the number of Shares to be acquired on exercise of any rights or warrants (included within the Relevant Securities) at the initial subscription, purchase or acquisition price, or upon conversion or exchange of any convertible or exchangeable securities at the initial conversion or exchange price or rate following the exercise of such rights or warrants.

v1 = the number of Shares which the aggregate consideration receivable by the Bank for such convertible or exchangeable securities (determined as provided in Condition 5.2.10) would purchase at the Current Market Price per Share on the date in Japan on which the Bank fixes the said consideration (or, if the issue of such convertible or exchangeable securities is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Bank fixes the consideration to be recommended at such meeting).

v2 = the number of Shares which the aggregate consideration receivable by the Bank for the issue or transfer of such Shares (determined as provided in Condition 5.2.10) would purchase at the Current Market Price per Share on the date in Japan on which the Bank fixes the said consideration (or, if the issue or transfer of such Shares is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Bank fixes the consideration to be recommended at such meeting).

v3 = the number of Shares which the aggregate consideration receivable by the Bank for the issue or transfer of the total number of Shares to be acquired on exercise of such rights or warrants and (if applicable) upon conversion or exchange of such convertible or exchangeable securities (determined as provided in Condition 5.2.10) would purchase at the Current Market Price per Share on the date in Japan on which the Bank fixes the said consideration (or, if the grant, issue or offer of such rights or warrants is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Bank fixes the consideration to be recommended at such meeting).

Any such adjustment shall become effective immediately after the calendar day in Japan corresponding to the calendar day at the relevant place of issue which is the relevant date.

5.2.9 Current Market Price per Share: for the purpose of these Conditions, "Current Market Price per Share" on any date shall be deemed to be the yen average of the daily Closing Prices of the Shares for the 30 consecutive Trading Days commencing 45 Trading Days before such date.

If, during the said 45 Trading Day period or any period thereafter up to but excluding the date as of which the adjustment of the Conversion Price in question shall be effected, any event (other than the event which requires the adjustment in question) shall occur which gives rise to a separate adjustment (excluding a Retroactive Adjustment to take effect on or after such date) to the Conversion Price under the provisions of this Condition 5.2, the Current Market Price per Share as determined above shall be adjusted in such manner and to such extent as the Bank in consultation with an Independent Financial Adviser (whose advice the Bank will take fully into account) shall deem to be appropriate and fair in order to compensate for the effect of such event;

5.2.10 *Consideration per Share*: for the purposes of any calculation of the consideration per Share receivable pursuant to Conditions 5.2.2, 5.2.3, 5.2.5, 5.2.6, 5.2.7 and 5.2.8, the following provisions shall be applicable:

(i) in the case of the issue or transfer of Shares for cash, the consideration shall be the amount of such cash, provided that in no case shall any deduction be made for any commissions or any expenses paid or incurred by or on behalf of the Bank for any underwriting of the issue or transfer or otherwise in connection therewith;

(ii) in the case of the issue or transfer of Shares for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair value thereof as determined by the Bank in consultation with an Independent Financial Adviser (whose advice the Bank will take fully into account) or, if pursuant to applicable Japanese law such determination is to be made by application to a court of competent jurisdiction, as determined by such court or an appraiser appointed by such court, irrespective of the accounting treatment thereof. Such determination shall be final and binding on the Bank, the Trustee and the Bondholders;

(iii) (a) in the case of the issue by the Bank of securities convertible into or exchangeable for Shares, including bonds with stock acquisition rights, the aggregate consideration receivable by the Bank shall be deemed to be the consideration for any such securities plus the additional consideration (if any) to be received by the Bank upon (and assuming) the conversion or exchange of such securities at the initial conversion or exchange price or rate, and (b) in the case of the issue of rights or warrants, including stock acquisition rights, to subscribe for, purchase or otherwise acquire securities convertible into or exchangeable for Shares, the aggregate consideration receivable by the Bank shall be the consideration (if any) received by the Bank for any such rights or warrants plus the additional consideration to be received by the Bank upon (and assuming) the exercise thereof at the initial subscription, purchase or acquisition price and (if applicable) upon the following conversion or exchange of such securities at the initial conversion or exchange price or rate. The consideration per Share receivable by the Bank shall be such aggregate consideration divided by the number of Shares to be acquired upon (and assuming) such conversion or exchange at the initial conversion or exchange price or rate (if applicable) following the exercise of such rights or warrants at the initial subscription, purchase or acquisition price (the consideration in each case to be determined in the same manner as provided in sub-paragraphs (i) and (ii) above);

(iv) in the case of the grant, issue or offer of rights or warrants (including stock acquisition rights) entitling holders to subscribe for, purchase or otherwise acquire Shares, the aggregate consideration receivable by the Bank shall be deemed to be the consideration (if any) received by the Bank for any such rights or warrants plus the additional consideration to be received by the Bank upon (and assuming) the exercise of such rights or warrants at the initial subscription, purchase or acquisition price (the consideration in each case to be determined in the same manner as provided in sub-paragraphs (i) and (ii) above), and the consideration per Share receivable by the Bank shall be such aggregate consideration divided by the number of Shares to be acquired upon (and assuming) such exercise at the initial subscription, purchase or acquisition price; and

(v) if any consideration referred to in the foregoing provisions of this Condition 5.2.10 is receivable in a currency other than yen, such consideration shall, in any case where there is a fixed rate of exchange between yen and the relevant currency provided for the purposes of the issue of such Shares or the conversion or exchange of such securities or the exercise of such rights or warrants, be translated into yen for the purposes of this Condition 5.2.10 at such fixed rate of exchange and shall, in all other cases, be so translated at the mean of the exchange rate quotations (being quotations for the cross rate through Dollars if no direct rate is quoted) by a leading bank in Japan for buying and selling spot units of the relevant currency by telegraphic transfer against yen on the date as at which such consideration is required to be calculated;

5.2.11 *Later Adjustments*: if, at the time of computing an adjustment (the "later adjustment") of the Conversion Price pursuant to any of Conditions 5.2.2 to 5.2.8 (both inclusive), the

Conversion Price already incorporates an adjustment made (or taken into account pursuant to the proviso to Condition 5.6) to reflect the issue or transfer of such Shares, the issue of rights or warrants (including stock acquisition rights) to subscribe for, purchase or otherwise acquire such Shares or other securities convertible into or exchangeable for such Shares, but such Shares are not outstanding at the time relevant for ascertaining the number of outstanding Shares for the purposes of computing the later adjustment, such Shares shall be deemed to be outstanding for the purposes of making such computation to the extent that the number of the Shares so deemed to be outstanding exceeds the actual number of Shares in issue as a result thereof at the time of making such computation. For the purposes of determining the number of Shares outstanding in Conditions 5.2.2, 5.2.3, 5.2.5, 5.2.6, 5.2.7 and 5.2.8, the Shares held by the Bank as treasury stock on the relevant date shall be deemed not to be outstanding;

5.2.12 *Meaning of "Fixed"*: any reference in this Condition 5.2 to the date on which the consideration is "fixed" shall be construed as a reference to the first day on which such consideration in a cash amount can be ascertained, where the consideration is originally expressed by reference to a formula and not then ascertainable in a cash amount;

5.2.13 *Other Events*: if the Bank determines at its sole discretion that a downward adjustment should be made to the Conversion Price as a result of one or more events or circumstances not otherwise referred to in this Condition 5.2, the Bank shall, at its own expense, request an Independent Financial Adviser to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof and, if the adjustment would result in a reduction in the Conversion Price, the date on which such adjustment should take effect and, upon such determination, such downward adjustment (if any) shall be made and shall take effect in accordance with such determination;

5.2.14 *Modification to Operation of Adjustment Provisions:* notwithstanding the foregoing, where the circumstances giving rise to any adjustment pursuant to this Condition 5.2 have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of other circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 5.2 as may be advised by an Independent Financial Adviser to be in its opinion appropriate to give the intended result; and

5.2.15 *Adjustment during the Relevant Period:* for the purposes of Condition 5.1.5, if the Conversion Price in effect on the last Trading Day of the period of 20 consecutive Trading Days referred to therein (the "relevant period") reflects any adjustment which has become effective pursuant to this Condition 5.2 during the relevant period, then the Closing Price of the Shares for each Trading Day which occurs during the relevant period but before the effective date of such adjustment shall be adjusted to reflect the same adjustment.

5.2.16 *Reduction of Conversion Price upon a Corporate Event:* If the Bank gives notice to the Bondholders in accordance with Condition 7.5(a) then with effect from and including the Conversion Price Reduction Start Date and during the relevant Conversion Price Reduction Period, the Conversion Price shall be adjusted in accordance with the following table:

Conversion Price Reduction Start Date	**Reference Share Price (Dollars)**								
	5.94	**6.00**	**6.50**	**7.00**	**7.50**	**8.00**	**8.50**	**9.00**	**9.50**
					(Dollars)				
23 March 2015	5.94	5.94	5.94	5.95	5.95	5.95	5.95	5.95	5.95
23 March 2016	5.94	5.94	5.94	5.95	5.95	5.95	5.95	5.95	5.95
23 March 2017	5.94	5.94	5.94	5.95	5.95	5.95	5.95	5.95	5.95
23 March 2018	5.94	5.94	5.94	5.95	5.95	5.95	5.95	5.95	5.95
23 March 2019	5.94	5.94	5.94	5.95	5.95	5.95	5.95	5.95	5.95
23 March 2020	5.94	5.94	5.94	5.95	5.95	5.95	5.95	5.95	5.95
9 June 2020	5.95	5.95	5.95	5.95	5.95	5.95	5.95	5.95	5.95

In the above table:

"Reference Share Price" means:

(i) if the consideration payable to holders of the Shares in connection with the relevant Corporate Event consists of cash only (including the case where holders of the Shares will receive cash only in respect of their entitlements to securities or other assets deliverable to them in connection with such Corporate Event), the amount of such cash per Share (converted into Dollars (calculated to the nearest one tenth of a cent, with five one-hundredths or more of a cent to be considered a full tenth of a cent) at the Conversion Rate (or in the case of currencies other than yen and Dollars, the rate of exchange as determined by the Bank for such currency to Dollars) applicable on the date of occurrence of the relevant Corporate Event); and

(ii) in all other cases, the average of the Closing Prices of the Shares for the five consecutive Trading Days (with the Closing Price of the Shares on each Trading Day in that period being converted into Dollars (calculated to the nearest one tenth of a cent, with five one-hundredths or more of a cent to be considered a full tenth of a cent) at the Conversion Rate applicable on such Trading Day) commencing on the Trading Day immediately following:

    (A) the date on which the terms and conditions of the relevant Corporate Event (including the consideration payable or deliverable to holders of the Shares in connection therewith) are approved at a meeting of the Board of Directors of the Bank, as required under the Companies Act; or

    (B) (if the terms and conditions of the relevant Corporate Event are announced to the public later than that date) the date of such public announcement;

    provided that if, during the said five consecutive Trading Day period, any event shall occur which gives rise to an adjustment (excluding a Retroactive Adjustment to take effect after such period) to the Conversion Price under the provisions of Condition 5.2 (except for this Condition 5.2.16, and Conditions 5.2.17 and 5.2.18), the Reference Share Price so determined shall be adjusted in such manner and to such extent as the Bank in consultation with an Independent Financial Adviser (whose advice the Bank will take fully into account) shall determine to be appropriate and fair in order to compensate for the effect of such event, and provided further that the Reference Share Price so determined under this paragraph (ii) shall be subject to adjustment in the same manner as provided in Condition 5.2 (except for this Condition 5.2.16, and Conditions 5.2.17 and 5.2.18), in the period from but excluding the last day of the said five consecutive Trading Days to but excluding the relevant Conversion Price Reduction Start Date, and disregarding any Retroactive Adjustment to take effect on or after the relevant Conversion Price Reduction Start Date.

If the Reference Share Price or the Conversion Price Reduction Start Date does not appear in the above table, and:

(a) if the Reference Share Price falls between two prices in the first row of the above table and/or the Conversion Price Reduction Start Date falls between two dates in the above table, then the adjusted Conversion Price shall be determined by straight line interpolation between two such prices and/or dates, on the basis of a 365-day year, as the case may be;

(b) if the Reference Share Price is higher than the price in the far right column in the first row of the above table, the Reference Share Price shall be deemed to be equal to the price in the far right column in the first row; and

(c) if the Reference Share Price is less than the price set forth in the far left column in the first row of the above table, the Reference Share Price shall be deemed to be equal to the price set forth in the far left column in the first row.

If, as determined by reference to the above table and in accordance with the above provisions of this Condition 5.2.16, the Conversion Price would be less than the Floor Conversion Price, the adjusted Conversion Price shall be the Floor Conversion Price. Conversely if, as determined by reference to the above table and in accordance with the above provisions of this Condition 5.2.16, the Conversion Price would be more than the Initial Conversion Price, the adjusted Conversion Price shall be the Initial Conversion Price.

If the Conversion Price has been adjusted in accordance with the provisions of Condition 5.2 (except for this Condition 5.2.16, and Conditions 5.2.17 and 5.2.18), then the Conversion Prices in the above table shall be adjusted accordingly but disregarding any Retroactive Adjustment to take effect on or after the relevant Conversion Price Reduction Start Date. The prices in the first row of the above table corresponding to the Reference Share Price will be adjusted as of any date on which the Conversion Price in the above table is adjusted. Those prices will be adjusted to be equal to the prices in effect immediately prior to such adjustment multiplied by a fraction, the numerator of which is the Conversion Price so adjusted giving rise to the adjustment of the Conversion Price in the table above and the denominator of which is the Conversion Price in effect immediately prior to such adjustment.

The Conversion Price as so adjusted in accordance with this Condition 5.2.16 shall apply from and including the Conversion Price Reduction Start Date to and including the Conversion Price Reduction End Date. On the day immediately following the Conversion Price Reduction End Date, the Conversion Price, as adjusted pursuant to this Condition 5.2.16, shall revert to the Conversion Price in effect on the day immediately prior to the Conversion Price Reduction Start Date, but subject to any adjustment which would have been made in accordance with the provisions of Condition 5.2 (except for this Condition 5.2.16, and Conditions 5.2.17 and 5.2.18), and disregarding any Retroactive Adjustment (but without prejudice to the Bank's obligations in respect thereof) in accordance therewith, in the period from and including the Conversion Price Reduction Start Date to and including the Conversion Price Reduction End Date had no adjustment been made under this Condition 5.2.16 during the same period.

For the purpose of this Condition 5.2.16:

"Conversion Price Reduction End Date" means the last day of the Conversion Price Reduction Period;

"Conversion Price Reduction Period" means a period beginning on, and including, the Conversion Price Reduction Start Date and ending on, and including, the fourth Tokyo Business Day prior to the relevant Corporate Event Effective Date, provided that the Conversion Price Reduction Period shall last at least seven Tokyo Business Days (except for the case of an adjustment of the Conversion Price pursuant to this Condition 5.2.16 due to the satisfaction of the condition set out in Condition 7.5(iii) where the fourth Tokyo Business Day prior to the relevant Corporate Event Effective Date falls before the expiration of the period of such seven Tokyo Business Days, in which case the Conversion Price Reduction Period shall end on the fourth Tokyo Business Day prior to such Corporate Event Effective Date), and provided further that in no event shall the Conversion Price Reduction Period continue beyond the last day of the Exercise Period; and

"Conversion Price Reduction Start Date" means the date determined by the Bank in its sole discretion as being as soon as practicable, but in any event within 10 Tokyo Business Days, after it gives notice to the Bondholders pursuant to Condition 7.5(a).

5.2.17 *Reduction of Conversion Price upon a Delisting Event*: If the Bank gives notice to the Bondholders pursuant to Condition 7.6(a), then with effect from and including the

Conversion Price Reduction Start Date and during the relevant Conversion Price Reduction Period the Conversion Price shall be adjusted in the same manner as provided in Condition 5.2.16, provided that:

(i) the terms "Conversion Price Reduction End Date", "Conversion Price Reduction Period" and "Conversion Price Reduction Start Date" shall have the meaning provided in this Condition 5.2.17 in lieu of Condition 5.2.16, and

(ii) the Reference Share Price shall mean, if the offer price consists of cash only, the offer price per Share in effect on the last day of the offer (converted into Dollars (calculated to the nearest one tenth of a cent, with five one-hundredths or more of a cent to be considered a full tenth of a cent) at the Conversion Rate (or in the case of currencies other than yen and Dollars, the rate of exchange as determined by the Bank for such currency to Dollars) applicable on the last day of the offer) and, in all other cases, the average of the Closing Prices of the Shares for the five consecutive Trading Days ending on the last day of the offer (with the Closing Price of the Shares on each Trading Day in that period being converted into Dollars (calculated to the nearest one tenth of a cent, with five one-hundredths or more of a cent to be considered a full tenth of a cent) at the Conversion Rate applicable on such Trading Day); provided that if, during the said five consecutive Trading Day period, any event shall occur which gives rise to an adjustment (excluding a Retroactive Adjustment to take effect after such period) to the Conversion Price under the provisions of Condition 5.2 (except for this Condition 5.2.17 and Conditions 5.2.16 and 5.2.18), the Reference Share Price so determined shall be adjusted in such manner and to such extent as the Bank in consultation with an Independent Financial Adviser (whose advice the Bank will take fully into account) shall determine to be appropriate and fair in order to compensate for the effect of such event, and provided further that the Reference Share Price so determined in all above cases shall be subject to adjustment in the same manner as provided in Condition 5.2 (except for this Condition 5.2.17 and Conditions 5.2.16 and 5.2.18), in the period from but excluding the last day of the offer to but excluding the relevant Conversion Price Reduction Start Date, and disregarding any Retroactive Adjustment to take effect on or after the relevant Conversion Price Reduction Start Date.

The Conversion Price as so adjusted in accordance with this Condition 5.2.17 shall apply from and including the Conversion Price Reduction Start Date to and including the Conversion Price Reduction End Date. On the day immediately following the Conversion Price Reduction End Date, the Conversion Price, as adjusted pursuant to this Condition 5.2.17, shall revert to the Conversion Price in effect on the day immediately prior to the Conversion Price Reduction Start Date, but subject to any adjustment which would have been made in accordance with the provisions of Condition 5.2 (except for this Condition 5.2.17 and Conditions 5.2.16 and 5.2.18), and disregarding any Retroactive Adjustment (but without prejudice to the Bank's obligations in respect thereof) in accordance therewith, in the period from and including the Conversion Price Reduction Start Date to and including the Conversion Price Reduction End Date had no adjustment been made under this Condition 5.2.17 during the same period.

For the purpose of this Condition 5.2.17:

"Conversion Price Reduction End Date" means the last day of the Conversion Price Reduction Period;

"Conversion Price Reduction Period" means a period beginning on, and including, the Conversion Price Reduction Start Date and ending on, and including, the earlier of (i) the 30th day after the Conversion Price Reduction Start Date, (ii) the last day of the Exercise Period, or (iii) the fifth Tokyo Business Day prior to the date on which the Shares are to be delisted from the Relevant Stock Exchange;

"Conversion Price Reduction Start Date" means the date determined by the Bank at its sole discretion as being as soon as practicable, but in any event within 10 Tokyo Business Days, after it gives notice to the Bondholders pursuant to Condition 7.6(a); and

Except where the context requires otherwise, references to "offer" or "offer price" in this Condition 5.2.17 shall have the same meanings under Condition 7.6.

5.2.18 *Reduction of Conversion Price upon a Squeezeout Event*: If the Bank gives notice to the Bondholders pursuant to Condition 7.7(a), then with effect from and including the Conversion Price Reduction Start Date and during the relevant Conversion Price Reduction Period, the Conversion Price shall be adjusted in the same manner as provided in Condition 5.2.16, provided that:

(i) the terms "Conversion Price Reduction End Date", "Conversion Price Reduction Period" and "Conversion Price Reduction Start Date" shall have the meaning provided in this Condition 5.2.18 in lieu of Condition 5.2.16, and

(ii) the Reference Share Price shall mean, if the assets to be delivered consist of cash only, the amount of such cash per Share (converted into Dollars (calculated to the nearest one tenth of a cent, with five one-hundredths or more of a cent to be considered a full tenth of a cent) at the Conversion Rate (or in the case of currencies other than yen and Dollars, the rate of exchange as determined by the Bank for such currency to Dollars) applicable on the date of the Squeezeout Event) and, in all other cases, the average of the Closing Prices of the Shares for the five consecutive Trading Days ending on the date of the Squeezeout Event (with the Closing Price of the Shares on each Trading Day in that period being converted into Dollars (calculated to the nearest one tenth of a cent, with five one-hundredths or more of a cent to be considered a full tenth of a cent) at the Conversion Rate applicable on such Trading Day); provided that if, during the said five consecutive Trading Day period, any event shall occur which gives rise to an adjustment (excluding a Retroactive Adjustment to take effect after such period) to the Conversion Price under the provisions of Condition 5.2 (except for this Condition 5.2.18 and Conditions 5.2.16 and 5.2.17), the Reference Share Price so determined shall be adjusted in such manner and to such extent as the Bank in consultation with an Independent Financial Adviser (whose advice the Bank will take fully into account) shall determine to be appropriate and fair in order to compensate for the effect of such event, and provided further that the Reference Share Price so determined in all above cases shall be subject to adjustment in the same manner as provided in Condition 5.2 (except for this Condition 5.2.18 and Conditions 5.2.16 and 5.2.17), in the period from but excluding the last day of the offer to but excluding the relevant Conversion Price Reduction Start Date, and disregarding any Retroactive Adjustment to take effect on or after the relevant Conversion Price Reduction Start Date.

The Conversion Price as so adjusted in accordance with this Condition 5.2.18 shall apply from and including the Conversion Price Reduction Start Date to and including the Conversion Price Reduction End Date. On the day immediately following the Conversion Price Reduction End Date, the Conversion Price, as adjusted pursuant to this Condition 5.2.18, shall revert to the Conversion Price in effect on the day immediately prior to the Conversion Price Reduction Start Date, but subject to any adjustment which would have been made in accordance with the provisions of Condition 5.2 (except for this Condition 5.2.18 and Conditions 5.2.16 and 5.2.17), and disregarding any Retroactive Adjustment (but without prejudice to the Bank's obligations in respect thereof) in accordance therewith, in the period from and including the Conversion Price Reduction Start Date to and including the Conversion Price Reduction End Date had no adjustment been made under this Condition 5.2.18 during the same period.

For the purpose of this Condition 5.2.18:

"Conversion Price Reduction End Date" means the last day of the Conversion Price Reduction Period;

"Conversion Price Reduction Period" means a period beginning on, and including, the Conversion Price Reduction Start Date and ending on, and including, the earlier of (i) the 30th day after the Conversion Price Reduction Start Date, (ii) the last day of the Exercise Period, or (iii) the fifth Tokyo Business Day prior to the effective date of the acquisition of the Shares with respect to the Squeezeout Event; and

"Conversion Price Reduction Start Date" means the date determined by the Bank at its sole discretion as being as soon as practicable, but in any event within 10 Tokyo Business Days, after it gives notice to the Bondholders pursuant to Condition 7.7(a).

5.3 Retroactive Adjustments

If the Stock Acquisition Date in relation to a Stock Acquisition Right shall be on or after a date with effect from which an adjustment to the Conversion Price takes retroactive effect pursuant to any of the provisions of Condition 5.2 and the relevant Stock Acquisition Date falls on a date before the relevant adjustment becomes effective under Condition 5.2 (such adjustment, a "Retroactive Adjustment"), the Bank shall procure that the provisions of Condition 5.9.5 shall be applied, mutatis mutandis, to such number of Shares ("Additional Shares") as is equal to the excess of the number of Shares which would have been acquired upon exercise of such Stock Acquisition Right if the relevant Retroactive Adjustment had been given effect as of the said Stock Acquisition Date over the number of Shares previously acquired pursuant to such exercise, and in such event and in respect of such Additional Shares, references in Condition 5.9.5 to the "Stock Acquisition Date" shall be deemed to refer to the date upon which such Retroactive Adjustment is first reflected in the Conversion Price.

5.4 Limitation on Reduction of Conversion Price

Notwithstanding the provisions of this Condition 5, the Conversion Price will not be reduced as a result of any adjustment made hereunder to such an extent that, under applicable law then in effect, the Stock Acquisition Rights may not be permitted to be exercised at such lower Conversion Price into legally issued, fully paid and non-assessable Shares.

5.5 Employee Share Schemes

No adjustment will be made to the Conversion Price where Shares or other Securities are issued, offered, exercised, allotted, appropriated, modified or granted to, or for the benefit of, employees, former employees, corporate auditors or directors (including directors holding or formerly holding executive office or the personal service company of any such person) of the Bank or any of its Subsidiaries or affiliates, their spouses or relatives, or any associated companies of any such person, or to any trustee or trustees for the benefit of any such person, in any such case, pursuant to any employees' or executives' share or option scheme.

5.6 Minimum Adjustments

No adjustment of the Conversion Price shall be required unless such adjustment would result in an increase or decrease in such Conversion Price of at least one cent provided that any adjustment which by reason of this Condition 5.6 is not required to be made shall be carried forward and taken into account (as if such adjustment were made at the time when it would be made but for the provisions of this Condition 5.6) in any subsequent adjustment.

5.7 Calculations

Unless otherwise stated, all calculations of Dollar amounts (including, without limitation, the Conversion Price) under this Condition 5 shall be made to the nearest one tenth of a cent, with five one-hundredths or more of a cent to be considered a full tenth of a cent.

Unless otherwise stated, all calculations of yen amounts (including, without limitation, the Current Market Price per Share) under this Condition 5 shall be made to the nearest one tenth of a yen, with five one-hundredths or more of a yen to be considered a full tenth of a yen.

5.8 Notification of Adjustments

Whenever the Conversion Price is adjusted as herein provided, the Bank shall promptly notify the Trustee, the Principal Agent, the other Agents, the Custodian and the Custodian's Agent in writing setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment and the effective date thereof (or the Conversion Price Reduction Start Date and the Conversion Price Reduction End Date therefor, in the case of an adjustment pursuant to Condition 5.2.16, 5.2.17 or 5.2.18), and shall promptly give notice to the Bondholders in accordance with Condition 19 stating that the Conversion Price has been or will be adjusted and setting forth the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment (or the Conversion Price Reduction Start Date and the Conversion Price Reduction End Date therefor, in the case of an adjustment pursuant to Condition 5.2.16, 5.2.17 or 5.2.18).

5.9 Procedure for Conversion

5.9.1 *Conversion Notice*: To exercise a Stock Acquisition Right, the exercising Bondholder shall complete, sign and deposit at the specified office of an Agent at its own expense during normal business hours of the Agent with which the deposit is being made a Conversion Notice, in the form obtainable from any Agent, together with the Certificate evidencing the relevant Bond. No Stock Acquisition Right may be exercised in part only.

5.9.2 *Custodian and Custodian's Agent*: The initial Custodian and its initial specified office are set out at the end of these Conditions. The Bank reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Custodian and to appoint another Custodian; provided that there shall always be a Custodian, being a non-resident of Japan and having a specified office outside Japan. Notice of any such termination or appointment and of any changes in the specified office of the Custodian will be given to the Bondholders in accordance with Condition 19. The Custodian has, pursuant to the Agency Agreement, initially appointed Mizuho Bank, Ltd. as the Custodian's Agent at its initial specified office set out at the end of these Conditions and may, with the prior written approval of the Trustee, alter such appointment at any time. The Bank shall give notice to the Bondholders in accordance with Condition 19 of any change in the Custodian's Agent and/or its specified office. The Custodian shall have no liability to Bondholders for any loss suffered by them as a result of any failure on the part of the Custodian's Agent to perform its functions pursuant to these Conditions and the Agency Agreement, nor shall the Custodian have any obligation to perform those functions should the Custodian's Agent not do so.

The Custodian shall not be liable for monitoring or supervising the performance by the Custodian's Agent of such functions. The Contracts (Rights of Third Parties) Act 1999 applies to this Condition 5.9.2 for the benefit of the Custodian.

5.9.3 *Conditions Precedent*: As conditions precedent to the exercise of the Stock Acquisition Right, the Bondholder must pay to the relevant Agent pursuant to this Condition 5.9.3 (or make arrangements satisfactory to such Agent or its delegate for the payment of) all stamp, issue, registration or other similar taxes and duties (if any), together with any incidental expenses reasonably incurred in connection therewith, arising on such exercise in the country in which the Stock Acquisition Right is to be exercised or payable in any jurisdiction consequent upon the issue or delivery of Shares to or to the order of a person other than the exercising Bondholder (if any) together with an amount sufficient to pay the expenses of delivery pursuant to Condition 5.9.5(ii). The Agent will not be bound to make any payments until the Agent has received the full amount of such taxes and duties due and payable in respect of the Bonds, the Stock Acquisition Rights in respect of which are being exercised, or other arrangements satisfactory to the Agent have been made. Except as aforesaid, the Bank will pay the expenses arising on the acquisition of Shares upon exercise of the Stock Acquisition Rights (which for the avoidance of doubt does not include the exercising Bondholder's own costs and expenses for holding such Shares) and all charges of the Agents in connection therewith (including all costs, charges and expenses incurred by any delegate). The Bondholder (and, if applicable, the person other than the Bondholder to whom the Shares are to be issued or transferred) must provide the relevant Agent with details of the relevant tax authorities to which such Agent must pay moneys received from the Bondholder for payment of taxes and duties. The payment of such moneys received from the Bondholders to the relevant tax authority will be made at the risk and expense of the Bondholder exercising the relevant Stock Acquisition Rights and such Bondholder will be required to submit any necessary duly completed and signed documents that may be required by the Agent in order to effect the payment of such moneys. The Agent shall be entitled to assume without duty to enquire and without liability that any information provided by the Bondholder exercising the relevant Stock Acquisition Rights in connection with any such amounts payable and as to the details of the relevant tax authorities to which the Agent must pay moneys received in settlement of the taxes and duties payable pursuant to this Condition 5.9.3 is true, accurate and complete. The Bondholders (and, if applicable, the person other than the Bondholders to whom the Shares are to be delivered) shall, upon exercising the relevant Stock Acquisition Rights, be deemed to have consented to the Agent disclosing otherwise confidential information for the purposes of the Agent's carrying out the duties herein. Such Agent is under no obligation to determine whether a Bondholder is liable to pay any taxes, stamp, issue, registration or similar taxes and duties or the amounts payable (if any) arising upon exercise of any Stock Acquisition Rights.

5.9.4 *Deposit Date and Stock Acquisition Date:* The date on which the Certificate evidencing any Bond and the Conversion Notice relating thereto are deposited with an Agent, or on which all conditions precedent to the exercise of the relevant Stock Acquisition Right are fulfilled, whichever shall be later, is hereinafter referred to as the "Deposit Date" applicable to such Bond. The request for exercise of the Stock Acquisition Right shall be deemed to have been made, and accordingly the exercise of the Stock Acquisition Right and the delivery of the relevant Certificate therefor will become effective, at 23:59 hours (London time) on the Deposit Date applicable to the relevant Bond (and the next calendar day, being the calendar day in Japan on which such time in London falls, is herein referred to as the "Stock Acquisition Date" applicable to such Bond), provided that the Conversion Notice will not take effect if a Viability Event occurs prior to 23:59 hours (London time) on the Deposit Date. A Conversion Notice once deposited shall not be withdrawn without the consent in writing of the Bank. If delivery of the Conversion Notices is made after the end of normal business hours or on a day which is not a business day in the place of the specified office of the Agent, such delivery shall be deemed for all purposes of these Conditions to have been made on the next following such business day.

At any time when the relevant Bond(s) is/are evidenced by the Global Certificate, the exercising Bondholder must deposit the Conversion Notice in the manner aforesaid with any Agent, together with an authority to Euroclear to debit, or to procure Clearstream, Luxembourg to debit, the Bondholder's account pro tanto. With effect from the relevant Stock Acquisition Date, Euroclear or Clearstream, Luxembourg, as the case may be, shall debit the Bondholder's account with the number of the Bond(s) the Stock Acquisition Right(s) incorporated in which has/have been exercised and the Register shall be amended accordingly.

5.9.5 *Delivery of Shares*: The Bank shall procure that the relevant Agent shall, with effect as of the Stock Acquisition Date, endorse the Conversion Notice on behalf of the Custodian. With effect from the Stock Acquisition Date (or as soon as practicable thereafter under Japanese law, regulation and practice relating to the delivery of shares and the register of shareholders), the Bank shall deem the Custodian or its nominee to have become the holder of record of the number of Shares to be acquired upon such exercise of the Stock Acquisition Right (disregarding any fraction of a Share resulting from such exercise and also disregarding any Retroactive Adjustment of the Conversion Price prior to the time when such Retroactive Adjustment is first reflected in the Conversion Price).

Thereafter, subject to any applicable limitations then imposed by Japanese law or the Articles of Incorporation of the Bank:

(i) as soon as practicable and in any event within 14 days after the Stock Acquisition Date, in accordance with the book-entry transfer system established pursuant to the Book-Entry Act, the Bank shall issue and deliver the relevant Shares to the Custodian or its nominee at the account maintained with the Custodian's Agent (as an Account Management Institution), and the Custodian's Agent shall transfer the relevant Shares to or to the order of the exercising Bondholder at such account maintained with an Account Management Institution in Japan as specified in the relevant Conversion Notice (unless the Bank fails to make delivery thereof to the relevant account at the Custodian's Agent as aforesaid or such instruction given by the exercising Bondholder in the relevant Conversion Notice is inaccurate, incomplete or insufficient for the purposes of such transfer); and

(ii) as soon as practicable, the Bank shall deliver to the Custodian's Agent for the account of the Custodian or its nominee, securities (other than the Shares), property or cash required to be delivered upon such exercise of the Stock Acquisition Rights, if any, and the Custodian's Agent shall, according to the request made in the relevant Conversion Notice as soon as practicable, and in any event within 21 days after the Stock Acquisition Date, despatch or cause to be despatched to, or to the order of the person named for that purpose in the relevant Conversion Notice and at the place in Japan and in the manner specified in the relevant Conversion Notice (the expense and risk of despatch at any such place being that of the exercising Bondholder), any such securities (other than Shares), property or cash required to be delivered upon exercise (unless the Bank fails to make delivery thereof to the Custodian's Agent as aforesaid) and such assignments and other documents (if any) as may be required by law to effect the transfer thereof; provided, however, that if such securities (other than Shares) are subject to the book-entry transfer system established pursuant to the Book-Entry Act, such delivery or despatch will be implemented in accordance therewith.

5.9.6 *Amount of Stated Capital and Additional Paid-in Capital*: With effect as of the Stock Acquisition Date, one-half of the "maximum capital and other increase amount", as calculated pursuant to Article 17 of the Rules of Account Settlement of Corporations (Ordinance of Ministry of Justice No. 13 of 2006, as amended) in respect of such exercise (with any fraction of less than one yen being rounded up) shall be accounted for as stated capital, and the rest of such amount shall be accounted for as additional paid-in capital.

6 Certain Corporate Events

6.1 Corporate Events

In the case of a proposal for:

(i) any Merger Event; or

(ii) any Asset Transfer Event; or

(iii) any Corporate Split Event; or

(iv) any Holding Company Event; or

(v) the passing of a resolution at a general meeting of shareholders of the Bank (or, where such a resolution is not required, at a meeting of the Board of Directors of the Bank) for any other corporate reorganisation procedure then provided for under Japanese law

(the passing of any such resolution and any Merger Event, any Asset Transfer Event, any Corporate Split Event and any Holding Company Event being together referred to in these Conditions as a "Corporate Event") pursuant to which the obligations under the Bonds and/or the Stock Acquisition Rights are proposed to be transferred to or assumed by another entity (such other entity and any Merged Company, any Asset Transferee, any Corporate Split Counterparty and any Holding Company being together referred to as a "New Obligor"), the following provisions of this Condition 6 shall apply.

6.2 Notice of Proposal

The Bank shall give notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 of a proposed Corporate Event at the same time as it gives notice to the holders of Shares (or, if no such notice is required, promptly after the first public announcement of such proposed Corporate Event) and, as soon as practicable thereafter, of its proposals in relation to the Bonds (including the Stock Acquisition Rights). Such notice shall specify the anticipated Corporate Event Effective Date. If those proposals and/or that date have not been determined, the notice shall state that fact.

6.3 Notice of Passing of Resolution

Upon the occurrence of a Corporate Event, the Bank shall forthwith give a further notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 of that fact, the Bank's proposals in relation to the Bonds (including the Stock Acquisition Rights) and the anticipated effective date of the transaction, and, if such anticipated effective date or proposals are changed or fixed, a further notice to such effect shall be given in the same manner. The effective date of the transaction contemplated by the relevant Corporate Event is referred to herein as its "Corporate Event Effective Date".

6.4 Transfer of Obligations Following a Corporate Event

6.4.1 *Transfer*: If a Corporate Event occurs and

(i) it is legally possible under the then applicable laws (taking into account the then official or judicial interpretation or application of such laws) to effect substitution of the New Obligor for the Bank and the grant of the New Stock Acquisition Rights in such a manner as set out in Conditions 6.5 and 12.2;

(ii) a practical structure for such substitution and grant has been or can be established; and

(iii) such substitution and grant can be consummated without the Bank or the New Obligor incurring costs or expenses (including taxes) which are in the opinion of the Bank unreasonable in the context of the entire transaction,

then the Bank shall use its best endeavours to cause the New Obligor to be substituted as the principal obligor under the Bonds and the Trust Deed pursuant to Condition 12.2 and the Trust Deed and for the grant of the New Stock Acquisition Rights in relation to the Bonds in place of the Stock Acquisition Rights in the manner described in Condition 6.5. Such substitution and grant shall take effect on the relevant Corporate Event Effective Date, or, in the case of a Merger Event, a Holding Company Event or a Corporate Split Event where the Merged Company, the Holding Company or the Corporate Split Counterparty (as the case may be) is established on or immediately after the relevant Corporate Event Effective Date, as soon as practicable on or after, but in any event no later than 14 days after, the relevant Corporate Event Effective Date.

6.4.2 *Listing*: In connection with the substitution and grant described in Condition 6.4.1, the Bank shall also use its best endeavours to ensure that the shares of common stock of the New Obligor will be listed on any stock exchange in Japan or be quoted or dealt in on any securities market in Japan (such listing, quotation and dealing being hereinafter collectively referred to as "Listing") on the relevant Corporate Event Effective Date.

6.4.3 *Condition*: The obligations of the Bank pursuant to this Condition 6.4 shall not apply if the Bank delivers a certificate to the Trustee pursuant to Condition 7.5(iv).

6.5 New Stock Acquisition Rights

At the time of the substitution of (or assumption by) the New Obligor as principal obligor under Condition 12.2 and the Trust Deed, New Stock Acquisition Rights will be granted, in place of the Stock Acquisition Rights, to the Bondholders by the New Obligor, in accordance with the following terms:

6.5.1 *Number of the New Stock Acquisition Rights to be Granted*: The number of New Stock Acquisition Rights to be granted will be equal to the number of the Stock Acquisition Rights incorporated in the Bonds outstanding immediately prior to the relevant Corporate Event Effective Date;

6.5.2 *Class of Shares to be Issued or Transferred upon Exercise of the New Stock Acquisition Rights*: Upon exercise of the New Stock Acquisition Rights, shares of common stock of the New Obligor shall be issued or transferred;

6.5.3 *Number of Shares to be Issued or Transferred upon Exercise of the New Stock Acquisition Rights*: The number of shares of the New Obligor to be issued or transferred upon exercise of the New Stock Acquisition Rights shall be determined by reference to these Conditions (disregarding any adjustment made pursuant to Condition 5.2.16, 5.2.17 or 5.2.18) taking into account the terms of the transaction contemplated under the relevant Corporate Event, and

(i) in the case of a Merger Event or a Holding Company Event, the conversion price for the New Stock Acquisition Rights shall be such that the holder of a New Stock Acquisition Right would upon its exercise immediately after the Corporate Event Effective Date receive the number of shares of common stock of the New Obligor (the "Number of Deliverable Shares") receivable upon the relevant Corporate Event by a holder of the number of Shares (such number being the "Number of Held Shares") which a holder of a Stock Acquisition Right would have received had such Stock Acquisition Right been exercised immediately prior to the relevant Corporate Event Effective Date (disregarding any adjustment made pursuant to Condition 5.2.16, 5.2.17 or 5.2.18). If securities (other than shares of common stock of the New Obligor) or other property shall be delivered to such holder of the Number of Held Shares upon the taking effect of the Merger Event or the Holding Company Event (as the case may be), such number of shares of common stock of the New Obligor shall form part of the Number of Deliverable Shares as shall be calculated by dividing the fair market value of such securities or properties delivered to such holder of the Number of Held Shares by the New Obligor Current Market Price per Share, such fair market value to be determined by the Bank, provided that in determining such fair market value, the Bank shall, at its own expense, consult with an Independent Financial Adviser and shall take fully into account the advice of the Independent Financial Adviser; or

(ii) in the case of any other Corporate Event, the conversion price for the New Stock Acquisition Rights shall be such that the holder of a New Stock Acquisition Right shall, upon its exercise immediately after the Corporate Event Effective Date, receive an equivalent economic interest to be determined by the Bank as that receivable by a holder of the number of Shares which a holder of a Stock Acquisition Right would have received had such Stock Acquisition Right been exercised immediately before the relevant Corporate Event Effective Date (disregarding any adjustment made pursuant to Conditions 5.2.16, 5.2.17 or 5.2.18), provided that, in determining such equivalent economic interest, the Bank shall, at its own expense, consult with an Independent Financial Adviser and shall take fully into account the advice of such Independent Financial Adviser.

For the purpose of this Condition 6, the "New Obligor Current Market Price per Share" means (i) the yen average of the daily Closing Prices of the shares of common stock of the New Obligor for the 30 consecutive Trading Days commencing 45 Trading Days immediately before the relevant Corporate Event Effective Date, or (ii) if such market price shall not be available, such price as is determined by the Bank, provided that in determining such price, the Bank shall, at its own expense, consult with an Independent Financial Adviser and shall take fully into account the advice of such Independent Financial Adviser.

The conversion price for the New Stock Acquisition Rights shall be subject to adjustment which shall be as nearly equivalent as may be practicable to the adjustments provided in Condition 5.2;

6.5.4 *Description of the Asset to be Contributed upon Exercise of the New Stock Acquisition Rights and the Amount or the Calculation Method Thereof*: Upon exercise of each New Stock Acquisition Right, the relevant Bond shall be deemed to be acquired by the New Obligor as a capital contribution in kind by the relevant Bondholder at the price equal to the principal amount of the Bond;

6.5.5 *Exercise Period of the New Stock Acquisition Rights*: The New Stock Acquisition Rights may be exercised at any time during the period from, and including, the later of the relevant Corporate Event Effective Date or the date of implementation of the scheme described in Condition 6.4.1 up to, and including, the last day of the Exercise Period of the Stock Acquisition Rights;

6.5.6 *Other Conditions for the Exercise of the New Stock Acquisition Rights*: No New Stock Acquisition Right may be exercised in part. The exercise of the New Stock Acquisition Rights shall be subject to conditions substantially the same as those described in Conditions 5.1.5 to 5.1.8;

6.5.7 *Acquisition at the Option of the New Obligor*: The New Stock Acquisition Rights together with the Bonds may be acquired by the New Obligor substantially in the same manner as described in Condition 7.3;

6.5.8 *Amount of Stated Capital and Additional Paid-in Capital*: As of the date on which the exercise of a New Stock Acquisition Right becomes effective, one-half of the "maximum capital and other increase amount" as calculated pursuant to Article 17 of the Rules of Account Settlement of Corporations (Ordinance of Ministry of Justice No. 13 of 2006, as amended) in respect of such exercise (with any fraction of less than one yen being rounded up) shall be accounted for as stated capital, and the rest of such amount shall be accounted for as additional paid-in capital; and

6.5.9 *Others*: Fractions of a share of common stock of the New Obligor will not be issued upon exercise of the New Stock Acquisition Rights and no adjustment or cash payment will be made in respect thereof. The holder of each bond assumed (by way of substitution or otherwise only for the purposes of Japanese law), or bond provided, by the New Obligor may not transfer such bond separately from the New Stock Acquisition Rights. In cases where such restriction on transfer of the bond would not be effective under the then applicable law, a stock acquisition right incorporated in a bond equivalent to the Bond may be issued to the holder of each Bond outstanding immediately prior to the Corporate Event Effective Date in place of the Stock Acquisition Right and the Bond.

6.6 No Statutory Put Rights

Each Bondholder by accepting or acquiring any Bond agrees that its remedies if a Corporate Event or a Squeezeout Event occurs shall not include any statutory rights provided by Japanese law to require the Bank to repurchase such Bond at fair market value, such rights being waived to the fullest extent permitted by applicable law.

6.7 Subsequent Corporate Events

The above provisions of this Condition 6 shall apply in the same way to any subsequent Corporate Events.

7 Redemption, Acquisition, Purchase and Cancellation

7.1 Final Maturity

Unless the Bonds have previously been redeemed, acquired or cancelled, or unless the Stock Acquisition Rights incorporated therein have previously been exercised (in each case as provided in these Conditions), the Bank will redeem the Bonds at 100 per cent. of their principal amount on 23 June 2020. The Bonds may not be redeemed at the option of the Bank other than in accordance with this Condition 7.

7.2 Redemption at the Option of the Bank upon Reduced Outstanding Amounts

On or after 24 March 2020, subject to prior confirmation from the Commissioner of the Financial Services Agency of Japan under applicable public ministerial announcements, guidelines or policies of or supervised by the Financial Services Agency of Japan, the Bank may, having given not less than 30 nor more than 60 days' prior notice (the "Clean-up Redemption Notice") to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount on the date fixed for such redemption, if at any time prior to the date upon which the Clean-up Redemption Notice is first given, the outstanding principal amount of the Bonds is less than 10 per cent. of the aggregate principal amount of the Bonds as of the date of issue thereof.

7.3 Acquisition at the Option of the Bank

7.3.1 *Acquisition Notice:* On or after 24 March 2020, subject to the Shares being listed on the Relevant Stock Exchange and to prior confirmation from the Commissioner of the Financial Services Agency of Japan under applicable public ministerial announcements, guidelines or policies of or supervised by the Financial Services Agency of Japan, the Bank may give notice (the "Acquisition Notice") to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable) to acquire from the Bondholders all, but not some only, of the Bonds outstanding on the date (the "Acquisition Option Date") fixed for such acquisition in the Acquisition Notice (being not less than 60 and not more than 75 days after the date of the Acquisition Notice) and all such Bonds shall be deemed to be so acquired by the Bank on the Acquisition Option Date (which, in the context of the Companies Act, is based on Item (vii) of Paragraph 1 of Article 236 of the Companies Act). Each Bondholder by accepting or acquiring any Bond agrees that such Bond shall be so acquired by the Bank on the Acquisition Option Date (whether or not a Share Settlement Notice is delivered as required by Condition 7.3.2). Subject to Conditions 7.3.2 and 7.3.3, the Bank shall, as consideration for each Bond (including the Stock Acquisition Rights) acquired by the Bank:

(i) pay in the same manner as provided in Condition 8, an amount equal to 100 per cent. of the principal amount of the Bonds on the Acquisition Option Date in cash; and

(ii) issue and deliver the Acquisition Shares in accordance with Condition 7.3.2, if any, registered in the name of the Custodian or its nominee, with effect as of the Acquisition Option Date,

in each case, to the Bondholders.

Except as provided in Condition 7.3.3 any expenses or taxes incurred in connection with the acquisition of the Bonds by the Bank and the delivery of the Acquisition Shares, pursuant to this Condition 7.3, shall be borne by the Bank.

Bonds that have been so acquired by the Bank shall be cancelled upon acquisition in accordance with these Conditions, and all Certificates in respect of Bonds so cancelled shall be promptly forwarded to the Principal Agent for cancellation.

All calculations with respect to the Acquisition Share Value, the VWAP of the Shares and the Average VWAP per Share shall be made to the nearest one tenth of a cent, with five one-hundredths or more of a cent to be considered a full tenth of a cent.

In these Conditions:

"Acquisition Shares" means such number of Shares per Bond, if any, calculated in accordance with the formula below:

$$\text{Acquisition Shares} = \frac{\text{The amount by which the Acquisition Share Value exceeds the principal amount of each Bond}}{\text{Average VWAP per Share}}$$

provided that fractions of a Share shall be disregarded and no adjustment or cash payment will be made in respect thereof, provided further that, if during the period from but excluding the last day of the Relevant VWAP Period to but excluding the Acquisition Option Date any event shall occur which gives rise to an adjustment (excluding a Retroactive Adjustment to take effect on or after the Acquisition Option Date) to the Conversion Price under the provisions of Condition 5.2, the Acquisition Shares, as determined above, shall be adjusted in such manner and to such extent as the Bank in consultation with an Independent Financial Adviser shall consider appropriate and fair (taking fully into account the advice of such Independent Financial Adviser);

"Acquisition Share Value" means the Dollar amount per Bond calculated in accordance with the formula below:

$$\text{Acquisition Share Value} = \frac{\text{Principal Amount of the Bond}}{\text{Last Day Conversion Price}} \text{ x } \text{Average VWAP per Share}$$

"Average VWAP per Share" means the average of the Volume Weighted Average Prices ("VWAP") of the Shares reported by the Relevant Stock Exchange on each of the Trading Days during the Relevant VWAP Period, provided that:

(i) if an Ex-Dividend Date falls, or will fall, within the period from but excluding the first day of the Relevant VWAP Period to and including the Acquisition Option Date, the Average VWAP per Share used as the denominator in the formula for calculating the Acquisition Shares (as set out in the definition of "Acquisition Shares") shall be adjusted by subtracting the Dividend Adjustment Amount from the VWAP of the Shares on each Trading Day during the period from and including the first day of the Relevant VWAP Period to and including the earlier of (x) the Trading Day immediately prior to the Ex-Dividend Date and (y) the last day of the Relevant VWAP Period;

(ii) if an Ex-Dividend Date falls within the period from and including the second Tokyo Business Day after the date of the Acquisition Notice to and including the last day of the Relevant VWAP Period, the Average VWAP per Share for the purpose of calculating Acquisition Share Value (as contained in the definition of "Acquisition Share Value") shall be adjusted by adding the Dividend Adjustment Amount to the VWAP of the Shares on each Trading Day during the period from and including the later of (x) the Ex-Dividend Date and (y) the first day of the Relevant VWAP Period, to and including the last day of the Relevant VWAP Period;

(iii) if on any Trading Day, VWAP of the Shares is not reported by, nor otherwise available from, the Relevant Stock Exchange, or VWAP reported by the Relevant Stock Exchange is manifestly incorrect, the average trading prices of the Shares using a volume weighted method on the Relevant Stock Exchange on such Trading Day as furnished by any trading participant of the Relevant Stock Exchange selected from time to time by the Bank in its sole discretion (acting in a commercially reasonable manner) shall be deemed to be the VWAP on such Trading Day (but subject to adjustment pursuant to (i) or (ii) above (as the case may be), if required);

(iv) if during the Relevant VWAP Period any event shall occur which gives rise to an adjustment (excluding a Retroactive Adjustment to take effect on or after the last day of the Relevant VWAP Period) to the Conversion Price under the provisions of Condition 5.2, the Average VWAP per Share as determined above shall be adjusted in such manner and to such extent as the Bank in consultation with an Independent Financial Adviser shall consider appropriate and fair (taking fully into account the advice of such Independent Financial Adviser) in order to compensate for the effect of such event; and

(v) the VWAP of the Shares in yen on each Trading Day (after adjustment pursuant to the above, if required) shall be converted into Dollars (calculated to the nearest one tenth of a cent in accordance with this Condition 7.3.1) at the Conversion Rate applicable on such Trading Day such that the "Average VWAP per Share" shall be expressed as a Dollar amount (calculated to the nearest one tenth of a cent in accordance with this Condition 7.3.1).

The Bank will notify Bondholders, substantially in the form provided in the Agency Agreement, in accordance with Condition 19 of the Average VWAP per Share as soon as reasonably practicable upon determination thereof.

As a consequence of the adjustments identified in (i) and (ii) above, the Average VWAP per Share for the purposes of calculating the Acquisition Shares may differ from the Average VWAP per Share used for the purposes of calculating the Acquisition Share Value.

"Dividend Adjustment Amount" for the purposes of the calculation of an adjustment to the Average VWAP per Share means the amount determined by the Bank as of the last day of the Relevant VWAP Period, which shall be:

(i) the expected cash dividend per Share most recently publicly announced by the Bank with respect to the Record Date relating to the relevant Ex-Dividend Date; or

(ii) if no public announcement has been made as to an expected cash dividend per Share as set out in (i) above, the actual cash dividend per Share in respect of the corresponding Record Date one year prior to the relevant Record Date; or

(iii) if in the opinion of the Bank neither the expected nor the actual cash dividend as set out in (i) or (ii) above (as the case may be) provides a reasonable basis for adjustment of the Average VWAP per Share, the amount determined by the Bank in consultation with an Independent Financial Adviser (whose advice the Bank will take fully into account) as being appropriate and fair to give effect to the impact of the Ex-Dividend Date on the relevant VWAP.

For the purposes of this Condition 7.3.1, a "dividend" means a "distribution of surplus", within the meaning of, and subject to the limitation on amounts prescribed by, the Companies Act .

"Ex-Dividend Date" means the second Tokyo Business Day immediately prior to any Record Date for a dividend declared or to be declared by the Bank (provided that if such Record Date falls on a date that is not a Tokyo Business Day, then the Ex-Dividend Date means the third Tokyo Business Day immediately prior to such Record Date); provided further that if there has been a change to the mandatory provisions of Japanese law, regulation or practice which affects the timing or application of ex-dividend dates, the Ex-Dividend Date may be amended by the Bank, and/or the Bank may make such other changes to this Condition 7.3.1 as it shall consider appropriate (acting in a commercially reasonable manner), in each case, to the extent permitted by applicable law and to reflect such change in law, regulation or practice without the consent of the Trustee or the Bondholders (provided that no such amendment or change shall be effective if the Trustee, in its sole opinion, considers that such amendment or change has the effect of (i) imposing obligations, responsibilities or liabilities on it which are greater than that it has as Trustee under the Trust Deed or (ii) decreasing the protections it has as Trustee under the Trust Deed), and notice thereof (together with the reason for such change) shall be given promptly by the Bank to the Trustee in writing and to the Bondholders in accordance with Condition 19;

"Last Day Conversion Price" means the Conversion Price in effect on the last day of the Relevant VWAP Period; and

"Relevant VWAP Period" means the 20 consecutive Trading Days beginning on, and including, the 5th Trading Day from, but excluding, the date on which the Bank first gives the Acquisition Notice to the Bondholders.

7.3.2 *Share Settlement Notice:* In order to obtain delivery of the Acquisition Shares (if any) pursuant to this Condition 7.3, each Bondholder must deliver to the specified office of an Agent, no later than the Determination Date, a duly completed share settlement notice substantially in the form set out in the Agency Agreement (a "Share Settlement Notice", a copy of which may be obtained from the specified office of any Agent) with respect to the Bonds held by such Bondholder, together with the relevant Certificates for the relevant Bonds held by it and to which the Share Settlement Notice relates. A Share Settlement Notice shall be irrevocable once delivered.

Delivery of the Acquisition Shares by or on behalf of the Bank pursuant to this Condition 7.3 will be made on or as soon as practicable after the Acquisition Option Date in accordance with the book-entry transfer system established pursuant to the Book-Entry Act, to the Custodian or its nominee at the account maintained with the Custodian's Agent (as an Account Management Institution), and the Custodian's Agent shall transfer the relevant Acquisition Shares to or to the order of the relevant Bondholders at such account maintained with an Account Management Institution in Japan as specified in the relevant Share Settlement Notice (unless the Bank fails to make delivery thereof to the relevant account at the Custodian's Agent as aforesaid or such instruction given by the relevant Bondholder in the relevant Share Settlement Notice is inaccurate, incomplete or insufficient for the purposes of such transfer). The provisions of Condition 5.1.9 shall apply with any necessary changes to the Acquisition Shares with references to the Stock Acquisition Date therein being construed as references to the Acquisition Option Date.

Any determination as to whether a Share Settlement Notice has been properly completed and delivered as provided in these Conditions shall be made by the Principal Agent in its sole discretion and shall be conclusive and binding on the relevant Bondholders, the Bank and the Trustee.

A Share Settlement Notice may be delivered by a holder with respect to one or more Bonds. To the extent that a Share Settlement Notice is delivered with respect to more than one Bond, the number of Acquisition Shares to be delivered pursuant to this Condition 7.3 shall be calculated on the basis of the aggregate number of Bonds referred to in such Share Settlement Notice.

In these Conditions:

"Determination Date" means the date falling 14 calendar days prior to the Acquisition Option Date.

7.3.3 *Sale of Shares:* If, on the day immediately following the Determination Date, there are any Bonds ("Bonds without Share Settlement Notice") in respect of which a duly completed Share Settlement Notice has not been received by an Agent on or prior to the Determination Date, the following provisions shall apply in respect of such Bonds without Share Settlement Notice:

(i) the number of Acquisition Shares shall be calculated separately for each Bond without Share Settlement Notice and the Bank shall deliver or cause to be delivered the aggregate of all such Acquisition Shares to the Custodian's Agent on behalf of the Custodian on or as soon as possible after the Acquisition Option Date whereupon all such Acquisition Shares shall be deemed to be delivered and paid to the relevant Bondholders; and

(ii) all the Acquisition Shares so delivered to the Custodian's Agent shall be sold (whether in one or more lots) on behalf of the Custodian and (subject to the deduction by the Custodian or the Custodian's Agent of any amount which they determine to be payable in respect of any liability of the Custodian or the Custodian's Agent (or on their behalf) to taxation and the payment of any capital, stamp, issue or registration duties (if any) and any fees or costs incurred by the Custodian or the Custodian's Agent in connection with the allotment and sale thereof) the Custodian will instruct (but without liability therefor) for the net proceeds thereof (in yen) to be paid to the Principal Agent for distribution to holders of the Bonds without Share Settlement Notice in the same manner as provided in Condition 8 (save that no presentation and surrender of the relevant Certificates are required) in proportion to the numbers of the Bonds without Share Settlement Notice held by them.

In undertaking the sale of any Acquisition Shares pursuant to this Condition 7.3.3, the Custodian shall appoint an independent investment bank, securities company, financial institution, broker or accountancy firm of international repute (a "Broker") to advise the Custodian as to the manner and/or timing of any such sale and to effect such sale (or such other matters as the Custodian shall deem appropriate in connection therewith) and shall act, without liability, on the advice thereof. The fees of any such appointment, and advice shall be paid by the Bank.

None of the Bank, the Trustee, the Custodian, the Custodian's Agent or any Agent shall have any liability to any Bondholder for the timing of any such sale (including if no such sale can be made or if it is unable to identify a Broker), the price at which the Acquisition Shares are sold, or for any loss suffered by any Bondholder as a result of the same or for any difference in the respective yen and Dollar values thereof. Neither the Bank, the Trustee, the Custodian, Custodian's Agent nor any Agent shall have any liability to any Bondholder (i) for any loss suffered by Bondholders as a result of any failure by the Broker to effect any such sale or to pay over the net proceeds of the sale for distribution to holders of Bonds without Share Settlement Notice or (ii) for monitoring or supervising the performance by the Broker of its functions pursuant to this Condition 7.3. The Contracts (Rights of Third Parties) Act 1999 shall apply in favour of the Custodian and the Custodian's Agent in relation to Condition 7.3.

The payment of the net proceeds (in yen) of the sale of any Acquisition Shares shall satisfy the obligation with respect to the delivery of the Acquisition Shares. Each Bondholder by accepting or acquiring any Bond shall be deemed to agree to any such sale and manner of sale thereof on behalf of the Custodian and transfer and manner of transfer thereof by the Custodian's Agent, and such sale and transfer shall be binding on all Bondholders.

7.3.4 *Acquisition Notice Void:* Notwithstanding the provisions of Condition 7.3.1, if the Shares are not listed on the Relevant Stock Exchange on the Acquisition Option Date, the Acquisition Notice shall be treated as null and void and the relevant Bonds will be redeemed, subject as provided herein, for cash in accordance with the provisions of Condition 7 other than this Condition 7.3 and payment in respect thereof shall be made in accordance with Condition 8.

If the Bank becomes aware, after the Acquisition Notice having been given, that the Shares will not be listed on the Relevant Stock Exchange on the Acquisition Option Date (other than in the circumstances set out in Condition 7.6 in which case the provisions of Condition 7.6 shall apply), the Bank shall give notice of the nullification of the Acquisition Notice to the Bondholders in accordance with Condition 19 forthwith upon becoming so aware.

7.3.5 *Exercise of Stock Acquisition Rights:* The Bank's right to acquire the Bonds in the manner set forth in this Condition 7.3 does not affect a Bondholder's right to exercise its Stock Acquisition Rights hereunder during the Exercise Period. For the avoidance of doubt, the Stock Acquisition Rights may not be exercised for the period from but excluding the date of the Acquisition Notice to and including the Acquisition Option Date.

7.4 Redemption for Taxation Reasons

Subject to prior confirmation from the Commissioner of the Financial Services Agency of Japan under applicable public ministerial announcements, guidelines or policies of or supervised by the Financial Services Agency of Japan, the Bank may, at any time, having given not less than 30 nor more than 60 days' prior notice (the "Tax Redemption Notice") to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount on the date fixed for redemption (the "Tax Redemption Date"), if the Bank satisfies the Trustee immediately prior to the giving of the Tax Redemption Notice (i) that it has or will become obliged to pay Additional Amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 5 March 2015, and (ii) that such obligation cannot be avoided by the Bank taking reasonable measures available to it; provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Bank would be obliged to pay such Additional Amounts were a payment in respect of the Bonds then due. Prior to the giving of any Tax Redemption Notice, the Bank shall deliver to the Trustee a certificate signed by a Representative Director stating that the obligation referred to in (i) above has arisen and cannot be avoided by the Bank taking reasonable measures available to it and the Trustee shall be bound to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above, in which event it shall be conclusive and binding on the Bondholders and the Trustee, and the Trustee shall not be responsible or liable to any person for any loss occasioned by relying and/or acting on such certificate. Upon the giving of the Tax Redemption Notice to the Bondholders, the Bank shall be bound to redeem the Bonds then outstanding at 100 per cent. of their principal amount on the Tax Redemption Date.

Notwithstanding the foregoing, if the Bank shall have given a Tax Redemption Notice, and if the outstanding principal amount of the Bonds at the time when such Tax Redemption Notice is given is 10 per cent. or more of the aggregate principal amount of the Bonds as of the date of issue thereof, each holder of the Bonds will have the right to elect, and the Tax Redemption Notice shall state that such Bondholder will have the right to elect, that its Bonds should not be redeemed and that the provisions set forth in Condition 9 shall not apply in respect of payment of any amount to be made in respect of the Bonds which will fall after the Tax Redemption Date and payment of all amounts due on such Bonds thereafter shall be made subject to the withholding of, or deduction for or on account of, Japanese taxes, duties, assessments and governmental charges referred to in Condition 9. Such right of the Bondholder shall be exercised by the Bondholder giving notice to the Bank in the form (for the time being current) obtainable from any Agent no later than 20 days prior to the Tax Redemption Date.

7.5 Corporate Event Redemption

If any of the following conditions is satisfied upon or following the occurrence of a Corporate Event:

(i) it is not legally possible under the then applicable laws (taking into account the then official or judicial interpretation or application of such laws) to effect a scheme provided for by Condition 6.4.1; or

(ii) it is legally possible as aforesaid but, despite the Bank using its best endeavours, the Bank cannot effect such a scheme in compliance with Condition 6.4.1; or

(iii) despite the Bank using its best endeavours pursuant to Condition 6.4.2, on (a) the date of occurrence of the relevant Corporate Event or (b) the 25th day prior to the relevant Corporate Event Effective Date, whichever occurs later, (x) no Listing has been obtained for the shares of common stock of the New Obligor, and (y) no confirmation has been obtained by the New Obligor from any stock exchange in Japan or the governing body of any securities market in Japan that such Listing will be obtained on or prior to such Corporate Event Effective Date; or

(iv) the Bank has delivered to the Trustee, on or prior to the date of occurrence of the relevant Corporate Event, a certificate signed by a Representative Director stating that the Bank does not currently anticipate that a Listing will be obtained or maintained for the shares of common stock of the New Obligor on the relevant Corporate Event Effective Date for any reason stated in such certificate. The Trustee and the Bondholders shall be bound to accept such certificate as sufficient and conclusive evidence of the satisfaction of the condition set out in this Condition 7.5 and the Trustee shall not be responsible or liable to any person for any loss occasioned by relying and/or acting on such certificate,

then (a) the Bank shall as soon as practicable give notice of satisfaction of such condition to the Trustee and the Bondholders in accordance with Condition 19 and (b) subject to prior confirmation from the Commissioner of the Financial Services Agency of Japan under applicable public ministerial announcements, guidelines or policies of or supervised by the Financial Services Agency of Japan, the Bank may, having given not less than 21 Tokyo Business Days' prior notice to the Bondholders in accordance with Condition 19, redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount on the Tokyo Business Day immediately preceding the relevant Corporate Event Effective Date as specified in such notice of redemption.

Once a notice pursuant to (b) above has been given, the Bank shall be bound to redeem the Bonds in accordance with such notice even if (in the case of item (i) or (ii) of this Condition 7.5) a scheme provided for by Condition 6.4.1 subsequently becomes legally possible or able to be implemented or (in the case of item (iii) or (iv) of this Condition 7.5) a Listing for the shares of common stock of the New Obligor is subsequently obtained.

7.6 Redemption on Delisting of the Shares

If (i) any offer is made by a party or parties (the "Offeror") other than the Bank in accordance with the Financial Instruments and Exchange Act to all holders of Shares (or all such holders other than the Offeror and/or any company controlled by the Offeror and/or persons associated or acting in concert with the Offeror) to acquire all or a portion of the Shares, (ii) the Bank expresses its opinion to support such offer in accordance with the Financial Instruments and Exchange Act, (iii) the Bank or the Offeror states in the relevant tender offer registration statement or any amendment thereto, or otherwise publicly announces or admits, that the Shares may cease to be listed, quoted or dealt in on the Relevant Stock Exchange or may be disqualified from such listing, quotation or dealing, as a result of the acquisition of Shares pursuant to the offer (unless the Bank or the Offeror publicly expresses its intention to use its best endeavours to continue such listing, quotation or dealing after such acquisition) and (iv) the Offeror acquires any Shares pursuant to the offer, (a "Delisting Event" shall be deemed to occur upon satisfaction of all of the conditions set out in (i) through (iv) above), then (a) the Bank shall as soon as practicable give notice thereof to the Trustee and the Bondholders in accordance with Condition 19 and (b) subject to prior confirmation from the Commissioner of the Financial Services Agency of Japan under applicable public ministerial announcements, guidelines or policies of or supervised by the Financial Services Agency of Japan, the Bank may, having given not less than 21 Tokyo Business Days' prior notice to the Bondholders in accordance with Condition 19, redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount on the fifth Tokyo Business Day after the Conversion Price Reduction End Date in respect of the relevant Delisting Event.

7.7 Squeezeout Redemption

Upon the occurrence of a Squeezeout Event (a) the Bank shall as soon as practicable give notice thereof to the Trustee and the Bondholders in accordance with Condition 19 and (b) subject to prior confirmation from the Commissioner of the Financial Services Agency of Japan under applicable public ministerial announcements, guidelines or policies of or supervised by the Financial Services Agency of Japan, the Bank may, having given not less than 21 Tokyo Business Days' prior notice to the Bondholders in accordance with Condition 19, redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount on the fifth Tokyo Business Day after the Conversion Price Reduction End Date in respect of the relevant Squeezeout Event.

7.8 Purchase of Bonds by the Bank

Subject to prior confirmation from the Commissioner of the Financial Services Agency of Japan under applicable public ministerial announcements, guidelines or policies of or supervised by the Financial Services Agency of Japan, and subject to the requirements (if any) of any stock exchange on which the Bonds may be listed at the relevant time, the Bank and/or any of its Subsidiaries may at any time purchase Bonds in the open market or otherwise. Such Bonds may, at the option of the Bank or the relevant Subsidiary, be held or resold. The Bonds so purchased, while held by or on behalf of the Bank or any of its Subsidiaries, shall not entitle the Bondholder to vote at any meeting of Bondholders or otherwise exercise any voting rights and shall be deemed not to be outstanding for the purpose of calculating the quorum at a meeting of Bondholders or for voting on any Extraordinary Resolution or for the purposes of these Conditions. Bonds that have been purchased by the Bank may, at the option of the Bank, be cancelled. Bonds that have been purchased by any Subsidiary may, at the option of such Subsidiary, be delivered to the Bank for cancellation.

7.9 Cancellation

All Bonds which are redeemed or with respect to which the Stock Acquisition Rights have been exercised shall forthwith be cancelled and such Bonds may not be reissued or resold. All Certificates in respect of Bonds so cancelled and Certificates in respect of Bonds purchased and cancelled pursuant to Condition 7.8 shall be forwarded to the Principal Agent for cancellation.

7.10 Notice of Redemption

All notices to Bondholders given by or on behalf of the Bank pursuant to this Condition 7 will specify the Conversion Price as of the date of the relevant notice, the Closing Price of the Shares as of the latest practicable date prior to the publication of the relevant notice, the applicable date fixed for redemption and the redemption price of the Bonds, the last day on which the Stock Acquisition Rights may be exercised and the aggregate principal amount of the Bonds outstanding as of the latest practicable date prior to the publication of the relevant notice. No notice of redemption given under Condition 7.4 shall be effective if it specifies a date for redemption which falls during a period (a "Closed Period") in which Stock Acquisition Rights may not be exercised pursuant to Condition 5.1.4(x) or within 15 days following the last day of a Closed Period.

7.11 Priorities among Redemption and Acquisition Provisions

If any notice of redemption or acquisition is given by the Bank pursuant to Condition 7.2, 7.3, 7.4, 7.5, 7.6 or 7.7, no other notice may be, or as the case may be, is required to be, given pursuant to any other of such Conditions, except for such Bonds so elected by the relevant Bondholder not to be redeemed pursuant to Condition 7.4 and subject to Condition 7.3.4.

8 Payments

8.1 Method of Payment

Payments in respect of principal, default interest (if any) and premium (if any) will be made against presentation and (if no further payments are due in respect of the Bonds evidenced by the relevant Certificates) surrender of the Certificates in respect of the relevant Bonds at any specified office outside Japan of any Agent. Such payments will be made by transfer to its Registered Account subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment but without prejudice to the provisions of Condition 9 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "Code") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9) any law implementing an intergovernmental approach thereto. If an amount which is due in respect of the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

"Registered Account" means a Dollar account maintained by the payee with a bank, details of which appear on the Register at the close of business on the sixth day before the due date of payment.

8.2 Agents

The initial Principal Agent and the Registrar and their respective initial specified offices are set out at the end of these Conditions. The Bank reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Principal Agent, the Registrar or any other Agent and to appoint other or further Agents, provided that it will at all times maintain (i) a Principal Agent; (ii) a Registrar; (iii) an Agent having a specified office in Singapore, so long as the Bonds are listed on the Singapore Exchange Securities Trading Limited and the rules of that exchange so require; (iv) such other agents as may be required by the rules of any stock exchange on which the Bonds are listed; and (v) an Agent with a specified office in a European Union member state, if any, that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive. Notice of any such termination or appointment and of any changes in the specified offices of the Principal Agent, the Registrar or any other Agent will be given by the Bank to the Bondholders in accordance with Condition 19.

8.3 Payments on Business Days

If the due date for payment of any amount in respect of any Bond is not a Business Day, then the holder of such Bond shall not be entitled to payment of the amount due until the next following Business Day and no other payment will be made as a consequence of the day on which the relevant Bond may be presented for payment under this Condition 8.3 falling after the due date. "Business Day" means any day on which banks are open for business in the place of the specified office of the Agent at which (where required) the Certificate is presented for payment and (in the case of payment by transfer to a Registered Account as referred to in Condition 8.1) on which dealings in foreign currency may be carried on both in New York and in such place.

9 Taxation

All payments by the Bank in respect of the Bonds, subject to Condition 7.4, will be made without withholding of, or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any political subdivision or any authority thereof or therein having power to tax unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. If such withholding or deduction is so required, the Bank will pay such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts received by the Bondholders after such withholding or deduction shall equal the amounts which would have been receivable in respect of the Bonds in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable with respect to any Bond:

(i) to a Bondholder (a) who is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation, or (b) who fails to comply with Japanese tax law requirements, or (c) who is otherwise subject to such taxes, duties, assessments or governmental charges by reason of its being connected with Japan (including carrying on a business or maintaining a permanent establishment in Japan) otherwise than by reason only of the holding of any Bond or the receipt of payment in respect of any Bond;

(ii) in respect of which the relevant Certificate is presented for payment, more than 30 days after the Due Date (as defined below) except to the extent that the holder thereof would have been entitled to such Additional Amounts on presenting such Certificate for payment as of the expiry of such 30-day period;

(iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(iv) to a Bondholder who would have been able to avoid such withholding or deduction by presenting the Certificate in respect of such Bond to another Agent in a European Union member state.

If the Bank becomes obliged to pay Additional Amounts in accordance with this Condition 9, then it will have the right to redeem the Bonds in accordance with and subject to Condition 7.4.

As used herein, the "Due Date" for any payment means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect shall have been duly given to the Bondholders in accordance with Condition 19.

Any reference in these Conditions and the Trust Deed to principal, premium (if any) or default interest in respect of the Bonds shall be deemed also to refer to any Additional Amounts which may be payable under this Condition 9 or any undertakings or covenants given in addition thereto or in substitution therefor pursuant to the Trust Deed.

10 Acceleration

10.1 Acceleration Event

If a Subordination Event or a Liquidation Event has occurred and is continuing (each an "Acceleration Event") the Trustee at its discretion may, and if so requested in writing by the holders of not less than one quarter in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall, subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction, by written notice to the Bank declare the Bonds to be forthwith due and payable at their principal amount together with accrued default interest (if any). Except as provided above, neither the Trustee nor the holders of the Bonds will have any right to accelerate any payment of principal or premium (if any) in respect of the Bonds and no other event shall constitute an event of default.

10.2 Limited Right of Acceleration

The only action the Trustee or the holders of the Bonds may take against the Bank on acceleration pursuant to Condition 10.1 is to petition for the winding-up of the Bank in Japan or to prove in the winding-up of the Bank, if such petition is permissible under Japanese law provided that, if following an Acceleration Event a Viability Event shall occur prior to the making of an order by a court of competent jurisdiction for the winding-up of the Bank, the Trustee shall cease any such proceedings and any direction by holders of the Bonds in respect of such proceedings shall cease automatically and shall be null and void and of no further effect (and the Trustee shall not be required or entitled to implement any such direction), except with respect to any indemnity and/or prefunding and/or security given to the Trustee by the holders of the Bonds in any such direction or related to such direction.

For the avoidance of doubt, the rights of holders of Bonds in respect of any payment that has become due and payable prior to the Viability Event or Acceleration Event shall not be affected by the provisions of this Condition 10, and furthermore, effective upon, and following, the Viability Write-Down, the Trustee shall not be required to accept directions from holders of the Bonds other than in respect of actions limited solely to pursuing any such payment.

11 Undertakings

11.1 Undertakings with Respect to the Stock Acquisition Rights

While any Stock Acquisition Rights are, or are capable of being, exercisable, the Bank will, save with the approval of an Extraordinary Resolution or with the prior written approval of the Trustee where, in the opinion of the Trustee, it is not materially prejudicial to the interests of the Bondholders to give such approval:

11.1.1 issue, register and deliver Shares upon exercise of Stock Acquisition Rights in accordance with these Conditions, and keep available free from pre-emptive or other rights for the purpose of effecting the exercise of the Stock Acquisition Rights such number of its Shares (whether authorised and unissued or in issue and held in treasury) as would be required to be acquired upon exercise of all of the Stock Acquisition Rights outstanding from time to time and will ensure that all Shares delivered upon exercise of the Stock Acquisition Rights pursuant to these Conditions will be duly and validly issued and fully-paid and non-assessable;

11.1.2 not close its register of shareholders or take any action which prevents the transfer of its Shares generally unless, under Japanese law and the Articles of Incorporation of the Bank as then in effect, the Stock Acquisition Rights may be exercised legally for Shares and the Shares issued upon exercise of the Stock Acquisition Rights, if any, may (subject to any limitation imposed by law) be transferred (as between transferor and transferee although not as against the Bank) at all times while such action is effective, nor take any action which prevents exercise of the Stock Acquisition Rights or the issue or transfer of Shares in respect thereof, except as permitted under Condition 5.1.4;

11.1.3 give notice to the Bondholders in accordance with Condition 19 as soon as practicable after it effects any change in its financial year or in the Record Date (including the setting of new Record Dates) for the payment of any cash dividend;

11.1.4 use its best endeavours to obtain and maintain the listing, quotation or dealing in on the Relevant Stock Exchange for the Shares or, if it is unable to do so having used such best endeavours, use its best endeavours to obtain and maintain the listing, quotation or dealing in of the Shares on such other stock exchange or securities market in Japan as the Bank may from time to time reasonably determine and give notice of the identity of such stock exchange or securities market to the Bondholders in accordance with Condition 19 and to the Trustee; provided that:

(i) so long as the Bank is not in breach of its obligations under Condition 6 in the case of any Corporate Event where the obligations under the Bonds and/or Stock Acquisition Rights are proposed to be transferred to or assumed by a New Obligor, then the Shares may be delisted with effect from the date falling no earlier than 30 days prior to the relevant Corporate Event Effective Date or such earlier date as may be determined by the Relevant Stock Exchange and (unless shares of common stock of the New Obligor are then listed or quoted or dealt in on any stock exchange or securities market) the Bank shall use its best endeavours to cause the obtaining of a listing, quotation or dealing in of the shares of common stock of the New Obligor on any stock exchange or securities market in Japan; and

(ii) the Bank's obligations under this Condition 11.1.4 shall not apply if any of the conditions (i) through (iv) set out in Condition 7.5, a Delisting Event or a Squeezeout Event occurs (for the avoidance of doubt, the provisions of this Condition 11.1.4 shall not prevent the Bank from (x) delivering a certificate to the Trustee, as provided in Condition 7.5(iv), (y) taking any action provided in items (ii) and (iii) of Condition 7.6, or (z) proposing an amendment to the Articles of Incorporation of the Bank for transforming the Shares into callable shares (*zenbushutokujoko tsuki shuruikabushiki*), or announcing or admitting that the Shares may cease to be listed, quoted or dealt in on the Relevant Stock Exchange or be disqualified from such listing, quotation or dealing as a result of the acquisition of Shares pursuant to a Squeezeout Event);

11.1.5 not create or issue any class of share capital other than Shares, without giving notice to the Bondholders in accordance with Condition 19, at least 14 days prior to the date of such creation or issue;

11.1.6 not take any action which would result in an adjustment of the Conversion Price if, after giving effect thereto, the Conversion Price would (but for the provisions of Condition 5.4) be decreased to such an extent that the Shares to be acquired on exercise of the Stock Acquisition Right could not, under any applicable law then in effect, be legally issued as fully-paid and non-assessable;

11.1.7 if a Corporate Event occurs, use its best endeavours to obtain all consents which may be necessary or appropriate under Japanese law to enable the relevant company to give effect to the relevant arrangement, and to take all other action, as required by Condition 6 in a timely manner; and

11.1.8 obtain and maintain all consents, clearances, approvals, authorisations, orders, registrations or qualifications (if any) required to be obtained or maintained by the Bank on exercise of the Stock Acquisition Rights.

The Trust Deed contains certain other undertakings in relation to the Bonds and the Stock Acquisition Rights.

11.2 Charges

Except as otherwise provided in Condition 5.9, the Bank will pay all charges of the Principal Agent, the other Agents, the Custodian and the Custodian's Agent (including the cost of fax or telex notices by the Agents to the Principal Agent, the Bank or the Custodian's Agent and by the Custodian to the Bank or the Custodian's Agent) and all issue, transfer and other similar taxes payable with respect to the deposit of Bonds pursuant to Condition 5.9.3, and the issue and delivery of Shares and the delivery of any other securities, property or cash pursuant to Condition 5.9.5 following such deposit.

12 Substitution

12.1 Substitution other than under a Corporate Event

The Trustee may, without the consent of the Bondholders, agree with the Bank to the substitution in place of the Bank (or any previous substitute under this Condition 12) as the principal obligor under the Bonds and the Trust Deed of any Subsidiary of the Bank subject to (i) the Bonds continuing to be convertible into Shares as provided in these Conditions, with such amendments as the Trustee shall consider appropriate, (ii) the Trustee being satisfied that the interests of the Bondholders will not be materially prejudiced by the substitution and (iii) satisfaction of such other conditions as are set out in the Trust Deed. In the case of such a substitution the Trustee may agree, without the consent of the Bondholders, to a change of the law governing the Bonds and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Bondholders. Any such substitution shall be binding on the Bondholders and shall be notified promptly to the Bondholders in accordance with Condition 19.

Further conditions to such substitution are set out in the Trust Deed.

12.2 Substitution under a Corporate Event

Prior to a Corporate Event Effective Date, the Trustee may, if so requested by the Bank, agree with the Bank, without the consent of Bondholders, to the substitution in place of the Bank of the New Obligor subject to a trust deed supplemental to the Trust Deed (which shall include the provisions described below), providing that the Bank's obligations under the Bonds and the Trust Deed shall be assumed by the New Obligor by way of substitution (which, for the purposes of Japanese law, may be deemed to be a transfer or assumption of such obligations to or by the New Obligor), and that the New Obligor shall grant stock acquisition rights (the "New Stock Acquisition Rights") to all holders of the Bonds then outstanding, in place of the Stock Acquisition Rights incorporated in the Bonds held by them, being executed on or prior to the relevant Corporate Event Effective Date or (in the case of a Merger Event, a Holding Company Event or a Corporate Split Event where the Merged Company, the Holding Company or the Corporate Split Counterparty (as the case may be) is established on or immediately after the relevant Corporate Event Effective Date) within 14 days after the relevant Corporate Event Effective Date. The Trustee may enter into such supplemental trust deed without consent of Bondholders only if:

(i) under such supplemental trust deed, the New Obligor agrees, in form and manner satisfactory to the Trustee, to be bound by the Trust Deed and the Bonds (with consequential amendments as the Trustee may deem appropriate) with effect (as specified in this Condition 12.2) as if the New Obligor had been named in the Trust Deed and the Bonds as the principal obligor in place of the Bank and provided that the holders of the Bonds then outstanding shall be granted New Stock Acquisition Rights;

(ii) except in the case of a Merger Event, pursuant to such supplemental trust deed the Bank guarantees, in a form and manner satisfactory to the Trustee, the payment obligations of the New Obligor under the Trust Deed and the Bonds with effect as specified in this Condition 12.2, provided that no such guarantee will be required if the Bank determines and has delivered to the Trustee no later than 10 calendar days prior to the relevant Corporate Event Effective Date a certificate of the Bank signed by a Representative Director of the Bank that, as of the Corporate Event Effective Date, any rating which would be assigned to the New Obligor's unsecured and unsubordinated debt is unlikely to be lower than the rating then currently assigned to the Bank's long-term, unsecured and unsubordinated debt and which certificate the Trustee shall be entitled to rely upon without incurring any liability to any person for doing so. In making this determination, the Bank shall consult an Independent Financial Adviser and shall take fully into account the advice of such Independent Financial Adviser;

(iii) if the New Obligor is subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the "New Territory") other than the territory to the taxing jurisdiction of which (or to any such authority of or in which) the Bank is subject generally (the "Bank's Territory"), the New Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 9 with the substitution for, or addition to, in relation to the New Obligor, references in Condition 9 to the Bank's Territory of references to the New Territory whereupon the Trust Deed and the Bonds will be read accordingly, and corresponding amendments shall be made to Condition 7.4 in relation to payment of Additional Amounts by the New Obligor (and/or the guarantor, if any);

(iv) a Representative Director of the New Obligor certifies that it will be solvent immediately after such substitution (if the Trustee receives such certification, the Trustee need not have regard to the New Obligor's financial condition, profits or prospects or compare them with those of the Bank);

(v) the Bank shall have certified (by a certificate of a Representative Director) to the Trustee that the New Stock Acquisition Rights satisfy the provisions of Condition 6.5;

(vi) the Bank and the New Obligor comply with such other requirements as the Trustee may direct in the interests of the Bondholders; and

(vii) such substitution and grant of New Stock Acquisition Rights become effective on the Corporate Event Effective Date (or in the case of a Merger Event, a Holding Company Event or a Corporate Split Event where the Merged Company, the Holding Company or the Corporate Split Counterparty (as the case may be) is established on or immediately after the relevant Corporate Event Effective Date, within 14 days after the relevant Corporate Event Effective Date).

12.3 Release of Obligations

An agreement by the Trustee pursuant to Condition 12.2 will (except in respect of any guarantee under Condition 12.2(ii)), if so expressed, release the Bank (or a previous substitute) from any or all of its obligations under the Trust Deed and the Bonds.

12.4 Deemed Amendment

On completion of the formalities set out in Condition 12.2, the New Obligor will be deemed to be named in the Trust Deed and the Bonds as the principal obligor in place of the Bank (or of any previous substitute) and the Trust Deed and the Bonds will be deemed to be amended as necessary to give effect to the substitution. In particular and without limitation:

(i) the terms "Stock Acquisition Rights" and "Shares" shall, where the context so requires, include the New Stock Acquisition Rights and shares of common stock to be issued by the New Obligor; and

(ii) references to the Bank in the Trust Deed shall also include any guarantor pursuant to Condition 12.2(ii) except where the context requires otherwise.

13 Prescription

Claims in respect of the Bonds will become void unless made within the period of 10 years from the Due Date for the payment thereof.

14 Replacement of Bonds

Should any Certificate be lost, stolen, destroyed, mutilated or defaced, it may be replaced at the specified office of the Principal Agent upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Bank may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

15 Meetings of Bondholders; Modification and Waiver

15.1 Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the sanctioning by an Extraordinary Resolution of a modification of any provision of these Conditions or of the Trust Deed. The quorum for any such meeting convened to consider any matter requiring an Extraordinary Resolution shall be two or more persons holding or representing not less than 50 per cent. in principal amount of the Bonds for the time being outstanding, or for any adjourned meeting two or more persons being or representing Bondholders (whatever the principal amount of Bonds held or represented) except that at any meeting the business of which includes the modification of certain provisions of the Bonds or of the Trust Deed (including, *inter alia*, the provisions relating to Viability Write-Down and/or subordination, modifying the date of maturity of the Bonds, reducing or cancelling the principal amount of, or any premium payable in respect of, the Bonds, modifying the method or basis of calculating the rate or amount of default interest in respect of the Bonds, altering the currency of payment of the Bonds or altering the currency of any calculation in respect of the Bonds or (to the extent permitted by applicable law) abrogating or modifying any Stock Acquisition Right), the necessary quorum for passing an Extraordinary Resolution shall be two or more persons holding or representing not less than 75 per cent, or at any adjourned such meeting not less than 50 per cent, in principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders, whether present or not.

Notwithstanding the above provisions, any resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in principal amount of the Bonds outstanding shall for all purposes be as valid and effectual as an Extraordinary Resolution passed at a meeting of such Bondholders duly convened and held in accordance with the provisions contained in these Conditions and in the Trust Deed. Any resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Bondholders.

15.2 Modification and Waiver

The Trustee may, without the consent of the Bondholders, agree to any modification (except as aforesaid and as set out in the Trust Deed) of the Trust Deed or the Bonds (including these

Conditions) or to any waiver or authorisation of any breach or potential breach by the Bank of the provisions of the Trust Deed or the Bonds which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Bondholders or to any modification of the Trust Deed or the Bonds (including these Conditions) which is, in the opinion of the Trustee, of a formal, minor or technical nature or which is made to correct a manifest error or is necessary in order to comply with mandatory provisions of Japanese law or pursuant to Condition 6 or 12. Any such modification, waiver or authorisation shall be binding on the Bondholders and shall be notified to the Bondholders in accordance with Condition 19 as soon as practicable thereafter.

If there is a change to the mandatory provisions of (i) Japanese law which in the reasonable opinion of the Bank (evidenced by (a) a certificate of a Representative Director or an Authorised Officer and (b) an opinion addressed to and delivered to the Trustee in a form satisfactory to it of independent legal counsel of recognised standing confirming that such change has occurred) would make it necessary to amend and/or supplement the provisions of Conditions 1.1, 1.5, 5, 6, 7.3, 7.5 and/or 7.7 or (ii) the Financial Instruments and Exchange Act which in the reasonable opinion of the Bank (evidenced by (a) a certificate of a Representative Director or Authorised Officer and (b) an opinion addressed to and delivered to the Trustee in a form satisfactory to it of independent legal counsel of recognised standing confirming that such change has occurred) would make it necessary to amend and/ or supplement the provisions of Condition 7.6, the relevant Conditions shall be amended and/or supplemented to reflect that change by means of a trust deed supplemental to the Trust Deed. The Trustee (unless in its sole opinion such supplemental trust deed (i) imposes obligations, responsibilities or liabilities on it which are greater than that it has as Trustee under the Trust Deed or (ii) decreases the protections it has as Trustee under the Trust Deed) shall be obliged (subject to being indemnified and/or secured and/or prefunded to its satisfaction) to enter into such supplemental trust deed (in a form and substance satisfactory to it) to effect such change (even if, in the opinion of the Trustee, that change may be materially prejudicial to the interests of the Bondholders) without the consent of the Bondholders, but the Trustee shall have no responsibility or liability to any person for so doing and may rely on any certificate of a Representative Director or Authorised Officer provided pursuant to this Condition without liability to any person. The Bank shall forthwith give notice to the Bondholders following the execution of any such supplemental trust deed in accordance with Condition 19.

The Trustee shall also, without the consent of the Bondholders, agree to any modification (except as aforesaid and as set out in the Trust Deed) of the Trust Deed or the Bonds (including these Conditions) to allow for the possibility of payment of principal that is written down pursuant to a Viability Write-Down, to the extent that the Bank certifies to the Trustee that it has become permissible to do so under relevant laws and regulations applicable at the time of such modification, provided that the Trustee shall not be obliged to agree to any such modification if the Trustee in its sole opinion considers that such modification (i) imposes obligations, responsibilities or liabilities on it which are greater than that it had as Trustee under the Trust Deed prior to the Viability Write-Down or (ii) decreases the protection it had as Trustee under the Trust Deed prior to the Viability Write-Down, and the Trustee shall have no responsibility or liability to any person for so doing.

15.3 Entitlement of the Trustee

In connection with the exercise of its functions (including but not limited to those referred to in these Conditions), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the interests of individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Bank any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

15.4 Authority to the Trustee

To the fullest extent permitted by applicable law, by accepting the Bond, the Bondholder irrevocably authorises and instructs the Trustee (without its direction whether by Extraordinary Resolution or otherwise) to take any action, step or proceeding before a Japanese court on behalf of and in the name of the Bondholder which the Trustee considers to be necessary or desirable in the interests of the Bondholders. The Trustee shall not be bound to take any such action, step or proceeding unless (a) so directed by an Extraordinary Resolution or so requested in writing by holders of at least one-quarter in principal amount of Bonds then outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction, and shall incur no liability in taking or refraining from taking such action, step or proceeding. The Trustee shall not take any action, step or proceeding on behalf of a Bondholder in respect of the statutory rights referred to in Condition 6.6, such rights having been irrevocably waived by the Bondholder to the fullest extent permitted by applicable law.

15.5 Limitation on Amendments and Waivers

Notwithstanding the provisions of Condition 15.1 and Condition 15.2, no amendment or modification shall be made to the provisions of Condition 2 or Condition 10 which would, in the opinion of the Bank, in any way be prejudicial to any Senior Indebtedness.

16 Enforcement

The Trustee may, at its absolute discretion and without further notice, take such proceedings, actions or steps against the Bank as it may think fit to enforce the provisions of the Trust Deed and the Bonds provided that in no event shall the Bank, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it (except to the extent provided in Condition 10) and provided further that the rights of Bondholders are subject to Condition 10 and the limitations and suspension of rights triggered by a Viability Event. The Trustee shall not be bound to take any such proceedings, actions or steps unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Bondholder shall be entitled to proceed directly against the Bank unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure shall be continuing.

17 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings, actions or steps to enforce the provisions of the Trust Deed or the terms of the Bonds. The Trustee is entitled to enter into business transactions with the Bank or any person or body corporate associated with the Bank without accounting for any profit resulting therefrom.

The Trustee may rely without liability to Bondholders on any certificate or report prepared by the Auditors or any Independent Financial Adviser or other expert pursuant to these Conditions and/or the Trust Deed, whether or not addressed to the Trustee and whether or not the liability of the Auditors or the Independent Financial Adviser or other expert (as the case may be) in respect thereof is limited by a monetary cap or otherwise; any such certificate or report shall be conclusive and binding on the Bank, the Trustee, and the Bondholders.

18 Independent Financial Adviser

If any doubt shall arise as to the appropriate adjustment to the Conversion Price or in relation to any other matter which is reserved in these Conditions for a decision of an Independent Financial Adviser, a written opinion of such Independent Financial Adviser in respect of such adjustment to the Conversion Price or other matter shall be conclusive and binding on the Bank, the Trustee and the Bondholders in the absence of manifest error.

If the Bank shall fail to appoint an Independent Financial Adviser when required to do so and such failure continues for a reasonable period (as determined by the Trustee in its absolute discretion) and the Trustee is indemnified and/or secured and/or prefunded to its satisfaction against the costs, fees and expenses of such Independent Financial Adviser or otherwise in connection with such appointment, the Trustee shall have the power, but shall not be obliged, to make such appointment in its absolute discretion and without liability for so doing in which case such Independent Financial Adviser shall be deemed to have been appointed by the Bank.

19 Notices

All notices to the Bondholders will be valid if mailed to them at their respective addresses in the Register and published in a leading newspaper having general circulation in London (which is expected to be the Financial Times). If publication in any of such newspapers is not practicable, notices will be given in such other newspaper or newspapers as the Bank, with the approval of the Trustee, shall determine. Such notices shall be deemed to have been given on the later of (i) the date of their publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required and (ii) the seventh day after being so mailed.

So long as the Bonds are evidenced by the Global Certificate and such Bonds are held on behalf of a clearing system, notices to Bondholders shall be given by delivery of the relevant notice to the relevant clearing system for communication by it to entitled accountholders in substitution for mailing and publication required by the Conditions.

20 Contracts (Rights of Third Parties) Act 1999

Except as provided herein, no person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

21 Governing Law and Submission to Jurisdiction

21.1 Governing Law

The Trust Deed, the Agency Agreement and the Bonds, and any non-contractual obligation arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

21.2 Jurisdiction

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed and the Bonds (including any non-contractual obligations arising out of or in connection with them) and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed or the Bonds ("Proceedings") may be brought in such courts. The Bank has in the Trust Deed submitted to the jurisdiction of such courts and has waived any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This clause has been made for the benefit of the Trustee and each of the Bondholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

21.3 Agent for Service of Process

The Bank has irrevocably appointed Hackwood Secretaries Limited, as its agent in England to receive service of process in any Proceedings in England. If for any reason Hackwood Secretaries Limited ceases to be able to act as such or no longer has an address in England, the Bank irrevocably agrees to appoint a substitute process agent acceptable to the Trustee and shall immediately notify the Trustee of such appointment. Nothing herein or in the Trust Deed shall affect the right to serve process in any other manner permitted by law.

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

The Trust Deed and the Global Certificate contain provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Conditions set out in this Offering Circular. Terms defined in the Conditions have the same meanings in the paragraphs below. The following is a summary of those provisions.

Notices

So long as the Bonds are evidenced by the Global Certificate and the Global Certificate is registered in the name of a nominee on behalf of Euroclear and/or Clearstream, Luxembourg or any other clearing system as shall have been approved in writing by the Trustee, notices to the Bondholders shall be given by delivery of the relevant notice to the relevant clearing system in substitution for publication and mailing as required by the Conditions. Such notices shall be deemed to have been given in accordance with the Conditions on the date of delivery to the relevant clearing system.

Meetings

The registered holder (as defined in the Conditions) of the Bonds (or any proxy or representative appointed by it) in respect of which the Global Certificate is issued shall (unless the Global Certificate represents only one Bond) be treated as being two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, as having one vote in respect of each Bond in respect of which the Global Certificate is issued. The Trustee may allow any accountholder (or the representative of such person) of a clearing system entitled to Bonds in respect of which the Global Certificate has been issued to attend and speak (but not to vote) at a meeting of Bondholders on appropriate proof of his identity.

Exercise of Stock Acquisition Rights

Subject to the requirements of the relevant clearing system, the Stock Acquisition Right incorporated in a Bond in respect of which the Global Certificate is issued may be exercised by the presentation to, or to the order of, any Agent of one or more Conversion Notices duly completed by, or on behalf of, an accountholder in such system with an entitlement to such Bond. Deposit of the Global Certificate with an Agent together with the relevant Conversion Notice shall not be required. The exercise of the Stock Acquisition Right shall be notified by the Agent to the Registrar and the holder of the Global Certificate.

Payments

Payments of principal and premium (if any) and any other amounts in respect of Bonds evidenced by the Global Certificate shall be made against presentation of, or, if no further payment falls to be made in respect of such Bonds, against presentation and surrender of, the Global Certificate to or to the order of the Principal Agent or such other Agent as shall have been notified to the Bondholders for such purpose.

Each payment will be made to, or to the order of, the person whose name is entered in the Register on the close of business on the Clearing System Business Day immediately prior to the date of payment, where "Clearing System Business Day" means Monday to Friday inclusive, except 25 December and 1 January. A "Business Day" for the purposes of Condition 8.3 shall be a day on which dealings in foreign currency may be carried out in New York.

Transfers

Transfers of interests in the Bonds in respect of which the Global Certificate is issued shall be effected through the records of the relevant clearing system and their respective participants in accordance with the rules and procedures of the relevant clearing system and their respective direct and indirect participants.

Prescription

Claims in respect of the Bonds in respect of which the Global Certificate is issued shall become void unless made within a period of 10 years from the appropriate Due Date (as defined in the Conditions).

Trustee's Powers

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers appropriate to do so in the circumstances, have regard to and rely upon any information made available to it by or on behalf of such clearing system or its operator as to the identity of its accountholders (either individually or by category) with entitlements to the relevant Bonds in respect of which the Global Certificate is issued and may consider such interests as if such accountholders were the holders of the relevant Bonds in respect of which the Global Certificate is issued.

Cancellation

Cancellation of any principal amount in respect of any Bond evidenced by the Global Certificate pursuant to the Conditions will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

Acquisition of Bonds at the Option of the Bank

If the Bank exercises its option to acquire Bonds under Condition 7.3, subject to the requirements of the relevant clearing system a Share Settlement Notice may be duly completed by, or on behalf of, an accountholder in such system with an entitlement to the relevant Bonds. Deposit of the Global Certificate with an Agent shall not be required.

Early Redemption by the Bank

The options of the Bank to redeem the Bonds prior to maturity provided for in Conditions 7.2, 7.4, 7.5, 7.6 and 7.7 shall be exercised by the Bank giving notice to the Bondholders within the time limits set out therein and containing the information required of the Bank in accordance with the relevant Condition.

Election of Bondholders

The election of the Bondholders provided for in Condition 7.4 may be exercised by the holder of the Bonds evidenced by the Global Certificate by giving notice to the Principal Agent within the time limits relating thereto set out in that Condition and otherwise in accordance with the procedures of the relevant clearing system in the form acceptable thereto from time to time.

Electronic Consent

So long as the Bonds are evidenced by the Global Certificate and the Global Certificate is held on behalf of the relevant clearing system, (i) approval of a resolution given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 90 per cent. in nominal amount of the Bonds outstanding (an "Electronic Consent" as defined in the Trust Deed) shall, for all purposes, take effect as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held, and shall be binding on all Bondholders; and (ii) where Electronic Consent is not being sought, for the purpose of determining whether a written resolution has been validly passed, subject to certain requirements set out in the Trust Deed, the Bank and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Bank and/or the Trustee, as the case may be, by accountholders in the relevant clearing system with entitlements to Bonds evidenced by the Global Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries.

USE OF PROCEEDS

The net proceeds of the issue of the Bonds are estimated to be approximately U.S.$200 million and will be used primarily for making investments and loans denominated in U.S. dollars during the current fiscal year and the fiscal year ending 31 March 2016.

Concurrently with the offering of the Bonds, the Bank announced on 5 March 2015 that it intends to repurchase up to 3.5 million Shares subject to certain conditions. See "Information Concerning the Shares—Proposed Share Repurchase by the Bank". The Bank does not plan to apply the net proceeds of the issue of the Bonds in U.S. dollars towards the cost of the repurchase of Shares in Japanese yen.

THE SHIGA BANK, LTD.

The Group is a regional banking group in Japan, with consolidated total assets of ¥4,895 billion as at 31 December 2014. The Bank is based in the Shiga prefecture and is the leading financial institution in the prefecture both in terms of outstanding loans and outstanding deposits. The Bank provides a variety of retail and corporate banking services, including deposits, loans, guarantees and other products, to a wide range of customers in Japan including individuals, SMEs, large corporations, local governments and governmental entities. As at 31 December 2014, the Bank operated 97 domestic branches and 39 sub-branches, covering most of the Shiga prefecture as well as strategic markets elsewhere in Japan, including Kyoto and Osaka, and a branch in Hong Kong and representative offices in Shanghai and Bangkok.

The Bank has a solid deposit base, which amounted to ¥4,333 billion as at 31 December 2014 on a non-consolidated basis. The Bank maintained a loan-to-deposit ratio of 69.4 per cent. on a non-consolidated basis as at 31 December 2014.

As at 31 December 2014, the Bank had nine consolidated subsidiaries in Japan. The Shares are listed on the First Section of the Tokyo Stock Exchange with the Securities Identification Code 8366.

The Bank is a joint stock company incorporated with limited liability under the laws of Japan. The Bank's registered head office is located at 1-38, Hamamachi, Otsu-shi, Shiga 520-8686, Japan.

Summary Financial Table

	For the year ended 31 March			For the nine months ended 31 December	
	2012	**2013**	**2014**	**2013**	**2014**
			(Millions of yen)		
Consolidated statement of income data					
Total interest income	¥61,318	¥57,799	¥54,811	¥41,882	¥41,132
Fees and commissions	12,362	12,454	12,691	9,505	10,110
Other operating income	13,715	15,019	17,240	14,444	10,204
Total income	91,082	88,872	88,519	68,091	64,958
Total interest expenses	5,512	4,561	4,228	3,242	2,637
General and administrative expenses	47,632	46,599	45,584	34,748	33,877
Total expenses	72,998	74,991	69,072	50,716	48,016
Income before income taxes and minority interests	18,084	13,880	19,447	17,375	16,941
Net income	¥8,228	¥5,544	¥11,027	¥10,078	¥9,893

	As at 31 March			As at 31 December	
	2012	2013	2014	2013	2014
	(Millions of yen, except percentages and share data)				
Consolidated balance sheet data					
Total assets	¥4,523,309	¥4,662,055	¥4,777,483	¥4,811,580	¥4,895,754
Investment securities	1,430,242	1,486,497	1,422,210	1,447,256	1,500,934
Loans and bills discounted	2,743,438	2,822,561	2,916,953	2,885,391	3,000,505
Total liabilities	4,275,261	4,394,520	4,485,017	4,523,682	4,571,208
Deposits	3,985,459	4,090,014	4,163,311	4,189,913	4,234,671
Total equity	¥248,047	¥267,535	¥292,466	¥287,897	¥324,546
Number of issued Shares	265,450,406	265,450,406	265,450,406	265,450,406	265,450,406
Consolidated regulatory capital data(1)					
Tier 1 risk-weighted capital ratio	9.42%	—	—	—	—
Total risk-weighted capital ratio	14.04%	—	—	—	—
Common equity Tier 1 ratio	—	9.44%	10.50%	9.82%	11.08%
Tier 1 ratio	—	9.44%	10.50%	9.82%	11.08%
Capital ratio	14.04%	14.14%	14.80%	14.86%	14.69%

Note:

(1) Regulatory capital data as at 31 March 2012 was calculated based on applicable Basel II standards as implemented in Japan. Regulatory capital data from 31 March 2013 and onwards were calculated based on applicable Basel III standards as implemented in Japan, taking into account any transitional measures applicable as at the date of such data.

RECENT BUSINESS

Consolidated Results for the Nine Months Ended 31 December 2014 compared with the Nine Months Ended 31 December 2013

Results

Total income for the Group for the nine months ended 31 December 2014 decreased by ¥3,133 million, or 4.6 per cent., to ¥64,958 million, compared with ¥68,091 million for the nine months ended 31 December 2013. This was mainly due to reduced interest income on loans resulting from the quantitative easing policy by the Bank of Japan as well as a decrease in gains from the sale of Japanese government bonds compared to the previous year relating to the Bank's efforts to shorten the maturity profile of its fixed income portfolio.

Total expenses for the nine months ended 31 December 2014 decreased by ¥2,699 million, or 5.3 per cent., to ¥48,016 million, compared with ¥50,716 million for the nine months ended 31 December 2013. This was primarily due to reduced funding costs due to a decrease in interest expenses, a decrease in loss from sales of government bonds, reduced operating expenses and a decrease in the provision of allowances for loan losses.

As a result of the above, net income for the nine months ended 31 December 2014 decreased by ¥185 million, or 1.8 per cent., to ¥9,893 million, compared with ¥10,078 million for the nine months ended 31 December 2013.

Consolidated Balance Sheet as at 31 December 2014 compared with Consolidated Balance Sheet as at 31 March 2014

Total assets for the Group as at 31 December 2014 increased by ¥118,270 million, or 2.5 per cent, to ¥4,895,754 million, compared with ¥4,777,483 million as at 31 March 2014, primarily due to an increase in gains from investment securities and an increase in loans and bills discounted.

Total liabilities as at 31 December 2014 increased by ¥86,190 million, or 1.9 per cent., to ¥4,571,208 million, compared with ¥4,485,017 million as at 31 March 2014, primarily due to an increase in deposits, call money and bills sold for purchasing foreign investment securities and deferred tax liabilities.

Total equity as at 31 December 2014 increased by ¥32,079 million, or 11.0 per cent, to ¥324,546 million, compared with ¥292,466 million as at 31 March 2014, primarily due to an increase in retained earnings, gains from investment securities and accumulated other comprehensive income.

Consolidated Results for the Year Ended 31 March 2014 compared with the Year Ended 31 March 2013

Results

Interest income for the Group consists of interest on loans and discounts, interest on securities and other interest income. Total interest income for the year ended 31 March 2014 decreased by ¥2,988 million, or 5.2 per cent., to ¥54,811 million, compared with ¥57,799 million for the year ended 31 March 2013. This was primarily due to reduced yield from loans and securities.

Fees and commissions for the year ended 31 March 2014 increased by ¥237 million, or 1.9 per cent., to ¥12,691 million, compared with ¥12,454 million for the year ended 31 March 2013. This was primarily due to increased income from the credit card business.

Other operating income for the year ended 31 March 2014 increased by ¥2,221 million, or 14.8 per cent., to ¥17,240 million, compared with ¥15,019 million for the year ended 31 March 2013. This was primarily due to increased gains on derivative transactions and foreign exchange transactions.

Other income for the year ended 31 March 2014 increased by ¥176 million, or 4.9 per cent., to ¥3,775 million, compared with ¥3,599 million for the year ended 31 March 2013.

As a result of the above, total income for the year ended 31 March 2014 decreased by ¥352 million, or 0.4 per cent., to ¥88,519 million, compared with ¥88,872 million for the year ended 31 March 2013.

Interest expenses for the Group consist of interest on deposits, interest on borrowings and rediscounts and other interest expenses. Total interest expenses for the year ended 31 March 2014 decreased by ¥332 million, or 7.3 per cent., to ¥4,228 million, compared with ¥4,561 million for the year ended 31 March 2013. This was primarily due to decreased interest on deposits.

Fees and commission payments for the year ended 31 March 2014 increased by ¥221 million, or 5.7 per cent., to ¥4,096 million, compared with ¥3,875 million for the year ended 31 March 2013.

Other operating expenses for the year ended 31 March 2014 increased by ¥1,275 million, or 12.9 per cent., to ¥11,151 million, compared with ¥9,876 million for the year ended 31 March 2013. This was primarily due to reduced losses on financial derivatives.

General and administrative expenses for the year ended 31 March 2014 decreased by ¥1,014 million, or 2.2 per cent., to ¥45,584 million, compared with ¥46,599 million for the year ended 31 March 2013. This was primarily due to decreased personnel expenses.

Other expenses for the year ended 31 March 2014 decreased by ¥6,068 million, or 60.2 per cent., to ¥4,011 million, compared with ¥10,079 million for the year ended 31 March 2013. This was primarily due to decreased credit costs and a decrease in valuation losses on investment in stocks.

As a result of the above, total expenses for the year ended 31 March 2014 decreased by ¥5,919 million, or 7.9 per cent., to ¥69,072 million, compared with ¥74,991 million for the year ended 31 March 2013.

Income before income taxes and minority interests for the year ended 31 March 2014 increased by ¥5,566 million, or 40.1 per cent., to ¥19,447 million, compared with ¥13,880 million for the year ended 31 March 2013.

Income taxes for the year ended 31 March 2014 increased by ¥96 million, or 1.2 per cent., to ¥8,057 million, compared with ¥7,961 million for the year ended 31 March 2013. This was primarily due to the above increase in taxable income.

Minority interests in net income of consolidated subsidiaries for the year ended 31 March 2014 decreased by ¥13 million, or 3.5 per cent., to ¥362 million, compared with ¥375 million for the year ended 31 March 2013. This was primarily due to decreased profits at subsidiaries that have a high level of minority interest.

As a result of the above, net income for the year ended 31 March 2014 increased by ¥5,483 million, or 98.9 per cent., to ¥11,027 million, compared with ¥5,544 million for the year ended 31 March 2013.

Consolidated Balance Sheet as at 31 March 2014 compared with Consolidated Balance Sheet as at 31 March 2013

Total assets as at 31 March 2014 increased by ¥115,428 million, or 2.5 per cent., to ¥4,777,483 million, compared with ¥4,662,055 million as at 31 March 2013. This was primarily due to increases in cash and dues from banks and loans and bills discounted.

Total liabilities as at 31 March 2014 increased by ¥90,497 million, or 2.1 per cent., to ¥4,485,017 million, compared with ¥4,394,520 million as at 31 March 2013. This was primarily due to an increase in deposits.

Total equity as at 31 March 2014 increased by ¥24,931 million, or 9.3 per cent., to ¥292,466 million, compared with ¥267,535 million as at 31 March 2013.

Capital Expenditure

The following table gives information with respect to the Bank's capital expenditure on an accrual basis for the periods indicated:

	For the year ended 31 March		
	2012	**2013**	**2014**
		(Millions of yen)	
Capital expenditure	¥4,705	¥3,535	¥2,730

The Bank's capital expenditure is generally funded by internally generated funds. The Bank's capital expenditure during the three years ended 31 March 2014 consisted primarily of investment on the improvement of branches and IT systems.

CAPITALISATION AND INDEBTEDNESS

The following table shows the capitalisation and indebtedness of the Bank as at 31 December 2014, which has been extracted without material adjustment from the Bank's unaudited interim consolidated financial statements as at the same date, and as adjusted to give effect to the issue of the Bonds:

	As at 31 December 2014	
	Actual	**As adjusted**
	(Millions of yen)	
Indebtedness		
Borrowed money	¥57,577	¥57,577
Bonds now being issued[(1)]	—	23,966
Total indebtedness	57,577	81,543
Equity		
Stockholders' equity		
Common stock	33,076	33,076
Common stock:		
authorised— 500,000,000 Shares		
issued— 265,450,406 Shares		
Capital surplus	23,968	23,968
Stock acquisition rights	59	59
Retained earnings	154,206	154,206
Treasury stock, at cost: 1,622,865 Shares[(2)]	(990)	(990)
Total stockholders' equity	210,321	210,321
Accumulated other comprehensive income		
Net unrealised gains on available-for-sale securities	97,769	97,769
Deferred gains (losses) on derivatives under hedge accounting	(845)	(845)
Land revaluation surplus	10,939	10,939
Defined retirement benefit plans	1,554	1,554
Total accumulated other comprehensive income	109,418	109,418
Minority interests	4,806	4,806
Total equity	324,546	324,546
Total capitalisation and indebtedness[(3)]	¥382,123	¥406,089

Notes:

(1) For the purposes of this table, the yen equivalent value of the Bonds has been translated at the rate of U.S.$1=¥119.83, which was the prevailing rate of exchange of Japanese yen to U.S. dollars at 15:00 Tokyo time on 5 March 2015 as reported on Reuters' "JPNU" page. This rate of exchange bears no relationship to the rate(s) at which amounts relating to the Bonds will be converted into yen for accounting purposes.

(2) As mentioned in "Information Concerning the Shares—Proposed Share Repurchase by the Bank", the Bank intends to repurchase up to 3.5 million Shares in the period from and including 6 March 2015 to and including 30 April 2015. Such repurchase, to the extent it is completed, will have the effect of reducing the Bank's total equity and total capitalisation and indebtedness. None of such potential changes are reflected in the above table.

(3) Total capitalisation and indebtedness is a total of indebtedness and total equity.

(4) Save as disclosed above, there has been no material change in the capitalisation, indebtedness, contingent liabilities or guarantees of the Bank since 31 December 2014.

Changes in Issued Share Capital

The Bank has an authorised share capital of 500,000,000 Shares. As at 31 December 2014, 265,450,406 Shares were in issue.

Dividends

Year-end dividends may be distributed to shareholders and pledgees of record as at 31 March of the relevant year pursuant to a resolution of the general meeting of shareholders. In addition to year-end dividends, the Bank may, by resolution of its Board of Directors and subject to certain restrictions, make interim dividend payments in the form of cash distributions from its funds available for dividends to shareholders and pledgees of record as at 30 September of each year. The Bank may also make dividends other than those described above with the approval of its shareholders at a general meeting of shareholders and subject to certain restrictions. The payment of dividends will also be subject to other factors, including legal restrictions with respect to the payment of dividends. See "Description of the Shares and Certain Regulations—Distributions of Surplus".

The following table sets forth the dividends paid by the Bank to shareholders of record as at the dates indicated:

Record Date	Dividend per Share
	(Yen)
31 March 2010	¥3.00
30 September 2010	3.00
31 March 2011	3.00
30 September 2011	3.00
31 March 2012	3.00
30 September 2012	3.00
31 March 2013	3.00
30 September 2013	3.00
31 March 2014	4.00[(1)]
30 September 2014	3.00

Note:

(1) Including an extraordinary dividend of ¥1.00 per Share to commemorate the 80th anniversary of the Bank.

The Bank has adopted a basic policy of maintaining a stable level of dividend, while at the same time seeking to keep a strong level of retained earnings and strengthen its financial position in preparation for future challenges in the business environment. The Bank generally distributes dividends twice a year.

Japanese Stock Market and Price Range of the Shares

The Shares are listed on the First Section of the Tokyo Stock Exchange. The following table shows the highs and lows of the reported sales prices of the Shares on the Tokyo Stock Exchange, as well as the highs and lows of the closing Nikkei Stock Average and the closing level of the Tokyo Stock Price Index ("TOPIX"), for the periods indicated:

	Price per Share		Nikkei Stock Average		TOPIX	
Calendar period	**High**	**Low**	**High**	**Low**	**High**	**Low**
		(Yen)			*(Points)*	
2009	¥612	¥480	¥10,639.71	¥ 7,054.98	975.59	700.93
2010	597	406	11,339.30	8,824.06	998.90	803.12
2011	552	332	10,857.53	8,160.01	974.63	706.08
2012	560	391	10,395.18	8,295.63	872.42	695.51
2013						
1st quarter	668	502	12,635.69	10,486.99	1,058.10	871.88
2nd quarter	713	445	15,627.26	12,003.43	1,276.03	991.34
3rd quarter	605	487	14,808.50	13,338.46	1,222.72	1,106.05
4th quarter	570	509	16,291.31	13,853.32	1,302.29	1,147.58
2014						
1st quarter	566	470	16,121.45	14,008.47	1,306.23	1,139.27
2nd quarter	615	520	15,376.24	13,910.16	1,269.04	1,132.76
3rd quarter	626	578	16,374.14	14,778.37	1,346.43	1,228.26
4th quarter	662	520	17,935.64	14,532.51	1,447.58	1,177.22
2015						
1st quarter (up to 5 March)	750	605	18,826.88	16,795.96	1,526.83	1,357.98

On 5 March 2015, the last reported closing price of the Shares on the Tokyo Stock Exchange was ¥712 per Share and the Nikkei Stock Average and TOPIX closed at ¥18,751.84 and 1,523.72, respectively.

Principal Shareholders and Other Information

As at 30 September 2014, the Bank had 12,207 shareholders of record. The 10 largest shareholders of record, the number of Shares held by them and their shareholding percentages as at 30 September 2014 were as follows:

Shareholder	**Number of Shares held**	**Percentage of total Shares in issue**
	(Thousands)	*(Per cent.)*
Japan Trustee Services Bank, Ltd. (Trust Account)[(1)]	14,016	5.28%
Sompo Japan Nipponkoa Insurance Inc.	11,651	4.38
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY	9,740	3.66
Nippon Life Insurance Company	8,300	3.12
Shiga Bank Employee's Shareholding Association	7,158	2.69
Meiji Yasuda Life Insurance Company	6,199	2.33
Northern Trust Co. AVFC Re U.S. Tax Exempted Pension Funds	5,696	2.14
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	76,236	28.71%

Notes:

(1) Held by such shareholder in relation to its trust business.

(2) The FIEA and its related regulations require any person who has become, beneficially and solely or jointly, a holder of more than 5 per cent. of the total voting shares in issue of capital stock of a company that is listed on any Japanese stock exchange to file a report concerning such shareholdings with the Director of the relevant Local Finance Bureau of the Ministry of Finance of Japan, and also require such person to file an amendment concerning any subsequent changes of 1 per cent. or more of the total issued voting shares in such substantial shareholdings or any change in material matters set out in reports previously filed. See "Description of the Shares and Certain Regulations – Reporting of Substantial Shareholders".

As at the date of this Offering Circular, the Bank had received the following report in relation to which the Bank was unable to confirm beneficial ownership as at 31 December 2014 and which therefore has not been reflected in the shareholders' register or in the above table:

- An amendment report filed on 8 November 2010 by Silchester International Investors Limited and Silchester International Investors LLP, reporting the transfer of all Shares held by Silchester Partners Limited (formerly Silchester International Investors Limited) to Silchester International Investors LLP and the ownership of 19,851 thousand Shares, representing 7.48 per cent. of the total Shares in issue, by Silchester International Investors LLP as at 1 November 2010.

The ownership distribution of the Shares by category of shareholders of record as of 31 March 2014 (being the most recent date as at which the information is available) was as follows:

	Number of Shares held(1)	**Percentage of total Shares in issue**
	(Unit Shares)	*(Per cent.)*
Government and municipal bodies	63	0.02%
Japanese financial institutions(2)	91,315	34.75
Japanese securities companies	2,897	1.10
Other Japanese corporations	62,387	23.74
Japanese individual investors and others(2)(3)	63,389	24.12
Foreign corporations and individual investors	42,761	16.27
Total	262,812	100.00%

Notes:

(1) 1,000 Shares constitute one unit of Shares. See "Description of the Shares and Certain Regulations – Unit Share System".

(2) As at 31 March 2014, the Bank held 1,602,119 Shares in treasury, of which 1,602 units of Shares were included under the category of "Japanese individuals and others" and the remaining 119 Shares did not constitute one full unit of Shares and are not shown above.

(3) As at 31 March 2014, an aggregate of 2,638,406 Shares were held as odd lots not constituting one full unit of Shares. These have not been included in the above table or taken into account in calculating the percentages shown above.

As at 30 September 2014, the Bank's Directors and Audit & Supervisory Board Members together directly held 411 thousand Shares, representing 0.15 per cent. of total Shares in issue at that date.

As at the date of this Offering Circular, the Bank is not aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Bank.

Proposed Share Repurchase by the Bank

Concurrently with the offering of the Bonds, the Bank announced on 5 March 2015 that it intends to repurchase up to 3.5 million Shares (approximately 1.33 per cent. of the issued Shares (excluding treasury stock) as at 28 February 2015) at a maximum cost of ¥2.5 billion from the market in the period from and including 6 March 2015 to and including 30 April 2015. The Bank has adopted such plan to repurchase and cancel Shares in order to improve the efficiency of its capital and thereby to enhance shareholder return. The Bank does not plan to apply the net proceeds of the issue of the Bonds in U.S. dollars toward the cost of the repurchase in Japanese yen.

The Bank has also announced that in order to execute the abovementioned Share repurchase plan, it intends to repurchase the Shares through the Tokyo Stock Exchange's ToSTNeT-3 system at 8:45 a.m. (Tokyo time) on 6 March 2015. The result of such repurchase will be announced in Japan on 6 March 2015. As the amount which the Bank is able to repurchase through the ToSTNeT-3 system is entirely dependent on the volume of Shares offered by shareholders at a certain price and at a certain time, there can be no assurance that such repurchase will be executed in full.

The Tokyo Stock Exchange Trading Network System, or "ToSTNeT", is a trading system which has fully computerised the trading process from order input to execution. ToSTNeT-3 is an off-market hour trading system specifically for use for the buy-back by issuers of their own shares and provides investors with the means of executing their sell orders at the Tokyo Stock Exchange's prior-day closing prices at 8:45 a.m. (Tokyo time). If the number of shares for the aggregated sell orders exceeds the buy-back order, the sell orders will be in principle executed proportionally based on the number of shares in each sell order.

To the extent any Shares remain to be repurchased (within the maximum cost of ¥2.5 billion and the maximum number of 3.5 million Shares) after the abovementioned repurchase through the ToSTNeT-3 system, the Bank intends to repurchase further Shares on the auction market, at the market prices prevailing at the relevant time until 30 April 2015. There can however be no assurance that any such repurchase will be proposed by the Bank as currently intended or, if proposed by the Bank, executed in full.

BUSINESS

Overview

The Group is a regional banking group in Japan, with consolidated total assets of ¥4,895 billion as at 31 December 2014. The Bank is based in the Shiga prefecture and is the leading financial institution in the prefecture both in terms of outstanding loans and outstanding deposits. The Bank provides a variety of retail and corporate banking services, including deposits, loans, guarantees and other products, to a wide range of customers in Japan including individuals, SMEs, large corporations, local governments and governmental entities. As at 31 December 2014, the Bank operated 97 domestic branches and 39 sub-branches, covering most of the Shiga prefecture as well as strategic markets elsewhere in Japan, including Kyoto and Osaka, and a branch in Hong Kong and representative offices in Shanghai and Bangkok.

The Bank has a solid deposit base, which amounted to ¥4,333 billion as at 31 December 2014 on a non-consolidated basis. The Bank maintained a loan-to-deposit ratio of 69.4 per cent. on a non-consolidated basis as at 31 December 2014.

As at 31 December 2014, the Bank had nine consolidated subsidiaries. The Shares are listed on the First Section of the Tokyo Stock Exchange with the Securities Identification Code 8366.

The Bank is a joint stock company incorporated with limited liability under the laws of Japan. The Bank's registered head office is located at 1-38, Hamamachi, Otsu-shi, Shiga 520-8686, Japan.

History

The entity that is currently the Bank was formed in 1933 as a result of a merger between Hyakusanjusan Bank and Hachiman Bank, both based in the Shiga prefecture. The Bank then went on to acquire Gamo Bank in 1940, Kohoku Bank in 1942 and Kashiwabara Bank in 1943, and merged with Shiga Savings Bank in 1943 and Omi Trust Bank in 1945, forming the only bank then headquartered in the Shiga prefecture.

The Bank became listed in 1977, initially on the Osaka Stock Exchange and Kyoto Stock Exchange, and later on the Tokyo Stock Exchange in 1987. To better serve the needs of its corporate customers seeking to expand into Asia, the Bank opened an office in Hong Kong in 1989, which became a branch in 1993, and opened its Shanghai representative office in 2003 and Bangkok representative office in 2012.

Strategy

The Bank is currently implementing the Medium Term Business Plan, which sets forth various strategic initiatives and measures and establishes a number of key financial targets that the Bank aims to achieve by the end of the fiscal year ending 31 March 2016.

The basic vision of the Bank is to be a financial institution that strides towards the future side-by-side with its customers and the region. This means having a clear vision of the future towards creating new value and ensuring sustainable growth for its customers and the region. To this end, the Bank intends to continue to increase customer satisfaction by making actionable changes, and has adopted sincerity, creativity and passion as its guiding principles.

The Bank's Medium Term Business Plan consists of the following three main pillars:

(1) Providing solutions that meet customers' needs

Under this pillar, the Bank is implementing various initiatives to provide better services meeting its customers' needs, including:

- *Strengthening its level of support for contributing to its customers' development* – Specifically, the Bank is seeking to find ways to strengthen relationships with its customers and better address its customers' funding needs, including by identifying the diverse funding needs of SMEs, strengthening its loan products or investment products for individuals, supporting the rehabilitation of customers in financial difficulties and improving customer relationship management through strengthening and consolidating its backend IT systems relating to customer support and management. In addition, as part of its customer service, the Bank also provides a ratings communications service under which the Bank offers to disclose its internally assigned ratings to its borrowers, thereby creating an opportunity to discuss the customer's financial strengths and weaknesses and facilitating the early identification and resolution of financial problems.

- *Revising its channel strategy to increase the convenience for its customers* – The Bank is seeking to fine-tune its branch strategy, including the roll-out of branches specifically targeted at individual customers, reinforcing its branches in strategic areas in Kyoto and Osaka and improving the functionality of its ATMs. In addition, the Bank is seeking to develop new settlement services to suit its customers' needs.

- *Using information technology to meet its customers' needs* – The Bank intends to improve its Internet banking services and call centre services and strengthen its ability to make appropriate service proposals through database marketing.

- *Providing support for customers' overseas businesses* – Working in conjunction with its overseas branch and representative offices in Asia, the Bank is seeking to create opportunities for overseas businesses and strengthening its consulting functions. Specifically, the Bank is taking initiatives to strengthen its overseas trainee programme and its relationships with partner institutions in Asia, organise seminars and provide timely information, strengthen consulting functions relating to overseas business activities, and provide new financing schemes to support its customers' overseas businesses.

- *Engaging in CSR (Corporate Social Responsibility) activities together with its customers* – The Bank is committed to reducing its CO_2 footprint, strengthening its CSR activities and providing environmentally conscious products. The Bank has been a pioneer in implementing a system for rating its customers' environmental conservation efforts, under which the Bank incentivises environmentally-conscious business management by lowering its lending interest rates for its borrowers based on the level of their environmental achievements.

(2) Further contributing to the regional economy

As a regional bank, the Bank believes it has an important role in contributing to the development of the regional economy. The Bank has identified the following initiatives in this respect:

- *Taking active initiatives towards the development of the regional economy and the Bank's customers* – The Bank has established a team responsible for local matters, liaising with local governments as well as local business organisations to promote the prosperity of the local region. In addition, the Bank participates in activities aiming at the regeneration of towns and villages in the Shiga prefecture, and is engaging in networking activities to connect businesses, researchers and the government.

- *Strengthening support services for its customers' new businesses* – The Bank is seeking to strengthen its support for its customers' new businesses, including in growth areas relating to the environment, tourism, medical and nursing services and agribusiness. In addition, it is seeking to strengthen its consulting and advisory functions relating to the use of government subsidies.

- *Taking initiatives together with its customers towards the spread of the regional brand* – The Bank is working with both the private and public sectors in seeking to promote local and regional brands, and taking initiatives to bring tourism to the region and make good use of regional resources.

(3) Building a resilient business foundation

- *Nurturing and utilising human capital to contribute to the customers' further development* – The Bank believes in the importance of its human capital. It intends to continue to strengthen the basic skills of its employees, increase the number of employees with specialised skills, allocate human resources appropriately and promote career opportunities for women.

- *Strengthening internal controls to ensure that customers feel confident about their transactions with the Bank* – To strengthen its internal control and procedures, the Bank is taking various initiatives in relation to its risk taking and risk management, the quality of its IT systems, controls on regulatory capital under the Basel III regime, and improvement of customer service.

- *Process innovation for the purpose of improving customer convenience* – The Bank is seeking to improve operational efficiency through business process reengineering in relation to its lending practices, branch operations and back office operations.

Strengths

The Bank believes that its competitive strengths may be summarised as follows.

Solid franchise and market position in the Shiga prefecture

The Bank is the leading financial institution in the Shiga prefecture and enjoys the largest market shares in the prefecture in terms of both deposits and loans. Its strong presence is represented by its extensive branch and ATM network in the prefecture and its strong relationships with local customers built over decades. The Bank also maintains strong ties with local governments, acting as the designated financial institution for the banking needs of most local governments in the Shiga prefecture.

Extensive local knowledge

The Bank believes it has a competitive advantage derived from its in-depth knowledge of local business conditions, allowing it to adopt risk exposures more effectively and make targeted proposals to customers. The Bank believes its commitment to the region also enables it to gain up-to-date commercial insights to actively support the initiatives of its customers and the local communities.

Favourable demographics of the Shiga prefecture

Compared to the national average, the population of the Shiga prefecture had a higher proportion of children and youngsters and a lower proportion of the elderly, according to the 2013 national census, and is expected to experience a lower rate of population decline than most other prefectures of Japan in the foreseeable future. In addition, the prefecture's per capita gross domestic product ("GDP") and savings and financial assets per working household are among the highest in Japan (see "—The Shiga Prefecture"). The Bank believes it is well positioned to take advantage of these comparatively favourable conditions in its home market.

Strong deposit base and liquidity position

The Bank enjoys a strong deposit base, which provides ample liquidity relative to the size of its operations. As of 31 December 2014, the Bank's loan-to-deposit ratio was 69.4 per cent. on a non-consolidated basis. The Bank believes its strong liquidity position will add to its resilience against stress situations.

The Shiga Prefecture

The Shiga prefecture is located in the Kansai region of Japan, neighbouring Kyoto and in close proximity to Osaka. For centuries it had enjoyed strong cultural and economic ties to the historical capital of Kyoto. Due to its well-developed transportation links and its central location on the historical Tokaido highway, the Shiga prefecture occupies an integral role in the economy of western and central Japan, in particular providing dormitory towns for commuters into Kyoto and Osaka and hosting numerous factories, logistics centres and research and development facilities.

In the fiscal year 2011, Shiga had a per capita GDP of ¥3,072 thousand, ranking the fourth highest amongst all prefectures in Japan, following Tokyo, Shizuoka and Aichi. Manufacturing is the most important economic activity in the prefecture, accounting for 40.6 per cent. of the prefectural GDP in the fiscal year 2011, the highest such ratio amongst all prefectures in Japan. The most prominent manufacturing output of the Shiga prefecture includes transportation equipment, chemical products and electrical machinery. According to the 2013 national census, the Shiga prefecture had the third highest rate of natural population increase (0.07 per cent. between October 2012 and September 2013) and the second highest proportion of young population (defined as individuals under 15 years of age) amongst all prefectures in Japan. The prefecture also boasts the highest amount of savings and financial assets per working household amongst all prefectures in Japan, according to statistics as of 30 November 2009, the most recent data currently available.

A central geographical feature of Shiga is Lake Biwa, the largest lake in Japan, which is located in the centre of and occupies approximately one-sixth of the surface area of the prefecture, providing an important source of water for households and industries in Shiga as well as neighbouring prefectures. The prefectural capital is Otsu, where the Bank is headquartered.

Operations

Branch Network and Other Service Channels

The Bank provides its services through a branch network in Japan consisting of, as at 31 December 2014, 97 branches and 39 sub-branches. In addition, the Bank also operates a branch in Hong Kong and representative offices in Shanghai and Bangkok.

The Bank's branches cover most of the Shiga prefecture and are also located in strategic markets elsewhere in Japan, including Kyoto and Osaka, and provide a range of banking services to its individual and corporate customers. The Bank also operates an extensive network of ATMs in Japan which allows its customers to conduct self-service banking transactions during extended hours. As at 31 December 2014, the Bank operated 616 ATMs, including 203 ATMs on third-party premises. The Bank's payment and settlement services can also be accessed through a large number of third-party ATMs located in convenience stores or other banks. To increase convenience for its individual customers, the Bank also operates 11 Shigagin Plaza, which are located within its branches and sub-branches and are open on weekends and holidays in addition to weekdays, to handle inquiries relating to loans and pensions.

The Bank also offers Internet banking services that enable users to transfer funds, apply for loans and purchase investment trust products.

Funding

The following table shows the composition of the Bank's funding (interest bearing liabilities) by average balances and related amounts of interest and average interest rates (on a consolidated basis) for the periods indicated. Most of the Bank's funding is derived from deposits placed with it.

	For the year ended 31 March									For the six months ended 30 September 2014		
	2012			2013			2014					
	Average balance	Interest	Average rate	Average balance	Interest	Average rate	Average balance	Interest	Average rate	Average balance	Interest	Average rate
	(Millions of yen, except percentages)											
Consolidated												
Interest-bearing liabilities												
Deposits:												
Domestic	¥3,917,927	¥4,275	0.10%	¥3,999,245	¥2,904	0.07%	¥4,108,528	¥2,411	0.05%	¥4,156,315	¥1,701	0.05%
International	2,634	4	0.18	3,013	7	0.24	3,432	7	0.20	3,088	3	0.23
Total	3,920,562	4,279	0.10	4,002,258	2,911	0.07	4,111,961	2,418	0.05	4,159,404	1,075	0.05
Negotiable certificates of deposit:												
Domestic	121,642	257	0.21	102,712	176	0.17	100,003	122	0.12	95,797	54	0.11
International	—	—	—	—	—	—	—	—	—	—	—	—
Total	121,642	257	0.21	102,712	176	0.17	100,003	122	0.12	95,797	54	0.11
Call money and bills sold:												
Domestic	112	1	1.17	3,557	15	0.44	20,266	71	0.35	32,560	62	0.38
International	—	—	—	—	—	—	—	—	—	—	—	—
Total	112	1	1.17	3,557	15	0.44	20,266	71	0.35	32,560	62	0.38
Payables under securities lending transactions:												
Domestic	2,336	1	0.07	3,009	6	0.22	14,254	26	0.18	25,566	19	0.14
International	—	—	—	—	—	—	—	—	—	—	—	—
Total	2,336	1	0.07	3,009	6	0.22	14,254	26	0.18	25,566	19	0.14
Borrowed money:												
Domestic	61,692	576	0.93	78,256	997	1.27	77,692	951	1.22	60,277	296	0.98
International	—	—	—	—	—	—	—	—	—	—	—	—
Total	61,692	576	0.93	78,256	997	1.27	77,692	951	1.22	60,277	296	0.98
Total interest-bearing liabilities:(4)												
Domestic	4,116,977	5,497	0.13	4,201,273	4,546	0.10	4,334,671	4,214	0.09	4,376,998	1,698	0.08
International	32,588	101	0.31	32,405	103	0.32	38,216	121	0.31	39,913	72	0.36
Total	¥4,120,732	¥5,502	0.13%	¥4,204,306	¥4,553	0.10%	¥4,338,098	¥4,221	0.09%	¥4,380,120	¥1,772	0.08%

Notes:

(1) Average balances are calculated based on daily averages (except for consolidated subsidiaries, which are calculated as the average of the opening balance and closing balance of the relevant period).

(2) Funding classified as domestic consist of transactions conducted by the Bank (excluding its overseas branch) and its consolidated subsidiaries. Funding classified as international consists of transactions conducted by the Bank's overseas branch.

(3) The total amounts for average balance and interest above are after elimination of any lending between the Bank's domestic and international divisions.

(4) Total interest-bearing liabilities include further liability items not presented in the rows above and whose amounts are not considered by the Bank to be material. As a result, the columns in this table might not total.

Deposits

The Bank primarily relies on deposits for its funding needs. The Bank offers a variety of banking accounts to its customers, including current deposits, savings deposits, deposits at notice, time deposits and foreign currency deposits. The principal sources of deposits are individual customers. As at 30 September 2014, 86.7 per cent. of the Bank's deposits were placed with its branches in Shiga prefecture.

The following table shows a breakdown of the Bank's domestic and overseas deposits (on a consolidated basis) as at the dates indicated.

	As at 31 March			As at 30 September 2014
	2012	2013	2014	
	(Millions of yen)			
Consolidated				
Domestic				
Liquid deposits	¥1,778,693	¥1,890,628	¥1,967,465	¥1,950,991
Time deposits	2,142,289	2,130,971	2,117,728	2,119,312
Other deposits	61,786	65,155	75,021	79,952
Subtotal	3,982,769	4,086,754	4,160,215	4,150,256
Negotiable certificates of deposit	104,524	94,524	93,773	87,935
Total domestic deposits	4,087,293	4,181,278	4,253,988	4,238,191
International[1]				
Liquid deposits	912	1,099	680	530
Time deposits	1,673	2,058	2,280	2,529
Other deposits	104	101	134	176
Subtotal	2,690	3,259	3,095	3,236
Negotiable certificates of deposit	—	—	—	—
Total overseas deposits	2,690	3,259	3,095	3,236
Total deposits	¥4,089,984	¥4,184,538	¥4,257,084	¥4,241,428

Note:

(1) Deposits classified as international are deposits placed with the Bank's overseas branch.

The majority of domestic deposits with the Bank are liquid deposits in yen. Such deposits pay interest at rates established by the Bank that are based principally on prevailing market rates.

Assets

The following table shows the Bank's average asset balances and related interest and average interest rates (on a consolidated basis) for the periods indicated.

	For the year ended 31 March 2012			2013			2014			For the six months ended 30 September 2014		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate	Average balance	Interest	Average rate	Average balance	Interest	Average rate
	(Millions of yen, except percentages)											
Consolidated												
Interest-earning assets												
Loans and bill discounted:												
Domestic	¥2,704,126	¥46,089	1.70%	¥2,738,996	¥43,696	1.59%	¥2,832,048	¥41,807	1.47%	¥2,898,814	¥20,368	1.40%
International	5,712	55	0.96	6,766	67	0.99	8,739	76	0.87	7,045	34	0.97
Total	2,709,839	46,144	1.70	2,745,762	43,763	1.59	2,840,787	41,883	1.47	2,905,860	20,403	1.40
Trading securities:												
Domestic	790	4	0.59	543	2	0.47	805	2	0.29	887	1	0.25
International	—	—	—	—	—	—	—	—	—	—	—	—
Total	790	4	0.59	543	2	0.47	805	2	0.29	887	1	0.25
Securities:												
Domestic	1,349,357	14,392	1.06	1,423,492	13,334	0.93	1,331,087	12,213	0.91	1,330,148	6,224	0.93
International	26,594	229	0.86	25,284	248	0.98	29,160	268	0.92	32,851	141	0.85
Total	1,375,952	14,621	1.06	1,448,777	13,582	0.93	1,360,248	12,482	0.91	1,363,000	6,366	0.93
Call loans and bills purchased:												
Domestic	137,569	388	0.28	118,530	309	0.26	133,554	204	0.15	58,873	54	0.18
International	—	—	—	—	—	—	—	—	—	—	—	—
Total	137,569	388	0.28	118,530	309	0.26	133,554	204	0.15	58,873	54	0.18
Deposits with banks:												
Domestic	2,301	10	0.46	443	2	0.45	117,243	117	0.09	177,478	86	0.09
International	—	—	—	38	1	3.48	23	0	1.16	8	0	2.23
Total	2,301	10	0.47	482	3	0.69	117,267	117	0.10	177,487	86	0.09
Total interest-earning assets:(3)												
Domestic	4,245,000	61,131	1.44	4,330,032	57,578	1.32	4,464,737	54,580	1.22	4,518,194	26,859	1.18
International	32,659	284	0.87	32,482	316	0.97	38,427	345	0.89	40,302	176	0.87
Total	¥4,248,826	¥61,318	1.44%	¥4,333,142	¥57,799	1.33%	¥4,468,374	¥54,811	1.22%	¥4,521,705	¥26,967	1.18%

Notes:

(1) Average balances are calculated based on daily averages (except for consolidated subsidiaries, which are calculated as the average of the opening balance and closing balance of the relevant period).

(2) Assets classified as domestic consist of transactions conducted by the Bank (excluding its overseas branch) and its consolidated subsidiaries. Assets classified as international consist of transactions conducted by the Bank's overseas branch.

(3) Total interest-earning assets include further asset items not presented in the rows above and whose amounts are not considered by the Bank to be material. As a result, the columns in this table might not total.

Loans

The Bank's principal investing activity is its lending business. The Bank makes loans and extends other types of credit principally to corporate and individual customers in Japan. The Bank's ratio of loans to deposits as at 30 September 2014 and 31 December 2014 was 69.9 per cent. and 69.4 per cent. on a non-consolidated basis, respectively.

As at 30 September 2014, approximately 63.0 per cent. of the Bank's loans and bills discounted were made by the Bank's branches in the Shiga prefecture.

The following table sets forth the composition of the Bank's yen-denominated loans and bills discounted broken down by region (on a non-consolidated basis), classified based on the location of the branch, as at the dates indicated:

	As at 31 March						As at 30 September	
	2012		2013		2014		2014	
	(Millions of yen, except percentages)							
Non-consolidated								
Shiga prefecture	¥1,696,529	61.7%	¥1,759,300	62.2%	¥1,847,641	63.2%	¥1,873,774	63.0 %
Others	1,053,481	38.3	1,070,192	37.8	1,077,241	36.8	1,099,120	37.0
Total	¥2,750,010	100.0%	¥2,829,492	100.0%	¥2,924,882	100.0%	¥2,972,894	100.0%

The following tables set forth the composition of the Bank's loans and bills discounted broken down by type of interest rate charged and remaining maturity (on a non-consolidated basis) as at the dates indicated:

	one year or less(1)	More than one year to three years	More than three years to five years	More than five years to seven years	More than seven years	Unspecified term	Total
				(Millions of yen)			
Non-consolidated							
Maturity as at 31 March 2012:							
Floating interest rate	—	¥286,514	¥209,753	¥117,890	¥399,964	¥320,707	—
Fixed interest rate	—	245,885	182,518	98,929	321,690	18,236	—
Total	¥547,918	¥532,400	¥392,272	¥216,820	¥721,654	¥338,944	¥2,750,010
Maturity as at 31 March 2013:							
Floating interest rate	—	¥299,039	¥211,988	¥133,186	¥443,620	¥317,800	—
Fixed interest rate	—	269,678	181,470	102,879	328,639	17,529	—
Total	¥523,661	¥568,717	¥393,459	¥236,065	¥772,259	¥335,329	¥2,829,492
Maturity as at 31 March 2014:							
Floating interest rate	—	¥298,190	¥204,448	¥124,683	¥453,714	¥310,433	—
Fixed interest rate	—	294,026	197,433	118,280	381,458	17,357	—
Total	¥524,856	¥592,216	¥401,882	¥242,964	¥835,173	¥327,790	¥2,924,882
Maturity as at 30 September 2014:							
Floating interest rate	—	¥301,948	¥209,534	¥128,167	¥459,941	¥311,445	—
Fixed interest rate	—	293,857	209,118	129,495	393,234	17,158	—
Total	¥518,992	¥595,805	¥418,653	¥257,662	¥853,175	¥328,604	¥2,972,894

Note:

(1) Loans with maturities of 1 year or less are not broken down by type of interest rate.

The following table sets forth the Bank's loans outstanding (including bills discounted) classified by class of collateral (on a non-consolidated basis) as at the dates indicated:

	As at 31 March						As at 30 September 2014	
	2012		2013		2014			
	(Millions of yen, except percentages)							
Non-consolidated								
Class of collateral:								
Securities	¥5,249	0.2%	¥8,011	0.3%	¥8,533	0.3%	¥8,885	0.3%
Commercial claims	33,424	1.2	32,427	1.1	31,516	1.1	30,340	1.0
Inventory	—	—	—	—	—	—	—	—
Real estate	505,327	18.4	484,162	17.1	468,644	16.0	460,431	15.5
Other	438	0.0	355	0.0	352	0.0	352	0.0
Total secured loans	544,440	19.8	524,956	18.6	509,046	17.4	500,010	16.8
Guaranteed	1,254,614	45.6	1,273,613	45.0	1,313,335	44.9	1,319,779	44.4
Unsecured	950,955	34.6	1,030,922	36.4	1,102,501	37.7	1,153,105	38.8
Total loans	¥2,750,010	100.0%	¥2,829,492	100.0%	¥2,924,882	100.0%	¥2,972,894	100.0%

The following table shows the Bank's outstanding loans (including bills discounted) through its domestic and overseas offices classified by industry (on a consolidated basis), before deducting the reserve for possible loan losses, as at the dates indicated:

	As at 31 March						As at 30 September 2014	
	2012		2013		2014			
	(Millions of yen, except percentages)							
Consolidated								
Domestic:								
Manufacturing	¥497,088	18.16%	¥494,021	17.56%	¥472,232	16.25%	¥484,262	16.37%
Agriculture and forestry	3,058	0.11	3,037	0.11	3,121	0.11	4,099	0.14
Fisheries	547	0.02	568	0.02	645	0.02	544	0.02
Mining	7,301	0.27	5,779	0.21	5,059	0.17	5,632	0.19
Construction	101,631	3.71	97,477	3.46	94,370	3.25	89,012	3.01
Utilities	26,544	0.97	26,338	0.94	28,896	0.99	29,399	0.99
Telecommunications	36,979	1.35	41,275	1.47	44,623	1.54	39,233	1.33
Transportation and postal services	102,905	3.76	106,375	3.78	107,414	3.70	108,014	3.65
Wholesale and retail	360,016	13.15	364,079	12.94	370,722	12.76	377,865	12.78
Finance and insurance	68,068	2.49	68,802	2.45	69,521	2.39	70,797	2.39
Real estate and goods rental	400,101	14.61	406,276	14.44	419,534	14.43	428,844	14.50
Services	241,843	8.83	230,511	8.19	222,751	7.66	219,132	7.41
Municipalities	147,494	5.39	201,424	7.16	270,011	9.29	300,018	10.15
Others	744,167	27.18	767,068	27.27	797,497	27.44	800,705	27.07
Total	¥2,737,747	100.00%	¥2,813,038	100.00%	¥2,906,403	100.00%	¥2,957,561	100.00%
Overseas:								
Government	¥13	0.24%	—	—	—	—	—	—
Financial institutions	—	—	—	—	—	—	—	—
Others	5,677	99.76	¥9,523	100.00%	¥10,549	100.00%	¥6,798	100.00%
Total	¥5,690	100.00%	¥9,523	100.00%	¥10,549	100.00%	¥6,798	100.00%

The following table shows the total amount of outstanding loans to SMEs and individuals and the percentage of such loans to the Bank's total outstanding loans (on a non-consolidated basis) as at the dates indicated.

	As at 31 March			As at 30 September 2014
	2012	2013	2014	
	(Millions of yen, except percentages)			
Non-consolidated				
Outstanding loans to SMEs and individuals[(1)(2)]	¥1,949,212	¥1,965,882	¥1,989,464	¥2,000,904
Percentage of outstanding loans to SMEs and individuals to total outstanding loans	71.0%	69.7%	68.3%	67.5%

Notes:

(1) Outstanding loans to SMEs does not include loans made by the Bank's overseas branch.

(2) In this table "SMEs" means companies having paid-in capital of ¥300 million or less (or ¥100 million or less for companies in wholesale business, or ¥50 million or less for companies in retail, catering, leasing or other services) or companies having 300 employees or less (or 100 employees or less for companies in wholesale, leasing or other services, or 50 employees or less for companies in retail or catering business).

Loan Losses and Problem Loans

Classification of Loans and Policies for Reserve for Possible Loan Losses

Japanese banks are required to classify customers and asset quality under a self-assessment process, using criteria based on the Financial Inspection Manual of the FSA and the Practical Guideline published by the Japanese Institute of Certified Public Accountants (the "JICPA"). The Bank implements a self-assessment system which reflects, among other things, past experience in credit loss, possible future credit losses and business and economic conditions, to monitor the quality of its assets. The quality of all loans is assessed by branches and the division engaging in credit assessment and examination, followed by a subsequent internal audit by the divisions engaging in asset review and inspection in accordance with the Bank's policies and rules for self-assessment of asset quality. The categories in which the Bank classifies its assets are as follows:

- Normal, which are customers with favourable business conditions and are deemed not to have any particular problems in terms of their financial condition;
- Caution, which are customers that require close watching because there are problems with their borrowings, such as past due on principal and interest payments or the financial and business conditions are deteriorating or becoming unstable;
- Possible bankruptcy, which are customers that are not yet bankrupt but are in financial difficulties and are deemed to be very likely to go bankrupt in the future because of difficulties in implementing restructuring plans;
- Virtual bankruptcy, which are customers that are not yet legally or formally bankrupt but are substantially bankrupt as they are in serious financial difficulty and not deemed to be capable of restructuring; and
- Legal bankruptcy, which are customers that have gone bankrupt, from a legal or formal perspective.

Reserve for Loan Losses

Reserve for loan losses is calculated based on the specific past actual losses for the normal and caution categories, and the fair value of collateral for collateral-dependent loans and other factors of solvency, including the value of future cash flows, for other self-assessment categories.

Disclosure of Non-performing Loans under the Financial Reconstruction Act

Under Article 6 of the Act on Emergency Measures for the Revitalisation of the Financial Functions (Act No. 132 of 1998, as amended) (the "Financial Reconstruction Act"), the Bank's assets listed in the balance sheet, such as privately placed bonds guaranteed by the Bank, loans and bills discounted, foreign currency, other accrued interest or suspense payments and customers' liabilities for acceptance and guarantees, are required to be categorised as follows, depending on the financial condition of the borrower:

- Bankrupt and quasi-bankrupt assets, which are claims on borrowers which have commenced bankruptcy, reorganisation or rehabilitation proceedings;
- Doubtful assets, which are claims on borrowers for which, although they have not entered into bankruptcy proceedings, financial conditions have deteriorated and the Bank is unable to recover the principal and/or the interest on the loans made;
- Substandard loans, which are claims on borrowers that are past due in payments for three months or more or restructured loans; and
- Normal assets, which are claims that are not included in the above three categories.

The following table sets out the quality of the Bank's loans (on a non-consolidated basis) as at the dates indicated:

	As at 31 March			As at 31 December
	2012	2013	2014	2014
	(Millions of yen)			
Non-consolidated				
Bankrupt and quasi-bankrupt assets	¥5,793	¥5,179	¥3,964	¥3,901
Doubtful assets	56,841	59,885	53,429	52,544
Substandard loans	13,802	25,648	28,243	21,803
Total non-performing loans	76,437	90,714	85,638	78,249
Normal assets	2,709,070	2,774,311	2,872,492	2,963,376
Total outstanding loans	¥2,785,508	¥2,865,026	¥2,958,131	¥3,041,625

Disclosure of Risk-Monitored Loans under the Banking Act of Japan

Under the Banking Act, the Bank is required to disclose certain of its non-performing loans as "risk-monitored loans". The Banking Act provides for the disclosure of the following four categories of risk-monitored loans:

- Loans in legal bankruptcy, which are loans to customers that have been legally and formally declared bankrupt;
- Nonaccrual loans, which are loans which do not accrue interest income, owing to the non-payment status of the loan or the financial condition of the borrower;
- Loans past due for three months or more, which are loans on which the principal and/or interest are past due three months or more; and
- Restructured loans, which are loans with a concessionary interest as well as loans with renegotiated conditions, including scheduling and/or maturities.

The following table sets forth the Bank's risk-monitored loans (on a consolidated basis) as at the dates indicated:

	As at 31 March			As at 31 December
	2012	2013	2014	2014
	(Millions of yen, except percentages)			
Consolidated				
Total loans	¥2,743,438	¥2,822,561	¥2,916,953	¥3,000,505
Loans in legal bankruptcy	1,320	868	809	817
Nonaccrual loans	61,152	64,033	56,543	55,476
Loans past due for three months or more	539	475	309	174
Restructured loans	13,372	25,259	27,990	21,675
Total risk-monitored loans	¥76,384	¥90,637	¥85,652	¥78,144
Percentage of risk-monitored loans to total loans	2.78%	3.21%	2.94%	2.60%

Credit-related Costs

The following table shows an analysis of the Bank's credit-related costs (on a non-consolidated basis) for each of the periods indicated:

	For the year ended 31 March			For the nine months period ended
	2012	2013	2014	31 December 2014
	(Millions of yen)			
Non-consolidated				
Provision to general reserve for possible loan losses	¥55	¥604	¥(106)	¥(3,281)
Write-off of loans	5,277	5,782	3,196	1,718
Reversal of reserve for possible investment losses	(493)	(0)	—	—
Reversal of reserve for contingent losses	(127)	(34)	—	—
Total credit costs	¥4,712	¥6,352	¥3,089	¥(1,563)

The Bank makes appropriate write-offs and reserves as a result of the self-assessments, which are conducted in compliance with the Financial Inspection Manual prepared by the FSA and the Practical Guidelines published by the JICPA. Credit costs are subject to changes to the category of borrowers under self-assessment, in particular the deterioration of borrowers' financial condition from normal or requiring caution to lower categories, costs associated with "off-balancing" transactions, costs relating to an increase of the reserve ratio and other factors.

As at 31 March 2014 and 31 December 2014, the Bank's total reserves for possible loan losses on a non-consolidated basis were ¥35,018 million and ¥32,486 million, respectively.

Securities Portfolio

The following tables show the composition and maturity of the Bank's investment securities portfolio (on a non-consolidated basis) as at the dates indicated:

	As at 31 March 2012							
	One year or less	**More than one year to three years**	**More than three years to five years**	**More than five years to seven years**	**More than seven years to 10 years**	**Over 10 years**	**Unspecified term**	**Total**
	(Millions of yen)							
Non-consolidated								
Japanese government bonds	¥45,065	¥137,421	¥143,291	¥133,058	¥84,323	—	—	¥543,160
Japanese local government bonds	20,562	61,311	70,819	42,071	118,698	—	—	313,463
Japanese corporate bonds	48,139	104,589	69,803	17,474	65,717	¥70,622	—	376,347
Japanese corporate stocks	—	—	—	—	—	—	¥105,121	105,121
Others	25,505	33,225	14,141	164	1,612	12,968	4,382	92,000
Foreign bonds	25,182	32,948	13,608	—	1,612	12,968	—	86,320
Foreign stocks	—	—	—	—	—	—	600	600

	As at 31 March 2013							
	One year or less	**More than one year to three years**	**More than three years to five years**	**More than five years to seven years**	**More than seven years to 10 years**	**Over 10 years**	**Unspecified term**	**Total**
	(Millions of yen)							
Non-consolidated								
Japanese government bonds	¥93,570	¥62,926	¥168,429	¥53,036	¥110,227	¥5,265	—	¥493,455
Japanese local government bonds	21,774	90,179	67,130	86,565	73,683	—	—	339,333
Japanese corporate bonds	39,244	126,225	101,848	48,668	49,497	98,561	—	464,045
Japanese corporate stocks	—	—	—	—	—	—	¥113,973	113,973
Others	17,260	10,211	16,454	2,798	13,975	11,054	3,012	74,768
Foreign bonds	17,125	9,595	16,287	2,798	13,973	11,054	—	70,834
Foreign stocks	—	—	—	—	—	—	0	0

	As at 31 March 2014							
	One year or less	**More than one year to three years**	**More than three years to five years**	**More than five years to seven years**	**More than seven years to 10 years**	**Over 10 years**	**Unspecified term**	**Total**
	(Millions of yen)							
Non-consolidated								
Japanese government bonds	¥43,186	¥100,344	¥172,127	¥65,240	¥77,218	¥2,997	—	¥461,114
Japanese local government bonds	39,643	74,472	80,985	73,058	30,912	—	—	299,072
Japanese corporate bonds	79,626	129,886	101,336	20,622	13,967	80,030	—	425,469
Japanese corporate stocks	—	—	—	—	—	—	¥145,196	145,196
Others	6,807	14,282	24,427	6,090	26,447	9,421	2,881	90,359
Foreign bonds	6,543	13,832	24,273	6,090	26,162	9,421	—	86,323
Foreign stocks	—	—	—	—	—	—	0	0

	As at 30 September 2014							
	One year or less	More than one year to three years	More than three years to five years	More than five years to seven years	More than seven years to 10 years	Over 10 years	Unspecified term	Total
	(Millions of yen)							
Non-consolidated								
Japanese government bonds	¥57,335	¥131,811	¥140,928	¥46,302	¥93,728	¥3,092	—	¥473,198
Japanese local government bonds	69,333	64,654	89,020	57,885	18,243	—	—	299,137
Japanese corporate bonds	68,264	143,129	97,763	14,276	13,019	77,612	—	414,067
Japanese corporate stocks	—	—	—	—	—	—	¥165,692	165,692
Others	4,365	16,303	34,420	14,390	42,766	9,138	8,188	129,571
Foreign bonds	4,069	15,934	34,229	14,390	41,610	9,138	—	119,372
Foreign stocks	—	—	—	—	—	—	0	0

Capital Adequacy

As a bank with overseas operations, the Bank is subject to rules on capital adequacy applicable to banks with international operations set forth in the applicable FSA notice. The table below presents the calculation of the Bank's regulatory capital, risk assets and capital ratios (on a consolidated basis) as at the dates indicated. The figures as at 31 March 2013 and 2014 and 31 December 2014 were calculated based on the FSA notice implementing Basel III, taking into account any transitional measures then applicable.

	As at 31 March		As at 31 December 2014
	2013	2014	
	(Millions of yen, except percentages)		
Consolidated			
Common Equity Tier 1:			
Capital stock and capital surplus	¥57,046	¥57,046	¥57,045
Retained earnings	138,249	147,858	154,206
Treasury stock	(959)	(977)	(990)
Dividends to be paid	(793)	(1,057)	—
Stock acquisition rights	—	30	59
Other comprehensive income and reserves	—	16,810	21,883
Items included in Tier 1 as a transitional measure	1,700	1,622	1,556
Minority interests	1,700	1,622	1,556
Common Equity Tier 1	¥195,243	¥221,332	¥233,762
Deductions:			
Intangible assets (excluding goodwill and mortgage servicing rights)	—	229	220
Deferred tax assets (excluding temporary differences)	—	—	—
Deferred gains (losses) on hedging activities	—	0	(0)
Shortfall of stock of provisions to expected losses	—	1,969	1,823
Gain on sale related to securitisation transactions	—	—	—
Cumulative gains and losses due to changes in own credit risk on fair value financial liabilities	—	—	—
Treasury stock (not included in net assets)	—	0	0
Reciprocal cross holdings in the capital of banking, financial and insurance entities	—	—	—
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the Bank does not own more than 10% of the issued common share capital of the entity	—	—	—
Threshold deductions	—	—	—
Other shortfall of Tier 1 capital	3,222	2,088	1,496
Deductions for Common Equity Tier 1	3,222	4,287	3,540
Total Common Equity Tier 1	192,020	217,044	230,221

	As at 31 March		As at
	2013	2014	31 December 2014
	(Millions of yen, except percentages)		
Additional Tier 1 capital:			
Minority interests after adjustment of Additional Tier 1 capital	1,798	1,849	2,151
Additional Tier 1 capital	1,798	1,849	2,151
Deductions:			
Items to be included in deductions for Alternative Tier 1 Capital as part of transitional measures	5,021	3,938	3,647
Total Tier 1 capital	¥192,020	¥217,044	¥230,221
Tier 2 Capital:			
Minority interest	¥423	¥435	¥506
Capital under former Tier 2 to be included in Tier 2 Capital	54,000	48,000	20,000
General reserve for loan losses and qualified reserves to be included in Tier 2 Capital	259	184	139
Items to be included in Tier 2 Capital as part of transitional measures	45,928	44,089	57,939
Tier 2 Capital	100,610	92,709	78,584
Deductions:			
Shortfall in qualified reserve	(5,021)	(3,938)	(3,647)
Total Tier 2 Capital	95,589	88,770	74,937
Total qualifying capital	¥287,610	¥305,815	¥305,158
Risk Assets:			
Items to be included in Risk Assets as part of transitional measures	¥1,443	¥1,426	¥1,369
Intangible assets (excluding goodwill and mortgage servicing rights) to be included as part of transitional measures	1,441	1,426	1,369
Deferred tax assets to be included as part of transitional measures	2	—	—
Treasury stock (excluding those included in net assets) to be included as part of transitional measures	0	0	0
Total risk assets	¥2,032,900	¥2,065,963	¥2,077,065
Consolidated Capital Adequacy Ratio:			
Consolidated Common Equity Tier 1 ratio	9.44%	10.50%	11.08%
Consolidated Tier 1 ratio	9.44%	10.50%	11.08%
Consolidated Total Capital ratio	14.14%	14.80%	14.69%

Competition

The Bank faces competition from other financial institutions in its principal activities of both deposit taking and lending, in particular from other regional banks, credit unions, co-operative banks and governmental financial institutions.

The Bank is the leading financial institution in the Shiga prefecture in terms of both deposits and lending. As at 30 September 2014, the Bank had ¥3,621 billion in outstanding deposits in the Shiga prefecture (based on the location of the branch at which the account was created), representing a market share of 44.2 per cent. among financial institutions operating at least one branch in the Shiga prefecture (excluding Japan Post Bank Co., Ltd. ("Japan Post Bank")). The next largest deposit-taking institution in this market was Japan Post Bank, which had ¥1,705 billion in outstanding deposits in the Shiga prefecture as at 30 September 2014. The rest of the deposit market in Shiga was highly fragmented, shared by an agricultural cooperative bank, four regional banks based outside Shiga (including one having a particular strong presence in Shiga prefecture), around ten credit unions and co-operative banks and a number of other financial institutions.

The Bank's share of loans in the Shiga prefecture (based on the location of the branch at which the loan was made) as at 30 September 2014 was approximately 46.0 per cent. among financial institutions operating at least one branch in the Shiga prefecture (excluding Japan Post Bank), far ahead of the next largest competitor. Other than one regional bank which has double digit market share, the rest of the loan market was highly fragmented, with each competitor holding a small percentage of the market.

Compliance

The Bank has established a system for maintaining compliance with laws and regulations as well as proper management of the Bank's operations led by its Legal Affairs Office of the Assets and Liabilities Managing Department. It has also stipulated a code of conduct, which is overseen by the Legal Compliance Committee (chaired by the senior managing director of the Bank), together with a compliance programme prepared by it periodically, in order to ensure that all executives and employees enforce compliance in practice. Training sessions monitored by the head office are conducted every year at each department, branch and affiliate in accordance with the compliance programme to enforce compliance by fostering awareness and providing educational guidance.

In addition, in order to promote compliance management, the Bank has established a legal compliance help line for employees to contact when they have discovered a violation of laws, regulations or rules in the workplace, as well as a system that allows employees to consult with lawyers and solve any legal issues they may face outside the workplace.

Risk Management

Based on its management policy, the Bank has built a comprehensive risk management system and an internal rating system in order to accurately assess and control risks. The Bank's board of directors has set out risk management rules which specify the types of risks that should be managed and defines the roles and responsibilities of sections responsible for assessing and managing those risks. Status of risks are reported on a regular basis to management through the ALM Committee, the meeting of managing directors and the board of directors.

The Bank measures and manages risks quantitatively using a quantifiable framework such as the Value at Risk ("VaR") formula applied to each risk category. During the conduct of its business, the Bank allocates capital and control risk by keeping it within the specified ratio to both regulatory capital and economic capital. In addition, the Bank has created a system to control price change risk in investments in securities by keeping it within a specified range.

Credit Risk Management System

The Bank has in place various policies and systems to manage overall credit risks resulting from its banking operations. The Bank recognises credit risk as the most significant risk to business management and believes that it is necessary to establish a credit risk management system to control such risks. In order to do so, it has in place financial analyses systems using statistical rating models based on the financial conditions of its customers and decides the corporate credit rating taking into account a qualitative evaluation based on its screening knowhow and the condition of its customer.

The Bank also collates the financial data of its customers every quarter to analyse the change in trends in the sales and profits of its customers then further conducts credit risk management while monitoring the composition of the credit portfolios, volume of credit risks and other factors.

Market Risk Management System

The Bank aims to ensure stable profits by controlling markets risks, including interest rates, price of securities and currency exchange rates in relation to the assets and liabilities it holds using quantitative methods.

Regarding interest rate risks, the Bank comprehensively manages all assets and liabilities including deposits, loans and securities to carry out asset allocation, and controls the amount of interest rate risk measured using methods such as VaR or tools such as basis-point value ("BPV"). The Bank performs back-testing in order to verify that the risk amounts are being ascertained appropriately and results are reported to the ALM Committee.

For market risk, 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.

As a general rule, the Bank separates departments in charge of market transactions and those in charge of risk management and administrative processing, each of which checks the operations of the other. Furthermore, the Audit & Inspection Department, an internal audit department, performs audits to ascertain that the Bank is in compliance with laws and regulations as well as whether it is in line with its operational plan and other requirements. The department reports the audit results to the internal Audit Briefing Sessions comprised of the President and the board of directors.

Operational Risk Management System

In order to effectively manage operational risks, the Bank has formulated the Operational Risk Management Regulations, which divide operational risks into five categories: (i) processing risk, (ii) information technology risk, (iii) legal risk, (iv) tangible asset risk, and (v) human risk. The Administration Department comprehensively manages these risks. In order to reduce such risks, the Bank focuses on training its management and employees and establishing rules and manuals to improve the quality of operations.

Liquidity Risk Management System

In managing the flow of funds, the Bank's Financial Markets Department monitors the financial environment, balance of liquid assets, expected cash outflows, and other fund-raising factors. At the same time, the Asset & Liabilities Managing Department keeps track of day-to-day operations so that it can respond to any sudden risk events should it occur.

Reputational Risk Management System

The Bank has formulated a general outline for dealing with negative coverage of the Bank of the banking industry that could affect its business and has put in place measures and internal systems to respond to exceptional situations.

Legal Proceedings

Neither the Bank nor any entity within the Group is currently party to any pending litigation that is expected to have a material impact on the Group's financial condition or results of operations.

MANAGEMENT AND EMPLOYEES

Management

The Board of Directors of the Bank carries the ultimate responsibility for the management and administration of the affairs of the Bank. The Articles of Incorporation of the Bank provide that the number of the Bank's directors shall be no more than 23. Directors are elected at a general meeting of shareholders. The normal term of office of any Director expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ended within two years after their election, although they may serve any number of consecutive terms. The Board of Directors may elect from among its members a President, who has the authority to control the operations of the Bank. The Board of Directors elects one or more Representative Directors, each of whom has the authority individually to represent the Bank, from among its members. The Board of Directors may also elect a Chairman, a President and several Deputy Presidents, Senior Managing Directors and Managing Directors from among its members.

The Articles of Incorporation of the Bank also provide that the number of the Bank's Audit & Supervisory Board Members shall be four or less. Audit & Supervisory Board Members are elected at a general meeting of shareholders. The normal term of office of any Audit & Supervisory Board Member expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ended within four years after their election, although they may serve any number of consecutive terms. Under Japanese laws, the Audit & Supervisory Board Members are not required to be, and are not, certified public accountants, and may not at the same time be directors or employees of the Bank or any of its subsidiaries. In addition, at least half of the Audit & Supervisory Board Members are required to be persons who have never been a director or employee of the Bank or of any of its subsidiaries. Audit & Supervisory Board Members have the duties of supervising the administration by the Directors of the Bank's affairs and of examining the financial statements and business reports of the Bank to be submitted by the Representative Director to the general meeting of shareholders and of reporting their opinions thereon to the shareholders. They are required to attend meetings of the Board of Directors in general and to express their opinions when or if necessary at such meetings, but they are not entitled to vote. In addition, they are required to elect from among themselves at least one standing Audit & Supervisory Board Member, who must act in his or her capacity as Audit & Supervisory Board Member on a full-time basis. Audit & Supervisory Board Members also have a statutory duty to provide their reports to the Board of Audit & Supervisory Board Members, which must submit its auditing report to the relevant Directors and to the Bank's independent auditor. The Board of Audit & Supervisory Board Members will also determine matters relating to the duties of the Audit & Supervisory Board Members, such as audit policy and methods of investigation of the affairs of the Bank.

In addition, under the Securities Listing Regulations of the Tokyo Stock Exchange, listed companies in Japan, including the Bank, are required to have at least one independent officer. Such independent officer is required to be an outside director or outside audit & supervisory board member (as defined under the Companies Act) who is unlikely to have conflicts of interest with shareholders of the relevant company. The FSA also requires in its guidelines to listed banks and listed banking holdings companies to have at least one director who meets the requirement for an independent officer.

In addition to Audit & Supervisory Board Members, the Bank must appoint an independent auditor, who has the statutory duties of examining the financial statements to be submitted by the Representative Director to the general meeting of shareholders and reporting thereon to the relevant Audit & Supervisory Board Members and the relevant Directors. An independent auditor shall be either a certified public accountant or an auditing corporation.

The names and titles of the Directors and Audit & Supervisory Board Members of the Bank as at the date of this Offering Circular are as follows:

Name	Title
Yoshio Daido	President and Representative Director
Ikuo Yoshida	Senior Managing Director and Representative Director
Shojiro Takahashi	Senior Managing Director and Representative Director
Hiroshi Oku	Managing Director
Shinichi Kodama	Managing Director
Etsuo Imai	Managing Director
Kazuyoshi Hayashi	Managing Director
Hiroshi Iwasaki	Director
Kazuhiko Juniri	Director
Iwao Wakabayashi	Director
Masato Hasegawa	Director
Masaru Morimoto	Director
Kazuo Koyagi	Director
Motohiro Nishi	Director
Yasunaga Ono	Director
Takahiro Saito	Director
Shigeru Hikuma(1)	Director
Yukio Nishizawa	Audit & Supervisory Board Member
Susumu Ota	Audit & Supervisory Board Member
Satoshi Nishikawa(2)	Audit & Supervisory Board Member
Hajime Yasui(2)	Audit & Supervisory Board Member

Notes:

(1) Outside Director

(2) Outside Audit & Supervisory Board Member

The current business address of each of the Directors is 1-38, Hamamachi, Otsu-shi, Shiga 520-8686, Japan.

The aggregate remuneration paid to the Bank's Directors and Audit & Supervisory Board Members by the Bank in their capacities as such was ¥313 million and ¥38 million, respectively, for the year ended 31 March 2014. The aggregate remuneration paid to the Bank's Outside Audit & Supervisory Board Members in their capacities as such was ¥11 million for the year ended 31 March 2014.

The Articles of Incorporation of the Bank provide that the Bank may enter into liability limitation contracts with Outside Directors and Outside Audit & Supervisory Board Members in order to limit the maximum amount of such damages to the higher of (i) the amount equal to ¥10 million or more determined in advance or (ii) the total amount stipulated in Article 425, Paragraph 1, Item 1 and Item 2 of the Companies Act.

Employees

The total number of full-time employees of the Group was 2,508 as at 31 March 2014.

Stock Options

The Bank has a stock option plan (comprising the issue of stock acquisition rights) that provides certain Directors of the Bank with options to acquire Shares from the Bank. The following table sets out a summary of the Bank's stock option plans as at 31 December 2014:

Date of meeting of Board of Directors at which authorisation was given	Allotment date	Exercise period	Grantees	Exercise price per Share	Number of Shares to be acquired upon exercise of options outstanding as at 31 December 2014
26 July 2013	20 August 2013	21 August 2013 ~ 20 August 2043	Directors	¥1	72,300
29 July 2014	20 August 2014	21 August 2014 ~ 20 August 2044	Directors	¥1	71,800

SUBSIDIARIES

As at 31 December 2014, the Bank had nine consolidated subsidiaries. The following table sets out certain information in respect of the Bank's consolidated subsidiaries as at 31 December 2014:

Name	Location	Principal Business	Issued share capital as at 31 December 2014	Percentage of voting rights owned, directly or indirectly, by the Bank(1)
			(Millions of yen)	
The Shigagin Business Service Co., Ltd.	Shiga, Japan	Agency business, property management business	¥40	100.00%
The Shigagin Agency Co., Ltd.	Shiga, Japan	Banking agency business	40	100.00
The Shigagin Cash Service Co., Ltd.	Shiga, Japan	Cash inspection services, maintenance of ATMs	10	100.00
The Shiga Home Loan Guarantee Service Co., Ltd.	Shiga, Japan	Credit guarantee business, evaluation and management of collateral	60	100.00
The Shigagin Computer Service Co., Ltd.	Shiga, Japan	Payroll calculation services	20	100.00 (50.13)
The Shigagin Economic & Cultural Center Co., Ltd.	Shiga, Japan	Consulting business	10	100.00 (95.00)
The Shiga DC Card Co., Ltd.	Shiga, Japan	Credit card and credit guarantee business	30	89.79 (43.87)
Shigagin Lease & Capital Co., Ltd.	Shiga, Japan	Leasing and investment business	31	43.14 (38.18)(2)
The Shigagin JCB Co., Ltd.	Shiga, Japan	Credit card business	30	94.91 (46.61)

Notes:

(1) Figures in parentheses indicate percentage of indirectly held voting rights.

(2) In addition to the 43.14 per cent. of voting rights directly or indirectly held by the Bank, an additional 22.14 per cent. of voting rights is being held by an entity which is deemed to exercises its voting rights jointly with the Bank due to its close relationship with the Bank through exchange of personnel and receipt of financing.

SUPERVISION AND REGULATION

Japan

Pursuant to the Banking Act, the Prime Minister of Japan has the authority to supervise banks in Japan and delegates certain supervisory control over banks in Japan to the Commissioner of the FSA. The Bank of Japan also has supervisory authority over banks in Japan, based primarily on its contractual agreements and transactions with the banks.

Financial Services Agency

Although the Prime Minister of Japan has supervisory authority over banks in Japan, except for matters prescribed by government order, this authority is generally entrusted to the Commissioner of the FSA. Additionally, the position of Minister of Finance of Japan was established by the Cabinet to direct the Commissioner of the FSA and to support the Prime Minister of Japan.

Under the Banking Act, the Prime Minister's authority over banks in Japan extends to various areas, including granting and cancellation of licenses, ordering the suspension of business in whole or in part and requiring submission of business reports or materials.

Under the prompt corrective action system, the Commissioner of the FSA, acting on behalf of the Prime Minister of Japan, may take corrective action in the case of capital deterioration of banks, their subsidiaries and affiliates. These actions include requiring a bank to formulate and implement reform measures, requiring it to reduce assets or take other specific actions and issuing an order to suspend all or part of its business operations.

Under the prompt warning system introduced in December 2002, the FSA may take precautionary measures to maintain and promote the sound operations of financial institutions, even before those financial institutions become subject to the prompt corrective action system. These measures require a financial institution to reform profitability, credit risk management, stability and cash flow.

Under the Act on Provision, etc. of Trust Business by Financial Institutions of Japan (*Kinyu Kikan no Shintaku Gyomu no Ken'eito ni kansuru Houritsu*) (Act No. 43 of 1943, as amended), the Commissioner of the FSA may order a bank engaged in the trust business to suspend its trust business or the Prime Minister of Japan may revoke an approval of engaging in the trust business if such bank violates laws and regulations or commits acts contrary to public policy. The Commissioner of the FSA may also take administrative actions, including requiring a bank to formulate and implement reform measures, issuing an order to suspend all or part of a bank's trust business, if necessary to ensure the sound and appropriate management of a trust business.

The Bank of Japan

The Bank of Japan is Japan's central bank and serves as the principal instrument for the execution of Japan's monetary policy. The principal measures by which the Bank of Japan implements monetary policy are the adjustment of its discount rate, its operations in the open market and the imposition of deposit reserve requirements. Banks in Japan are allowed to obtain borrowings from, and rediscounting bills with, the Bank of Japan. Moreover, most banks in Japan maintain current accounts under agreements with the Bank of Japan pursuant to which the Bank of Japan is entitled to supervise, examine and monitor the banks. The supervisory functions of the Bank of Japan are intended to enable it to ensure smooth settlement of funds among banks and other financial institutions, thereby contributing to the maintenance of an orderly financial system, whereas the supervisory practices of the Prime Minister of Japan or the Commissioner of the FSA are intended to maintain the sound operations of banks and promote the security of depositors.

Examination of Banks

The Banking Act authorises the Prime Minister of Japan to inspect banks in Japan at any time. By evaluating banks' systems of self-assessment, auditing their accounts and reviewing their compliance with laws and regulations, the FSA monitors the financial soundness of banks, including the status and performance of their control systems for business activities. The inspection of banks is performed pursuant to the Financial Inspection Manual issued by the FSA.

Currently, the FSA takes the "better regulation" approach in its financial regulation and supervision. This consists of four pillars: optimal combination of rules-based and principles-based supervisory approaches; timely recognition of priority issues and effective response; encouraging voluntary efforts by financial institutions and placing greater emphasis on providing them with incentives; and improving the transparency and predictability of regulatory actions, in pursuit of improvement of the quality of financial regulation and supervision.

The Bank of Japan also conducts examinations of banks similar to those undertaken by the FSA. The examinations are normally conducted once every few years, and involve such matters as examining asset quality, risk management and reliability of operations. Through these examinations, the Bank of Japan seeks to identify problems at an early stage and give corrective guidance where necessary.

In addition, the Securities and Exchange Surveillance Commission examines banks in connection with their financial instruments business activities in accordance with the FIEA.

Examination and Reporting Applicable to Shareholders

Under the Banking Act, a person who intends to hold 20 per cent. (in certain exceptional cases, 15 per cent.) or more of the voting rights of a bank is required to obtain prior approval of the Commissioner of the FSA. In addition, the Commissioner of the FSA may request reports or submission of materials from, or inspect, any principal shareholder who holds 20 per cent. (in certain exceptional cases, 15 per cent.) or more of the voting rights of a bank, if necessary in order to secure the sound and appropriate operation of the business of such bank. Under limited circumstances, the Commissioner of the FSA may order such principal shareholder to take such measures as it deems necessary.

Furthermore, under the Banking Act, any person who becomes a holder of more than 5 per cent. of the voting rights of a bank must report its ownership of voting rights to the Commissioner of the FSA or the director of the relevant local finance bureau, as the case may be, within five business days. In addition, a similar report must be made in respect of any subsequent change of 1 per cent. or more in any previously reported holding or any change in material matters set forth in reports previously filed, with some exceptions.

Deposit Insurance System

Under the Deposit Insurance Act, depositors are protected through the DIC in cases where financial institutions fail to meet their obligations. The DIC is supervised by the Prime Minister of Japan and the Minister of Finance of Japan. Subject to limited exceptions, the authority of the Prime Minister of Japan is entrusted to the Commissioner of the FSA.

The DIC receives annual insurance premiums from insured financial institutions. For the fiscal year ending 31 March 2015, if no member financial institutions fail during such fiscal year, a premium rate of 0.090 per cent. for the deposits that bear no interest and are used primarily for payment and settlement purposes, and a premium rate of 0.068 per cent. for other deposits, will be applied respectively.

The insurance money may be paid out in case of a suspension of deposits repayments, license revocation, dissolution or bankruptcy of a financial institution. Pay-outs are generally limited to a maximum of ¥10 million of principal amount, together with any interest accrued with respect to each depositor. Only non-interest bearing deposits, redeemable on demand and used by depositors primarily for payment and settlement functions are protected in full.

Participation in the deposit insurance system is compulsory for city banks, regional banks, long-term credit banks, trust banks, credit associations and co-operatives, labour banks and other financial institutions.

Governmental Measures to Treat Troubled Institutions

Amendments to the Deposit Insurance Act effective in 2001 created a permanent system for resolving failed financial institutions.

General Framework of Resolution Procedure

The basic method of resolution for a failed financial institution under the Deposit Insurance Act is cessation of the business by paying insurance money to the depositors up to the principal amount of ¥10 million plus accrued interest per depositor, the so-called "pay-off," or transfer of the business to another financial institution with financial "aid provided within the cost of pay-off." Under the Deposit Insurance Act, transfer of the business is regarded as the primary method. In order to effect a prompt transfer of the business, the following framework has been established.

- A Financial Reorganisation Administrator will be appointed by the Commissioner of the FSA and will take control of the management and assets of the failed financial institution. An administrator is expected to efficiently search for a financial institution that will succeed the business of such failed institution.
- In the case where no successor financial institution can be immediately found, a "bridge bank" will be established by the DIC for the purpose of the temporary maintenance and continuation of the failed financial institution's operations, and the bridge bank will seek to transfer the failed financial institution's assets to another financial institution or dissolve the failed financial institution.
- In order to facilitate or encourage a financial institution to succeed a failed business, the DIC may provide financial aid to enhance the successor financial institution's capital after succession or to indemnify any loss incurred by such succession.

Addressing Potential Financial Crises

If the Prime Minister of Japan recognises that the failure of a bank falling within any of the circumstances described in (i) through (iii) below has the potential to cause significant problems in maintaining the financial order in Japan or the region where such bank is operating ("systemic risk"), unless the measures described in (i) through (iii) below are taken, the Prime Minister of Japan may confirm (*nintei*) the taking of any of such measures, following deliberations by the Financial Crisis Management Meeting: (i) if the bank does not constitute a bank described in (ii) or (iii), the DIC may subscribe for shares or subordinated bonds of or extend subordinated loans to the bank, or subscribe for shares of the bank holding company of the bank, in order to enhance the bank's capital adequacy ("item 1 measures" (*dai ichigo sochi*)); (ii) if the bank is at risk of suspending or has suspended repayment of deposits or its liabilities exceed its assets, financial aid necessary to meet obligations to depositors in excess of deposit insurance may be made available to such bank ("item 2 measures" (*dai nigo sochi*)); and (iii) if the bank is at risk of suspending or has suspended repayment of deposits and its liabilities exceed its assets, and systemic risk cannot be avoided through measures described in (ii) above, the DIC may acquire all of the bank's shares ("item 3 measures" (*dai sango sochi*)). Expenses for the implementation of the above measures will be borne by the banking industry, with an exception under which the government may provide partial subsidies for such expenses.

Pursuant to certain amendments to the Deposit Insurance Act that were promulgated in June 2013 and became effective on 6 March 2014, a new resolution regime for financial institutions was introduced in Japan. Under these amendments and related implementing ordinances, this regime is made applicable to financial institutions including banks, insurance companies and securities companies and their holding companies.

The new resolution regime provides, among other things, that if the Prime Minister of Japan recognises that failure of a financial institution falling within either (a) or (b) below may cause significant disruption in financial markets or other financial systems in Japan, unless measures described in (a) ("specified item 1 measures" (*tokutei dai ichigo sochi*)) or measures described in (b) ("specified item 2 measures" (*tokutei dai nigo sochi*)) are taken, the Prime Minister of Japan may confirm (*nintei*) the taking of any of such measures, following deliberations by the Financial Crisis Management Meeting: (a) if the financial institution does not constitute a financial institution which is unable to fully perform its obligations with its assets, the DIC shall supervise the operations of, and the management and disposal of assets of, such financial institution (*tokubetsu kanshi*), and may provide it with loans or guarantees necessary to avoid the risk of significant disruption in financial systems in Japan (*shikin no kashitsuke tou*), or subscribe for shares or subordinated bonds of or extend subordinated loans to such financial institution (*tokutei kabushiki tou no hikiuke tou*), in each case as necessary taking into consideration the financial condition of the financial institution; and (b) if the financial institution's liabilities exceed, or are likely to exceed its assets, or the financial institution has suspended or is likely to suspend repayment of its obligations, the DIC shall supervise such financial institution (*tokubetsu kanshi*), and may provide financial aid necessary to assist a merger, business transfer, corporate split or other reorganization in respect to such financial institution (*tokutei shikin enjo*). The expenses for the implementation of the measures under this regime will be borne by the financial industry, with an exception under which the government may provide partial subsidies for such expenses.

If the taking of measures described in (b) above is determined with respect to a financial institution, the Prime Minister of Japan may order that such financial institution's operations and assets be placed under the control of the DIC. The business or liabilities of a financial institution subject to supervision (*tokubetsu kanshi*) of the DIC as set forth in (b) above may also be transferred to a "bridge bank" established by the DIC for the purpose of the temporary maintenance and continuation of operations of, or repayment of the liabilities of, such financial institution; and the bridge bank will seek to transfer the financial institution's business or liabilities to another financial institution or dissolve the financial institution. Financial aid provided by the DIC to assist a merger, business transfer, corporate split or other reorganisation in respect of a financial institution, as described in (b) above, may take the form of monetary grant, loan or deposit of funds, purchase of assets, guarantee or assumption of debts, subscription of preferred stock or subordinated bonds, extension of subordinated loan, or loss sharing.

Of the above provisions, a write-down of the Bonds will be triggered only in circumstances where the Prime Minister of Japan confirms (*nintei*) that (i) the "item 2 measures" (*dai nigo sochi*), (ii) the "item 3 measures" (*dai sango sochi*) and/or (iii) the "specified item 2 measures" (*tokutei dai nigo sochi*), need to be applied to the Bank. See "Terms and Conditions of the Bonds—2. Viability Write-Down and Subordination".

Capital Injection by the Government

The Act Concerning Emergency Measures for Stabilisation of Financial Functions of Japan (*Kinyu Kinou no Anteika no tameno Kinkyu Sochi ni kansuru Houritsu*) (Act No. 5 of 1998, as amended) and the Early Strengthening Act of Japan (*Kinyu Kinou no Soukikenzenka no tameno Kinkyu Sochi ni kansuru Houritsu*) (Act No. 143 of 1998, as amended), were enacted in 1998. The purpose of these acts was to prevent the failure of financial institutions by promoting the prompt disposition of bad debts and to provide measures for strengthening the capital structure of financial institutions. To achieve these goals, both acts provided that, in addition to its normal operations, the Resolution and Collection Bank (which has since been merged into the Resolution and Collection Corporation) could purchase capital stock or subordinated debts issued by, or extend a subordinated loan to, financial institutions. Such actions are subject to governmental approval and each financial institution applying for this type of injection of public funds is required to submit a business revitalisation plan. In the business revitalisation plan, the financial institution must set forth specific remedial measures it will take to restructure its management. A report verifying the result of the undertakings pursuant to the business revitalisation plan must be submitted to the supervisory authority semi-annually until such securities or loans have been fully redeemed or repaid. If there is considerable discrepancy between the business revitalisation plan and actual performance, the Commissioner of the FSA may take administrative action, including the imposition of a partial business suspension order under the Banking Act.

The Strengthening Financial Functions Act of Japan (*Kinyu Kinou no Kyouka no tame no Tokubetsu Sochi ni kansuru Houritsu*) (Act No. 128 of 2004, as amended) (the "Strengthening Financial Functions Act") was enacted on 18 June 2004 in order to establish a scheme of public money injection into financial institutions and thereby enhance the soundness of such financial institutions on or prior to 31 March 2008 and revitalise economic activities in the regions where they do business. On 17 December 2008, certain amendments to the Strengthening Financial Functions Act took effect. These amendments relaxed certain requirements for public money injection into Japanese banks and other financial institutions under the prior scheme and extended the period of application therefor, which had expired on 31 March 2008, and to 31 March 2012. These amendments aimed to promote not only the soundness of such financial institutions but also loans or other forms of credit extended to SMEs in order to revitalise local economies. On 22 June 2011, in response to the Great Eastern Japan Earthquake, an amendment to the Strengthening Financial Functions Act was enacted to further extend the expiration date described above to 31 March 2017. This amendment was also intended to facilitate capital injections into financial institutions affected by the Great Eastern Japan Earthquake that required capital enhancement in order to smoothly extend loans in their principal business regions.

Self-Assessment and Reserves

The prompt corrective action system requires financial institutions to establish a self-assessment programme that complies with the Financial Inspection Manual issued by the FSA and related acts such as the Financial Reconstruction Act of Japan (*Kinyu Kinou no Saisei no tameno Kinkyu Sochi ni kansuru Houritsu*). Financial institutions are required to analyse their assets, giving due consideration to accounting principles and other applicable rules and to classify their assets into four categories (Class I to Class IV) according to asset recovery risk and risk of impairment in addition to the classification of the obligors ("normal", "caution", "possible bankruptcy", "virtual bankruptcy" and "legal bankruptcy") taking into account the likelihood of repayment and the risk of impairment to the value of the assets. The results of self-assessment should be reflected in the amount of write-off and reserve according to the standard established by financial institutions pursuant to the guidelines issued by the Japanese Institute of Certified Public Accountants and the Financial Inspection Manual issued by the FSA. Based on the results of the self-assessment, financial institutions may establish reserve amounts for their loan portfolio at the relevant balance sheet date, even if all or part of such reserves may not be immediately tax deductible under Japanese tax law.

Credit Limits

The Banking Act restricts the aggregate amount of loans to any single customer or customer group for the purposes of avoiding excessive concentration of credit risks and promoting the fair and extensive utilisation of bank credit. The limits applicable to a bank with respect to its aggregate lending to any single customer or customer group are established by the Banking Act and the regulations thereunder. The current limits are 25 per cent. of the total qualifying capital of the bank and its subsidiaries and affiliates with respect to a single customer or customer group.

Restriction on Shareholdings

The Act Concerning Restriction on Shareholdings by Banks of Japan (*Ginkou tou no Kabushiki tou no Hoyu no Seigen tou ni kansuru Houritsu*) (Act No. 131 of 2001, as amended) (the "Act Concerning Restriction on Shareholdings by Banks") requires Japanese banks and their subsidiaries to limit the aggregate market value (excluding unrealised gains, if any) of their holdings in equity securities (excluding certain equity securities prescribed by a cabinet order) to an amount equal to 100 per cent. of their consolidated capital for calculating the capital adequacy ratio stated in "Capital Adequacy" below in order to reduce exposure to stock price fluctuations.

Share Purchase Programme

The Banks' Shareholdings Purchase Corporation was established in January 2002 in order to purchase shares from banks and other financial institutions until 30 September 2006 pursuant to the Act Concerning Restriction on Shareholdings by Banks. This act was further amended effective 10 March 2009 and subsequently 31 March 2012 to allow the Bank's Shareholdings Purchase Corporation to resume purchases of shares held by financial institutions as well as shares of financial institutions held by non-financial institutions, up to a maximum amount of ¥20 trillion between 12 March 2009 and 31 March 2017. The Bank's Shareholdings Purchase Corporation will dispose of the purchased shares by 31 March 2027 taking into consideration the effects on the stock market.

The Bank of Japan also purchased shares held by banks and other financial institutions during the period from 23 February 2009 through 30 April 2010. The Bank of Japan generally will not sell the purchased shares until 31 March 2016. The Bank of Japan will dispose of the purchased shares by 30 September 2021 taking into consideration the effects on the stock market.

Capital Adequacy

Overview

The capital adequacy guidelines applicable to Japanese banks with international operations generally supervised by the FSA closely follow the risk-adjusted approach proposed by the Basel Committee and are intended to further strengthen the soundness and stability of Japanese banks. Under the risk-based capital framework of these guidelines, balance sheet assets and off-balance sheet exposures were assessed according to broad categories of relative risk, based primarily on the credit risk of the counterparty, and the risk regarding the category of transactions.

Prior to 30 March 2013, the FSA guidelines for capital adequacy were based on the previous rules of the Basel Committee with respect to minimum capital requirements, commonly referred to as Basel II. In December 2009, the Basel Committee announced a package of proposals to strengthen global capital and liquidity regulations with the goal of promoting a more resilient banking sector, following which the Basel Committee announced further details of the new regulatory framework, Basel III, on 16 December 2010. The Basel III came into effect in March 2013 with certain transitional measures.

Basel III

The Basel Committee in December 2009 announced a package of proposals intended to further strengthen global capital and liquidity regulations, with the goal of promoting a more resilient banking sector.

The Basel Committee's proposals cover the following key areas:

- Raising the quality, consistency and transparency of the capital base;
- Strengthening the risk coverage of the capital framework;
- Introducing a leverage ratio as a supplementary measure to the Basel II risk-based framework with a view to migrating to a minimum capital requirements treatment based on appropriate review and calibration;
- Introducing a series of measures to promote the build-up of capital buffers in good times that can be drawn upon in periods of stress; and
- Introducing a global minimum liquidity standard for internationally active banks that includes a 30-day liquidity coverage ratio requirement underpinned by a longer-term structural liquidity ratio.

In December 2010, the Basel Committee on Banking Supervision issued the Basel III rules text (later revised in June 2011), which presents the details of global regulatory standards on bank capital adequacy and liquidity agreed by the Governors and Heads of Supervision and endorsed by the G20 Leaders at the Seoul summit in November 2010. The rules text sets out higher and better-quality capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk-based requirement, measures to promote the build-up of capital that can be drawn down in periods of stress and the introduction of two global liquidity standards, as summarized below.

Tier I capital is to consist of Common Equity Tier I and Additional Tier I capital. The minimum requirement for Common Equity Tier I capital was raised in phases from 3.5 per cent. of risk-weighted assets in January 2013 to 4.5 per cent. when it became fully effective in January 2015. A capital conservation buffer, to be met with Common Equity Tier I capital after the application of deductions, will be phased in beginning January 2016 at 0.625 per cent. until becoming fully effective in January 2019 at 2.5 per cent. Thus the Common Equity Tier I requirement, including capital conservation buffer, will be 7.0 per cent. beginning January 2019. In addition, subject to national discretion by the respective regulatory authorities, a countercyclical buffer ranging from zero per cent. to 2.5 per cent., consisting of Common Equity Tier I or other fully loss absorbing capital, would also be imposed on banking organizations through an extension of the capital conservation buffer when the relevant national authority judges a period of excess credit growth to be leading to the build-up of system-wide risk. The countercyclical buffer for internationally active banks will be a weighted average of the buffers deployed across all the jurisdictions to which it has credit exposures. Moreover, capital instruments that will no longer qualify as non-Common Equity Tier I capital or Tier II capital under Basel III are phased out beginning January 2013 by increments of ten per cent. until becoming fully effective in January 2022. Capital distribution constraints will be imposed on a bank when capital levels fall within the range of the capital conservation buffer or countercyclical buffer.

In March 2012, the FSA amended its guidelines applicable to Japanese banks with international operations in accordance with the approach adopted in Basel III, with effect from 31 March 2013. With regard to capital, the capital adequacy guidelines provide minimum standards for Japanese banks with international operations for each of (i) Common Equity Tier 1 ratio, (ii) Tier 1 ratio and (iii) Total Capital ratio.

The minimum standards are applicable on both a consolidated and a non-consolidated basis and are implemented in phases as follows:

	31 March 2013 ~ 30 March 2014	**31 March 2014 ~ 30 March 2015**	**31 March 2015 ~**
Common Equity Tier 1 ratio	3.5%	4.0%	4.5%
Tier 1 ratio	4.5%	5.5%	6.0%
Total Capital ratio (Tier 1 Capital plus Tier 2 Capital)	8.0%	8.0%	8.0%

The FSA guidelines also set forth requirements for (i) Common Equity Tier 1, (ii) Additional Tier 1 Capital and (iii) Tier 2 Capital. For Japanese banks with international operations, capital is classified into two tiers, referred to as core capital, or Tier 1, and supplementary capital, or Tier 2. Tier 1 capital is divided into two categories, Common Equity Tier 1 and other (commonly referred to as Additional Tier 1). Perpetual preferred stock without step-ups or other redemption incentives is a typical instrument included in Additional Tier 1.

Common Equity Tier 1 generally consists of total equity derived from common shares, less (a) goodwill and other intangible assets, (b) deferred tax assets, (c) cash flow hedges reserve, (d) shortfall of the stock of provisions to expected losses under the internal ratings based approach (the "IRB approach"), (e) gain on sale related to securitisation transactions, (f) cumulative gains and losses due to changes in own credit risk on fair valued financial liabilities, (g) defined benefit pension fund assets and liabilities, (h) investments in own shares (treasury stock), (i) reciprocal cross holdings in the capital of banking, financial and insurance entities, (j) investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10 per cent. of the issued common share capital of the entity, (k) any amount held in respect of each and/or all of the following items, which exceeds prescribed percentages of own common equity: (i) investments in common shares of unconsolidated financial institutions (banks, insurance and other financial entities), (ii) mortgage servicing rights, and (iii) deferred tax assets that arise from temporary differences (commonly referred to as significant investments) and (l) shortfall for Additional Tier 1.

Tier 2 Capital generally consists of equity or debt derived from instruments issued by a bank which meets certain criteria, as well as general provisions for loan losses and any excess of total eligible provisions over total estimated credit risk under the IRB approach less certain items. A plain subordinated loan with an original maturity in excess of five years and without step-ups is a typical instrument included in Tier 2 Capital less certain items to be deducted. Such items include (a) investments in own Tier 2 instruments, (b) reciprocal cross holdings in the Tier 2 Capital of banking, financial and insurance entities, (c) investments in the Tier 2 Capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10 per cent. of the issued common share capital of the entity and (d) significant investments as stated above in the Tier 2 Capital of unconsolidated financial institutions (banks, insurance and other financial entities).

Certain adjustment items to each tier of capital, including such items to be deducted as set forth above, are, and will be implemented in phases, with any increase or decrease in percentages to be adjusted every year until their full implementation on 31 March 2018.

If a Japanese financial institution, including the Bank, fails to maintain the capital adequacy ratios required under the Banking Act and its related regulations, the Commissioner of the FSA may, under the prompt corrective action system, depending upon the extent of capital deterioration of such institution, take certain corrective action such as requiring it to formulate and implement reform measures, or requiring it to reduce assets or take other specific actions or suspend all or part of its business operations.

Liquidity

The Basel III framework is aimed at strengthening global liquidity regulations. In December 2010, the Basel Committee announced the liquidity portion of the Basel III framework. The new framework is intended to set out requirements for holding increased and better-quality capital and better risk coverage, and introduced two global liquidity standards.

The first of the two new global liquidity standards is the Liquidity Coverage Ratio (the "LCR"), intended to promote short-term resilience in the liquidity risk profile of banks by ensuring that they have sufficient high-quality liquid assets to survive a significant stress scenario lasting 30 calendar days. The second is the Net Stable Funding Ratio (the "NSFR"), which has a time horizon of one year and has been developed to provide a sustainable structure of assets and liabilities, taking into account their maturities, with the goal of promoting resilience over this longer time horizon by creating additional incentives for banks to fund their activities with more stable sources of funding on an ongoing basis.

The Basel Committee revised the text of the LCR in January 2013. According to the report issued with this revision, once the LCR has been fully implemented, banks will be required to maintain an LCR of above

100 per cent., which will be a minimum requirement in normal times. During periods of stress, however, it will be entirely appropriate for banks to use their stock of high-quality liquid assets, thereby falling below the minimum.

LCR applicable to Japanese banks with international operations will be introduced on 31 March 2015, but the minimum requirement will begin at 60 per cent., rising in equal annual steps of 10 percentage points to reach 100 per cent. on 1 January 2019. In addition, with respect to sound management of liquidity, Japanese banks with international operations will be required to (i) disclose quantitative information regarding LCR on a quarterly basis, (ii) disclose qualitative information regarding LCR on a semi-annual basis and (iii) disclose matters relating to management of liquidity risk annually, commencing from 30 June 2015.

As at the date of this Offering Circular, no specific regulations in respect of the LCR or NSFR applicable to Japanese banks have yet been issued in Japan, but regulations conforming to the Basel III framework are expected to be issued in due course.

Financial Instruments and Exchange Act

The FIEA requires the Bank to file with the Director of the Kanto Local Finance Bureau an annual securities report including consolidated and non-consolidated financial statements in respect of each financial period, supplemented by quarterly and extraordinary reports.

Under the FIEA, registered Financial Instruments Business Operators (*kinyu-shouhin torihiki gyousha*), as well as Registered Financial Institutions (*touroku kinyu kikan*), such as the Bank, are required to provide customers with detailed disclosure regarding the financial products they offer and take other measures to protect investors, including a delivery of explanatory documents to such customers prior to and upon the conclusion of transactional agreements.

Financial Instrument Business Operators and Registered Financial Institutions are subject to the supervision of the FSA pursuant to delegation by the Prime Minister of Japan. Some of the supervisory authority of the FSA is further delegated to the Securities and Exchange Surveillance Commission, which exercises its supervisory power over such registered institutions by conducting site inspections and requesting information necessary for such inspections. Non-compliance or interference with such inspection may result in such registrants being subject to criminal penalty under the FIEA.

Certain amendments to the FIEA and the Banking Act, which came into effect on 1 June 2009, revamped the firewall regulations regarding the holding of concurrent offices or posts among banks, securities companies and insurance firms and required banks, securities companies and insurance firms to establish systems for managing conflicts of interest in order to protect customers' interests and expanded business services that banks and certain other financial firms can provide.

Sales of Financial Products

As a result of financial deregulation, more financial products, including highly structured and complicated products, can now be more freely marketed to customers. In response to this, the Act on Sales of Financial Products of Japan (*Kinyu Shouhin no Hanbai tou ni kansuru Houritsu*) (Act No. 101 of 2000, as amended), effective from April 2001, introduced measures to protect financial service customers by: requiring financial service providers to provide customers with certain important information, including risks with respect to deficit of principal associated with the financial products they offer and any restrictions on the period for exercising rights or the period for rescission, unless the customers fall within the ambit of professional investors or express their intent to the contrary; and holding financial service providers liable for damages caused by a failure to follow those requirements. The amount of loss of principal is refutably presumed to be the amount of damages. Additionally, this act requires financial service providers to follow certain regulations on solicitation measures as well as to endeavour to solicit customers in an appropriate manner and formulate and publicise a solicitation policy.

Protection of Personal Information

The Personal Information Protection Act of Japan (*Kojin Jouhou no Hogo ni kansuru Houritsu*) (Act No. 57 of 2003, as amended) and related guidelines impose various requirements on businesses, including the Bank, that use databases containing personal information, such as appropriate custody of such information and restrictions on information sharing with third parties. Non-compliance with an order issued by the Commissioner of the FSA to take necessary measures to comply with this act subjects the Bank to criminal and/or administrative sanctions.

Prevention of Money Laundering

Under the Act Preventing Transfer of Profits Generated from Crime of Japan (*Hanzai ni yoru Syueki no Iten Boushi ni kansuru Houritsu*) (Act No. 22 of 2007, as amended), which addresses money laundering and terrorism concerns, financial institutions and other entities such as credit card companies are required to perform customer identification, submit suspicious transaction reports and maintain records of transactions.

Act Concerning Protection of Depositors from Illegal Withdrawals Made by Forged or Stolen Cards

The Act Concerning Protection of Depositors from Illegal Withdrawals Made by Forged or Stolen Cards of Japan (*Gizou Kaado tou oyobi Tounan Kaado tou wo Mochiite Okonawareru Fuseina Kikaishiki Yochokin Haraimodoshi tou karano Yochokinsha no Hogo tou ni kansuru Houritsu*) (Act No. 94 of 2005, as amended), requires financial institutions to establish internal systems to prevent illegal withdrawals of deposits made using forged or stolen bank cards. This act also requires financial institutions, among other matters, to compensate depositors for any amount illegally withdrawn using forged bankcards, unless the financial institution can verify that it acted in good faith without negligence and that there was gross negligence on the part of the relevant account holder.

Act Concerning Temporary Measures to Facilitate Financing for SMEs, etc. of Japan

The Act Concerning Temporary Measures to Facilitate Financing for SMEs, etc. of Japan (*Chuushoukigyousha tou ni taisuru Kinyuu no Enkatsuka wo Hakaru tameno Rinjisochi ni kansuru Houritsu*) (Act No. 96 of 2009, as amended) was enacted on 30 November 2009 and was terminated upon the expiration of its term on 31 March 2013. The legislation required financial institutions, among other things, to make an effort to reduce their customers' burden of loan repayments by employing methods such as modifying the terms of loans at the request of eligible borrowers including SMEs and individual home loan borrowers. The legislation also required financial institutions to internally establish a system to implement the requirements of the legislation and periodically make disclosure of and report to the relevant authority on the status of implementation.

Despite the termination of this act, under the FSA's guidelines, financial institutions are continuously required, among other things, to make an effort to facilitate financing and reduce their customers' loan payment burden by methods such as modifying the terms of loans at the request of eligible borrowers.

Other Jurisdictions

The Bank's operations elsewhere in the world are subject to regulation and control by local supervisory authorities, including local central banks.

JAPANESE BANKING INDUSTRY

Ordinary banks in Japan are usually classified into city banks, regional banks, secondary regional banks (being member banks of the Second Association of Regional Banks) and other banks. The distinction between these is not always a legal one, but is customarily used for statistical and other purposes. According to the information published by the FSA, there were 64 regional banks (including the Bank) as at 18 August 2014, and 41 secondary regional banks as at 1 April 2013, four city banks, 16 trust banks and 15 other banks having licences to operate in Japan as at 8 December 2014. In addition, 54 foreign banks had licences to operate branches in Japan as at 15 December 2014 according to information published by the FSA.

The city banks are the largest in size. Three of the four banks which fall under this category have been designated as globally systemically important financial institutions (G-SIFIs) by the Financial Stability Board. The city banks are headquartered in one of the two metropolises in Japan, namely Tokyo and Osaka, and operate domestically on a nationwide scale through networks of branch offices. These banks were formed through a series of mergers and reorganisations which started in the early 2000's.

Regional banks are usually based in the principal city of a prefecture and focus their operations in that prefecture and neighbouring areas. Regional banks generally operate a denser network of branches and ATMs within their home area than the city banks. While regional banks are generally much smaller than city banks in terms of total assets, they tend to have strong ties with local businesses and local governments.

Secondary regional banks are similar to regional banks in many ways and tend to serve small companies and individuals within their immediate geographical areas. Most of these banks have their origins as mutual savings banks prior to their conversion to ordinary commercial banks.

Banks classified as other are banks that do not fall into the traditional categories, such as banks that are primarily Internet-based.

In addition to ordinary banks, the Japanese banking industry is characterised by the presence of a large number of cooperative-type financial institutions, including credit unions, agricultural cooperatives and fishery cooperatives. These financial institutions number in the hundreds and tend to operate in a very focused geographic area or cater to a particular demographic group.

Another distinctive element of the Japanese banking system is the role of the postal savings system of Japan Post Bank, formerly Japan Post. Postal saving deposits are gathered through the network of post offices located throughout Japan acting as agent for the bank and amounted to approximately ¥180 trillion (including accrued interest) as at 31 December 2014. Japan Post Bank currently offers a variety of types of deposits as well as investment products. Following legislation enacted in October 2005, privatisation of the postal saving system was originally intended to be implemented in several stages, with a target date of completion of 2017 by way of an initial public offering of Japan Post Bank. A law was enacted in December 2009 to suspend the privatisation plan, but the suspension was lifted in April 2012 under further legislation, which set no definite deadline for the completion of privatisation. Preliminary preparatory work to resume the privatisation process was started by the Japanese government in August 2014.

DESCRIPTION OF THE SHARES AND CERTAIN REGULATIONS

Set out below is certain information concerning the Shares, including brief summaries of certain provisions of the Bank's Articles of Incorporation and Share Handling Regulations and of the Companies Act relating to joint stock corporations (*kabushiki kaisha*), and certain related legislation, all as currently in effect.

General

All issued Shares are fully-paid and non-assessable, and are in registered form.

On 5 January 2009, a new central clearing system for shares of Japanese listed companies was established pursuant to the Book-Entry Act, and the shares of all Japanese companies listed on any Japanese stock exchange, including the Shares, became subject to this new system. On the same day, all existing share certificates for such shares became null and void. At present, JASDEC is the only institution that is designated by the relevant authorities as a clearing house which is permitted to engage in the clearing operations of shares of Japanese listed companies under the Book-Entry Act. Under the new clearing system, in order for any person to hold, sell or otherwise dispose of shares of Japanese listed companies, they must have an account at an account management institution unless such person has an account at JASDEC. "Account management institutions" are financial instruments traders (being securities firms), banks, trust companies and certain other financial institutions which meet the requirements prescribed by the Book-Entry Act, and only those financial institutions that meet further stringent requirements under the rules of JASDEC ("JASDEC rules") can open accounts directly at JASDEC. For the purpose of the description under this section, the Bank assumes that the relevant person has no account at JASDEC.

Under the Book-Entry Act, any transfer of shares is effected through book entry, and the title to the shares passes to the transferee at the time when the transferred number of shares is recorded in the transferee's account at an account management institution. The holder of an account at an account management institution is presumed to be the legal owner of the shares held in such account.

Under the Companies Act and the Book-Entry Act, in order to assert shareholders' rights against the Bank, a shareholder must have his or her name and address registered in the Bank's register of shareholders, except in limited circumstances. Under the new clearing system, such registration is generally made upon an all shareholders notice from JASDEC. Shareholders are required to file their names and addresses with the Bank, generally through the account management institution and JASDEC. See "—Record Date" below for more information.

Non-resident shareholders are also required to appoint a standing proxy in Japan or provide a mailing address in Japan and to file their standing proxy or a mailing address with the Bank, generally through the account management institution and JASDEC. Japanese securities firms and commercial banks customarily act as standing proxy and provide related services for standard fees.

The transfer agent of the Bank is Mitsubishi UFJ Trust and Banking Corporation at 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan.

Distributions of Surplus

General

Under the Companies Act, distributions of cash or other assets by joint stock corporations to their shareholders, so called "dividends", are referred to as "distributions of Surplus" ("Surplus" is defined in "—Restriction on Distributions of Surplus"). The Bank may make distributions of Surplus to its shareholders any number of times per fiscal year, subject to certain limitations described in "—Restriction on Distributions of Surplus".

Distributions of Surplus are required in principle to be authorised by a resolution of a general meeting of shareholders, but may also be made pursuant to a resolution of the Board of Directors but only if all the requirements described in (a) to (c) below are met:

(a) the Bank's Articles of Incorporation provide that the Board of Directors has the authority to decide to make distributions of Surplus;

(b) the normal term of office of each Director of the Bank terminates on or prior to the date of conclusion of the ordinary general meeting of shareholders relating to the last fiscal year ending within the period of one year from the election of such Director; and

(c) the Bank's non-consolidated annual financial statements and certain documents for the latest fiscal year present fairly its assets and profit or loss, as required by ordinances of the Ministry of Justice.

At present, the requirements described in (a) and (b) above have not been met. Nevertheless, the Bank may make distributions of Surplus in cash as an interim dividend (the "interim dividend") to its shareholders by resolutions of the Board of Directors once per fiscal year under the Bank's Articles of Incorporation and the Companies Act.

Under the Bank's Articles of Incorporation, a year-end dividend may be distributed to shareholders of record as at 31 March of each year pursuant to a resolution of a general meeting of shareholders, and an interim dividend may be distributed to shareholders of record as at 30 September of each year pursuant to a resolution of the Board of Directors. The Bank is not obliged to pay any dividends unclaimed for a period of five years after the date on which they first became payable in cash.

Distributions of Surplus may be made in cash or (except for interim dividends) in kind in proportion to the number of Shares held by each shareholder. A resolution of a general meeting of shareholders or the Board of Directors authorising a distribution of Surplus must specify the kind and aggregate book value of the assets to be distributed, the manner of allocation of such assets to shareholders, and the effective date of the distribution. If a distribution of Surplus is to be made in kind, the Bank may, pursuant to a resolution of a general meeting of shareholders, grant a right to its shareholders to require the Bank to make such distribution in cash instead of in kind. If no such right is granted to shareholders, the relevant distribution of Surplus must be approved by a special resolution of a general meeting of shareholders (see "Voting Rights" with respect to a "special resolution").

In Japan, the ex-dividend date and the record date for dividends precede the date of determination of the amount of the dividends to be paid. The price of the Shares goes ex-dividend generally on the second business day prior to the record date.

Restriction on Distributions of Surplus

When the Bank makes a distribution of Surplus, it must, until the sum of its additional paid-in capital and legal reserve reaches one-quarter of its stated capital, set aside in its additional paid-in capital and/or legal reserve an amount equal to one-tenth of the amount of Surplus so distributed in accordance with an ordinance of the Ministry of Justice.

The amount of Surplus at any given time must be calculated in accordance with the following formula: $A + B + C + D - (E + F + G)$

In the above formula:

"A" = the total amount of other capital surplus and other retained earnings, as each such amount appears on the Bank's non-consolidated balance sheet as of the end of the last fiscal year;

"B" = (if the Bank has disposed of its treasury stock after the end of the last fiscal year) the amount of the consideration for such treasury stock received by the Bank less the book value thereof;

"C" = (if the Bank has reduced its stated capital after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to additional paid-in capital or legal reserve (if any);

"D" = (if the Bank has reduced its additional paid-in capital or legal reserve after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to stated capital (if any);

"E" = (if the Bank has cancelled its treasury stock after the end of the last fiscal year) the book value of such treasury stock;

"F"	=	(if the Bank has distributed Surplus to its shareholders after the end of the last fiscal year) the total book value of the Surplus so distributed; and
"G"	=	certain other amounts set forth in ordinances of the Ministry of Justice, including (if the Bank has reduced Surplus and increased its stated capital, additional paid-in capital or legal reserve after the end of the last fiscal year) the amount of such reduction and (if the Bank has distributed Surplus to its shareholders after the end of the last fiscal year) the amount set aside in its additional paid-in capital or legal reserve (if any) as required by ordinances of the Ministry of Justice.

The aggregate book value of Surplus distributed by the Bank may not exceed a prescribed distributable amount (the "Distributable Amount"), as calculated on the effective date of such distribution. The Distributable Amount shall, at any given time, be equal to the amount of Surplus less the aggregate of the following:

(a) the book value of the Bank's treasury stock, as of the effective date of distribution;

(b) the amount of consideration for the Bank's treasury stock disposed of by it after the end of the last fiscal year; and

(c) certain other amounts set forth in ordinances of the Ministry of Justice, including (if the sum of one half of goodwill and the deferred assets exceeds the total of stated capital, additional paid-in capital and legal reserve, each such amount being that appearing on the non-consolidated balance sheet of the Bank as of the end of the last fiscal year) all or certain part of such exceeding amount as calculated in accordance with the ordinances of the Ministry of Justice.

If the Bank has, at its option, become a company with respect to which consolidated balance sheets should also be taken into consideration in the calculation of the Distributable Amount (*renketsu haito kisei tekiyo kaisha*), it will be required to further deduct from the amount of Surplus the excess amount, if any, of (x) the total amount of shareholders' equity appearing on its non-consolidated balance sheet as of the end of the last fiscal year and certain other amounts set forth by an ordinance of the Ministry of Justice over (y) the total amount of shareholders' equity and certain other amounts set forth by an ordinance of the Ministry of Justice appearing on its consolidated balance sheet as of the end of the last fiscal year.

If the Bank has prepared interim financial statements (*rinji keisan shorui*) as described below, and if such interim financial statements (*rinji keisan shorui*) have been approved by the Board of Directors or (if so required by the Companies Act) by a general meeting of shareholders, then the Distributable Amount must be adjusted to take into account the amount of profit or loss, and the amount of consideration for the Bank's treasury stock disposed of by it, during the period in respect of which such interim financial statements (*rinji keisan shorui*) have been prepared. The Bank may prepare non-consolidated interim financial statements (*rinji keisan shorui*) consisting of a balance sheet as of any date subsequent to the end of the last fiscal year and an income statement for the period from the first day of the current fiscal year to the date of such balance sheet. Interim financial statements (*rinji keisan shorui*) prepared by the Bank must be audited by its Audit & Supervisory Board Members and independent auditors, as required by the Companies Act and ordinances of the Ministry of Justice.

Capital and Reserves

When the Bank issues new Shares, the entire amount of money or other assets paid or contributed by subscribers for such Shares is required to be accounted for as stated capital, although the Bank may account for an amount not exceeding one-half of the amount of such subscription money or other assets as additional paid-in capital by a resolution of the Board of Directors.

The Bank may reduce its additional paid-in capital or legal reserve generally by a resolution of a general meeting of shareholders and, if so decided by the same resolution, may account for the whole or any part of the amount of such reduction as stated capital. On the other hand, the Bank may reduce its stated capital generally by a special resolution of a general meeting of shareholders and, if so decided by the same resolution, may account for the whole or any part of the amount of such reduction as additional paid-in capital. In addition, the Bank may reduce its Surplus and increase either (i) its stated capital or (ii) additional paid-in capital and/or legal reserve by the same amount, in either case, by a resolution of a general meeting of shareholders.

Stock Splits

The Bank may at any time split the issued Shares into a greater number of Shares by a resolution of its Board of Directors. When a stock split is to be made, so long as the only type of the Bank's outstanding stock is its common stock, it may increase the number of authorised shares to the extent that the ratio of such increase in authorised shares does not exceed the ratio of such stock split by amending its Articles of Incorporation, which amendment may be made without approval by shareholders.

Before a stock split, the Bank must give public notice of the stock split, specifying the record date therefor, not less than two weeks prior to such record date. Under the JASDEC rules, the Bank must also inform JASDEC of certain matters regarding a stock split promptly after a resolution of its Board of Directors determining such stock split. On the effective date of the stock split, the numbers of Shares recorded in all accounts held by holders of Shares at account management institutions or JASDEC will be increased in accordance with the applicable ratio.

Unit Share System

The Bank's Articles of Incorporation provide that 1,000 Shares constitute one "unit". Its Board of Directors is permitted to reduce the number of Shares that will constitute a unit or abolish the unit share system entirely by amending its Articles of Incorporation without approval by shareholders, while a special resolution of a general meeting of shareholders is required to increase the number of Shares that will constitute a unit. The number of Shares constituting a unit may not exceed the lesser of 1,000 and one two hundredth of the total number of issued Shares.

Under the unit share system, a shareholder has one vote for each unit of Shares held by it, except as stated in "—Voting Rights". Shares constituting less than one unit will carry no voting rights and be excluded for the purposes of calculating the quorum for voting purposes. Holders of Shares constituting less than one unit have no shareholder rights other than certain rights specified in the Companies Act, an ordinance of the Ministry of Justice or the Bank's Articles of Incorporation, including the right to receive distribution of Surplus.

Under the new clearing system, Shares constituting less than one unit are transferable. Under the rules of the Japanese stock exchanges, however, Shares constituting less than one unit do not comprise a trading unit and, accordingly, may not be sold on the Japanese stock exchanges, unless a different trading unit is designated by the relevant Japanese stock exchange.

Holders of Shares constituting less than one unit may at any time request the Bank to purchase Shares held by them. Pursuant to the Bank's Articles of Incorporation and Share Handling Regulations, any such holder may also request the Bank to sell to such holder Shares constituting less than one unit which, when added to the Shares held by such holder, shall constitute one full unit. Under the new clearing system, such requests must be made to the Bank through the relevant account management institutions and JASDEC. Such purchase or sale of Shares will be effected, in general, at the last trading price of the Shares on the relevant stock exchange on the day such request is made (or, if there is no trading in the Shares on the stock exchange or if the stock exchange is not open on such day, the price at which the Shares are first traded on such stock exchange thereafter). The request for such purchase or sale may not be withdrawn without the Bank's consent.

General Meetings of Shareholders

The ordinary general meeting of shareholders of the Bank is customarily held in June each year. In addition, the Bank may hold an extraordinary general meeting of shareholders whenever necessary. Notice of a general meeting of shareholders stating, among others, the place, time and purpose thereof must be given to each shareholder having voting rights (or, in the case of a non-resident shareholder, to its standing proxy or mailing address in Japan) at least two weeks prior to the date set for the meeting. Such notice may be given to shareholders by electronic means, subject to the consent of the relevant shareholders. The record date for an ordinary general meeting of shareholders is 31 March of each year.

Any shareholder holding at least 300 voting rights or 1 per cent. of the total number of voting rights for six months or longer may propose a matter to be considered at a general meeting of shareholders by submitting a request to a Representative Director at least eight weeks prior to the date of such meeting. If the Bank's Articles of Incorporation so provide, any of the minimum percentages, time periods and number of voting rights necessary for exercising the minority shareholder rights described above may be decreased or shortened.

Voting Rights

A holder of Shares constituting one or more units is, in principle, entitled to one voting right for each unit of Shares. However, in general, neither the Bank nor any corporate or certain other entity, one-quarter or more of the total voting rights of which are directly or indirectly held by the Bank, has voting rights in respect of Shares held by the Bank or such entity.

Except as otherwise provided by law or in the Bank's Articles of Incorporation, a resolution can be adopted at a general meeting of shareholders by the holder of a majority of the total number of voting rights represented at the meeting. The Bank's Articles of Incorporation provide that the quorum for election of its Directors and Audit & Supervisory Board Members is one-third of the total number of voting rights. The Bank's shareholders are not entitled to cumulative voting in the election of its Directors. The shareholders may exercise their voting rights in writing or through proxies, provided that the proxies are, in general, also shareholders who have voting rights.

The Companies Act provides that certain important matters shall be approved by a "special resolution" of a general meeting of shareholders. Under the Bank's Articles of Incorporation, the quorum for a special resolution is one-third of the total number of voting rights and the approval of at least two-thirds of the voting rights represented at the meeting is required for adopting a special resolution. Such important matters include:

(i) purchase of Shares by the Bank from a specific shareholder other than the Bank's subsidiary;

(ii) consolidation of Shares;

(iii) issuance or transfer of new Shares or existing Shares held by the Bank as treasury stock to persons other than the shareholders at a "specially favourable" price;

(iv) issuance of stock acquisition rights (including those incorporated in bonds with stock acquisition rights) to persons other than the shareholders under "specially favourable" conditions;

(v) removal of any of the Audit & Supervisory Board Members of the Bank;

(vi) exemption from a portion of liability of the Directors, Audit & Supervisory Board Members or independent auditors of the Bank;

(vii) distribution of Surplus in kind with respect to which shareholders are not granted the right to require the Bank to make distribution in cash instead of in kind;

(viii) reduction of stated capital;

(ix) amendment to the Bank's Articles of Incorporation;

(x) transfer of the whole or a substantial part of the Bank's business;

(xi) taking over of the whole of the business of another company;

(xii) merger;

(xiii) corporate split;

(xiv) establishment of a parent and wholly-owned subsidiary relationship by way of a share exchange (*kabushiki-kokan*);

(xv) establishment of a parent and wholly-owned subsidiary relationship by way of a share transfer (*kabushiki-iten*);

(xvi) consolidation; and

(xvii) dissolution.

However, under the Companies Act, no shareholder approval, whether by an ordinary resolution or a special resolution at a general meeting of shareholders, is required for any matter described in (viii) to (xiv) above, and such matter may be decided by the Board of Directors, if it satisfies certain criteria prescribed by the Companies Act.

Liquidation Rights

In the event of the liquidation of the Bank, any assets remaining after payment of all debts, liquidation expenses and taxes will be distributed among holders of Shares in proportion to the respective number of Shares that they hold.

Subscription Rights

Holders of Shares have no pre-emptive rights. Authorised but unissued Shares may be issued at such times and upon such terms as the Board of Directors determines, subject to the limitations as to the issuance of new Shares at a "specially favourable" price mentioned in "—Voting Rights". The Board of Directors may, however, determine that shareholders be given subscription rights to new Shares, in which case they must be given on uniform terms to all holders of Shares as of a record date of which not less than two weeks' prior public notice must be given. Each of the shareholders to whom such rights are given must also be given at least two weeks' prior notice of the date on which such rights expire.

Stock Acquisition Rights

The Bank may issue stock acquisition rights (*shinkabu yoyakuken*). Holders of stock acquisition rights are entitled to acquire Shares from the Bank, upon payment of the applicable exercise price, and subject to other terms and conditions thereof. The Bank may also issue bonds with stock acquisition rights (*shinkabu yoyakukentsuki shasai*). The issuance of stock acquisition rights and bonds with stock acquisition rights may be authorised by the Board of Directors unless it is made under "specially favourable" conditions, as described in "—Voting Rights".

Record Date

As mentioned above, 31 March is the record date for the payment of year-end dividends and the determination of shareholders entitled to vote at the ordinary general meeting of shareholders, and 30 September is the record date for the payment of interim dividends.

In addition, by a resolution of the Board of Directors and after giving at least two weeks' prior public notice, the Bank may at any time set a record date for determining the shareholders entitled to certain rights pertaining to Shares.

Under the JASDEC rules, the Bank is required to give notice of each record date to JASDEC promptly after the resolution of the Board of Directors of the Bank determining such record date. JASDEC is required to promptly give the Bank notice of the names and addresses of holders of Shares, the numbers of Shares held by them and other relevant information as of such record date.

Acquisition of Shares by the Bank

The Bank may acquire Shares (i) by soliciting all its shareholders to offer to sell Shares held by them (in this case, certain terms of such acquisition, including the total number of Shares to be purchased and the total amount of consideration, shall be set by an ordinary resolution of a general meeting of shareholders in advance, and such acquisition shall be executed pursuant to a resolution of the Board of Directors); (ii) from a specific shareholder other than any of the Bank's subsidiaries (pursuant to a special resolution of a general meeting of shareholders); (iii) from any of the Bank's subsidiaries (pursuant to a resolution of the Board of Directors); or (iv) by way of purchase on any Japanese stock exchange on which the Shares are listed or by way of tender offer (in either case pursuant to an ordinary resolution of a general meeting of shareholders or a resolution of the Board of Directors). In the case of (ii) above, any other shareholder may make a request to the Bank's Representative Director that such other shareholder be included as a seller in the proposed purchase, provided that no such right will be available if the purchase price or any other consideration to be received by the relevant specific shareholder will not exceed the higher of (x) the last trading price of the Shares on the relevant stock exchange on the day immediately preceding the date on which the resolution mentioned in (ii) above was adopted (or, if there is no trading in the Shares on the stock exchange or if the stock exchange is not open on such day, the price at which the Shares are first traded on such stock exchange thereafter) and (y) if the Shares are subject to a tender offer on the day immediately preceding the date on which the resolution mentioned in (ii) above was adopted, the price of the Shares under the agreement with respect to such tender offer on such day.

The total amount of the purchase price of Shares may not exceed the Distributable Amount, as described in "—Distributions of Surplus—Restriction on Distributions of Surplus".

The Bank may hold the Shares acquired in compliance with the provisions of the Companies Act, and may generally dispose of or cancel such Shares by a resolution of the Board of Directors.

Disposal of Shares by the Bank held by Shareholders whose Location is Unknown

The Bank is not required to send notices to a shareholder if delivery of notices to such shareholder fails continuously for five years or more at his or her address registered in the Bank's register of shareholders or otherwise notified to the Bank.

In the above case, if the relevant shareholder to whom delivery of notices has failed also fails to receive distributions of Surplus on the Shares continuously for five years or more at his or her address registered in the Bank's register of shareholders or otherwise notified to the Bank, then the Bank may in general dispose of such Shares at their then market price and hold or deposit the proceeds of such disposition on behalf of the relevant shareholder.

Reporting of Substantial Shareholders

The FIEA and its related regulations require any person who has become, beneficially and solely or jointly, a holder of more than 5 per cent. of the total issued shares of capital stock of a company listed on any Japanese stock exchange to file a report concerning such shareholdings with the Director of the relevant Local Finance Bureau of the Ministry of Finance of Japan within five business days. With certain exceptions, a similar report must also be filed in respect of any subsequent change of 1 per cent. or more in the holding or of any change in material matters set out in reports previously filed. For this purpose, shares issuable to such person upon his or her exchange of exchangeable securities, conversion of convertible securities or exercise of warrants or stock acquisition rights (including those incorporated in bonds with stock acquisition rights) are taken into account in determining both the number of shares held by such holder and the issuer's total issued share capital. Any report so filed will be made available for public inspection. Copies of each report must also be furnished to the issuer of the shares. Reports are required to be filed through the Electronic Disclosure for Investors' Network, known as the EDINET system.

TAXATION

Japanese Taxation

The following is a summary of the principal Japanese tax consequences to Bondholders and owners of Shares acquired upon the exercise of the Stock Acquisition Rights incorporated in the Bonds or acquisition of the Bonds by the Bank, who are non-resident individuals or non-Japanese corporations, in either case having no permanent establishment in Japan ("non-resident Holders"). The statements regarding Japanese tax laws set out below are based on the laws in force and interpreted by the Japanese taxation authorities as of the date hereof and are subject to changes in the applicable Japanese laws or tax treaties, conventions or agreements or in the interpretation thereof after that date.

This summary is not exhaustive of all possible tax considerations which may apply to a particular investor and potential investors are advised to satisfy themselves as to the overall tax consequences of the acquisition, ownership and disposition of the Bonds and Shares acquired upon exercise of the Stock Acquisition Rights, including, specifically, the tax consequences under Japanese law, the laws of the jurisdiction of which they are resident, and any tax treaty between Japan and their country of residence, by consulting their own tax advisers.

Bonds

Receipts of premium (if any) upon redemption of the Bonds are subject to Japanese income tax (including corporate income tax) but are not subject to any withholding tax. If the recipient is a resident or a corporation of a country with which Japan has an income tax treaty, Japanese tax treatment may be modified by any applicable provisions of such income tax treaty. Bondholders are advised to consult with their legal, accounting or other professional advisers as to the applicable tax treatment.

Gains derived from the sale of Bonds, whether within or outside Japan by a non-resident Holder thereof, are, in general, not subject to Japanese income tax. Exercise of the Stock Acquisition Rights is not a taxable event in general.

Japanese inheritance and gift taxes at progressive rates may be payable by an individual, who has acquired Bonds as legatee, heir or donee even if the individual is not a Japanese resident.

Shares

Generally, a non-resident Holder of Shares is subject to Japanese withholding tax on dividends paid by the Bank.

The rate of Japanese withholding tax applicable to dividends paid by the Bank to a non-resident Holder of Shares is 20 per cent., subject to any applicable income tax treaty. However, with respect to dividends paid by the Bank to any non-resident Holders of Shares, except for any individual shareholder who holds 3 per cent. or more of the total issued Shares, the said 20 per cent. withholding tax rate is reduced to 15 per cent. A special reconstruction surtax (2.1 per cent. of the original applicable tax rate) will be added to the withholding tax rate from and including 1 January 2013 to and including 31 December 2037.

Gains derived from the sale of Shares, whether within or outside Japan, by a non-resident Holder thereof are, in general, not subject to Japanese income tax.

Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired Shares as legatee, heir or donee even if the individual is not a Japanese resident.

U.S. Foreign Account Tax Compliance Withholding

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL INCOME TAX ISSUES IN THIS OFFERING CIRCULAR IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY ANY PERSON FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON SUCH PERSON UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE BANK IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE BANK OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) PROSPECTIVE PURCHASERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

Pursuant to the foreign account tax compliance provisions of the Hiring Incentives to Restore Employment Act of 2010, the Bank and other non-U.S. financial institutions through which payments on the Bonds are made may be required to withhold U.S. tax at a rate of 30 per cent. on all, or a portion of, payments made after 31 December 2016 in respect of (i) any Bonds issued or materially modified on or after the date that is six months after the date on which the final regulations applicable to "foreign passthru payments" are filed in the Federal Register and (ii) any Bonds that are treated as equity for U.S. federal tax purposes, whenever issued. Under existing guidance, this withholding tax may be triggered on payments on the Bonds if (i) as a foreign financial institution ("FFI") (as defined in FATCA), the Bank enters into and complies with an agreement (an "FFI Agreement") with the U.S. Internal Revenue Service to provide certain information on its account holders (making the Bank a "Participating FFI"), (ii) the Bank is required to withhold on "foreign passthru payments" and (iii)(a) an investor does not provide information sufficient for the relevant Participating FFI to determine whether the investor is subject to withholding under FATCA or (b) any FFI to or through which payment on such Bonds is made is not a Participating FFI or otherwise exempt from FATCA withholding.

Whilst the Bonds are in global form and held by Euroclear and Clearstream, Luxembourg, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Bonds by the Bank, any paying agent and the common depositary, given that each of the entities in the payment chain beginning between the Bank and the participants in Euroclear and Clearstream, Luxembourg is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the Bonds. It is possible that the Bonds may be exchanged into definitive form and therefore that they may be taken out of Euroclear and Clearstream, Luxembourg. If this was to happen, then a non-FATCA compliant holder could be subject to withholding. However, definitive Bonds will only be printed in remote circumstances.

The Proposed Financial Transactions Tax ("FTT")

On 14 February 2013, European Commission published a proposal (the "Commission's Proposal") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States").

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

Joint statements issued by participating Member States indicate an intention to implement the FTT by 1 January 2016.

However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. Additional EU Member States may decide to participate.

Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Mizuho International plc (the "Lead Manager") and Morgan Stanley & Co. International plc, SMBC Nikko Capital Markets Limited, Nomura International plc and Daiwa Capital Markets Europe Limited (together with the Lead Manager, the "Managers") have entered into a subscription agreement with the Bank dated 5 March 2015 in respect of the Bonds (the "Subscription Agreement"), under which, subject to the satisfaction of certain conditions set out therein, the Managers have agreed severally but not jointly in the amounts described below to subscribe for U.S.$200,000,000 in aggregate principal amount of the Bonds at the issue price of 100 per cent. of the principal amount of the Bonds. No selling concession or combined management and underwriting commission will be payable by the Bank with respect thereto. The difference between the Offer Price in respect of the Bonds (as stated on the cover page of this Offering Circular) and the issue price in respect of the Bonds will be allocated among the Managers in the manner agreed by them.

	Principal Amount of the Bonds to be Subscribed
Lead Manager	
Mizuho International plc	$100,000,000
Co-Lead Managers	
Morgan Stanley & Co. International plc	35,000,000
SMBC Nikko Capital Markets Limited	35,000,000
Co-Managers	
Nomura International plc	20,000,000
Daiwa Capital Markets Europe Limited	10,000,000
Total	$ 200,000,000

The Bank has agreed to reimburse the Managers certain costs in connection with the issue and offering of the Bonds.

The Managers are entitled to be released and discharged from their obligations under the Subscription Agreement, or to terminate the Subscription Agreement, in certain circumstances prior to making payment to the Bank as set out therein. The Bank has agreed to indemnify the Managers against certain liabilities in connection with their obligations.

Lock-up

In connection with the issue and offering of the Bonds, the Bank has agreed not to, and not to direct any entities or any persons acting at the direction of the Bank to, (i) issue, offer, pledge, lend, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant (including stock acquisition rights) to purchase, make any short sale or otherwise transfer or dispose of, directly or indirectly, any Shares or any other capital stock of the Bank or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive, Shares or any other capital stock of the Bank or (ii) enter into any derivative transaction or any other transaction that transfers, in whole or in part, directly or indirectly, ownership (or any economic consequences thereof) of Shares or any other capital stock of the Bank, in each case, for a period beginning on the date of the Subscription Agreement and ending on the date 180 calendar days after the Closing Date without the prior written consent of the Lead Manager, on behalf of the Managers, other than (a) the issue and sale by the Bank of the Bonds or the issue or transfer of Shares upon exercise of the Stock Acquisition Rights or upon acquisition of the Bonds by the Bank, (b) the sale of Shares by the Bank to any holder of Shares constituting less than one unit for the purpose of making such holder's holding, when added to the Shares held by such holder, constitute one full unit of Shares, (c) the issue of Shares by the Bank as a result of any stock split, (d) the grant and issue of stock options or stock acquisition rights exercisable for Shares to its directors pursuant to the Bank's stock option plans, (e) the issue or transfer of Shares by the Bank upon exercise of stock options or stock acquisition rights granted to its directors pursuant to the Bank's stock option plans, (f) the sale by the Bank of Shares held by unidentified shareholders and (g) any other issue or sale of Shares required by applicable Japanese laws and regulations.

Selling Restrictions

General

No action has been or will be taken in any jurisdiction that would permit a public offering of the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights or acquisition of the Bonds by the Bank, or the possession, circulation or distribution of this Offering Circular or any other material relating to the Bank, the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights or acquisition of the Bonds by the Bank where action for such purpose is required. Accordingly, neither the Bonds nor any Shares issuable upon exercise of the Stock Acquisition Rights or acquisition of the Bonds by the Bank may be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights or acquisition of the Bonds by the Bank may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction.

Neither the Bank nor the Managers represent that the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights or acquisition of the Bonds by the Bank may at any time lawfully be sold in the secondary market in compliance with any applicable registration or other requirements in any jurisdiction or pursuant to an exemption available thereunder, or assume any responsibility for facilitating such sales.

United States

Neither the Bonds nor the Shares issuable upon exercise of the Stock Acquisition Rights or acquisition of the Bond by the Bank offered herein have been or will be registered under the Securities Act or may be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons except in accordance with Regulation S under the Securities Act. Each Manager has represented and agreed that it has not offered or sold and will not offer or sell the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights or acquisition of the Bonds by the Bank (i) as part of their distribution, at any time or (ii) otherwise, until 40 days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. Persons, and only in accordance with Rule 903 of Regulation S or pursuant to an exemption from the registration requirements of the Securities Act, and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration to whom it sells the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights or acquisition of the Bonds by the Bank during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights or acquisition of the Bonds by the Bank within the United States or to, or for the account or benefit of, U.S. Persons. Terms used in this paragraph have the meaning given to them by Regulation S.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights or acquisition of the Bonds by the Bank within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive was implemented in that Relevant Member State it has not made and will not make an offer of Bonds which are the subject of the offering contemplated by this Offering Circular to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive as implemented in the Relevant Member State;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive subject to obtaining the prior consent of the Lead Manager for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Bonds shall require the Issuer or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Bonds to the public" in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (as amended and including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Manager has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "FSMA") received by it in connection with the issue or sale of the Bonds or the Shares to be issued upon exercise of the Stock Acquisition Rights or acquisition of the Bonds by the Bank in circumstances in which Section 21(1) of the FSMA does not apply to the Bank; and

(b) it has complied with and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds and the Shares to be acquired upon exercise of the Stock Acquisition Rights or acquisition of the Bonds by the Bank in, from or otherwise involving the United Kingdom.

Japan

The Bonds have not been and will not be registered under the FIEA. Accordingly, each Manager has represented and agreed that, in connection with the initial offering of the Bonds, it has not, directly or indirectly, offered or sold and shall not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the account or benefit of, any resident of Japan or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the account or benefit of, any resident of Japan, except pursuant to an exemption available from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines in Japan. As used in this paragraph, "resident of Japan" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Singapore

Each Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore (the "MAS"). Accordingly, each Manager has represented and agreed that it has not offered or sold any Bonds or caused such Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell the Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Hong Kong

Each Manager has represented and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only

(iii) to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Switzerland

This Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Bonds described herein. The Bonds may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Bonds constitutes a prospectus as such term is understood pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland or a simplified prospectus or a prospectus as such term is defined in the Swiss Collective Investment Scheme Act, and neither this Offering Circular nor any other offering or marketing material relating to the Bonds may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Offering Circular nor any other offering or marketing material relating to the offering, nor the Bank nor the Bonds have been or will be filed with or approved by any Swiss regulatory authority. The Bonds are not subject to the supervision by any Swiss regulatory authority, e.g., the Swiss Financial Markets Supervisory Authority FINMA, and investors in the Bonds will not benefit from protection or supervision by such authority.

Other Relationships

In connection with the offering, each Manager may for its own account enter into asset swaps, credit derivatives or other derivatives relating to the Bonds and/or components of the Bonds and/or the Shares at the same time as the offer and sale of the Bonds or in secondary market transactions. As a result of such transactions, a Manager may hold long or short positions in the Bonds and/or the Shares and/or derivatives relating thereto. No disclosure will be made of any such positions.

The Managers or their respective affiliates have in the past provided, are currently providing and may in the future provide investment and commercial banking, underwriting, advisory and other services to the Bank and its subsidiaries and affiliates for which they have received, expect to receive or may receive (as the case may be) customary compensation. Further, Mizuho Bank, Ltd. is a major shareholder of the Bank and is an affiliate of Mizuho International plc, the Lead Manager.

GENERAL INFORMATION

(1) The Bank has obtained all necessary consents, approvals and authorisations in Japan in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by resolutions of the Board of Directors of the Bank dated 5 March 2015.

(2) The Bonds have been accepted for clearance through Euroclear and through Clearstream, Luxembourg. The International Securities Identification Number (ISIN) is XS1190318938 and the Common Code is 119031893.

(3) The Securities Identification Code for the Shares is 8366.

(4) Approval in-principle has been received for the listing of the Bonds on the SGX-ST. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the Global Certificate is exchanged for definitive certificates, the Bank will appoint and maintain a paying agent in Singapore, where the definitive certificates may be presented or surrendered for payment or redemption. In addition, in the event that the Global Certificate is exchanged for definitive certificates, an announcement of such exchange will be made by or on behalf of the Bank through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive certificates, including details of the paying agent in Singapore. The Bonds will be traded on the SGX-ST in a minimum board lot size of U.S.$200,000 for so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.

(5) Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Group and no material adverse change in the financial position or prospects of the Group since 31 March 2014.

(6) There are no, nor have there been any, governmental, legal arbitration, administrative or other proceedings involving the Bank or any other member of the Group which may have or have had during the 12 months immediately preceding the date of this Offering Circular a significant effect on the financial position or the profitability of the Bank or the Group and, so far as the Bank is aware, there are no such proceedings pending or threatened involving (whether as defendant or otherwise) the Bank or any other member of the Group.

(7) Copies of the Trust Deed and the Agency Agreement will be available for inspection, at the specified offices of each of the Agents during normal business hours, so long as any of the Bonds is outstanding.

(8) The consolidated financial statements of the Bank for each of the years ended 31 March 2012, 2013 and 2014, included in this Offering Circular, have been audited by Deloitte Touche Tohmatsu LLC, independent auditors, as stated in their reports appearing herein.

(9) The interim consolidated balance sheet of the Bank as at 31 December 2014, and the related interim consolidated statements of income and comprehensive income for each of the nine months ended 31 December 2013 and 2014, included in this Offering Circular, have been reviewed by Deloitte Touche Tohmatsu LLC, independent auditors, as stated in their review report appearing herein.

(10) Except to the extent provided in Condition 6, the Conditions do not provide for participating rights in the event of a takeover of the Bank.

(11) The Trustee is entitled under the Trust Deed to rely on any certificate, report or advice addressed and/or delivered to it, whether or not the same are subject to any limitation on the liability, whether by reference to a monetary cap or otherwise.

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INDEX TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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, 2014 and 2013, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the years 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 responsible is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2014 and 2013, and the consolidated results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in 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 4, 2014

Consolidated Balance Sheet

As of March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Assets			
Cash and due from banks (Note 3)	**¥ 257,212**	¥ 73,233	**$ 2,499,144**
Call loans and bills bought (Note 29)	**62,872**	158,022	**610,882**
Debt purchased	**10,206**	9,659	**99,164**
Trading securities (Note 4)	**851**	476	**8,268**
Money held in trust (Note 5)	**8,774**	7,780	**85,250**
Investment securities (Notes 4, 12, 19 and 29)	**1,422,210**	1,486,497	**13,818,596**
Loans and bills discounted (Notes 7 and 29)	**2,916,953**	2,822,561	**28,341,945**
Foreign exchange assets (Note 8)	**8,300**	5,683	**80,645**
Other assets (Notes 9 and 12)	**42,665**	49,980	**414,545**
Tangible fixed assets (Notes 10, 11, and 14)	**57,845**	59,005	**562,038**
Intangible fixed assets	**1,782**	1,441	**17,314**
Deferred tax assets (Note 28)	**930**	1,241	**9,036**
Customers' liabilities for acceptances and guarantees (Note 19)	**23,789**	24,802	**231,140**
Allowance for possible loan losses	**(36,912)**	(38,331)	**(358,647)**
Total assets	**4,777,483**	4,662,055	**46,419,383**
Liabilities			
Deposits (Notes 12, 15 and 29)	**4,163,311**	4,090,014	**40,451,914**
Negotiable certificates of deposit (Note 29)	**93,773**	94,524	**911,125**
Call money and bills sold	**28,069**	14,303	**272,726**
Payables under securities lending transactions (Note 12)	**19,224**	10,135	**186,785**
Borrowed money (Notes 12, 16 and 29)	**69,255**	80,424	**672,901**
Foreign exchange liabilities (Note 8)	**130**	114	**1,263**
Bonds (Notes 17 and 29)	**20,000**	20,000	**194,325**
Other liabilities (Note 18)	**30,951**	29,519	**300,728**
Liability for employees' retirement benefits (Note 27)	**12,657**	15,179	**122,979**
Liability for retirement benefits of directors and Audit & Supervisory Board Members	**14**	305	**136**
Liability for reimbursement of deposits	**755**	794	**7,335**
Allowance for repayment of excess interest	**65**	91	**631**
Reserve for other contingent losses	**279**	254	**2,710**
Deferred tax liabilities (Note 28)	**14,005**	5,176	**136,076**
Deferred tax liabilities for land revaluation (Note 14)	**8,720**	8,854	**84,726**
Negative goodwill	**11**	23	**106**
Acceptances and guarantees (Note 19)	**23,789**	24,802	**231,140**
Total liabilities	**4,485,017**	4,394,520	**43,577,701**
Equity (Note 20)			
Common stock, authorized, 500,000,000 shares; issued, 265,450,406 shares as of March 31, 2014 and 2013	**33,076**	33,076	**321,375**
Capital surplus	**23,969**	23,969	**232,889**
Stock acquisition rights	**30**	—	**291**
Retained earnings	**147,858**	138,249	**1,436,630**
Treasury stock – at cost 1,602,119 shares and 1,568,495 shares as of March 31, 2014 and 2013, respectively	**(977)**	(959)	**(9,492)**
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities (Notes 4 and 6)	**71,996**	58,488	**699,533**
Deferred gains (losses) on derivatives under hedge accounting	**(60)**	(171)	**(582)**
Land revaluation surplus (Note 14)	**10,700**	10,864	**103,964**
Defined retirement benefit plans	**1,417**	—	**13,767**
Total	**288,010**	263,518	**2,798,387**
Minority interests	**4,456**	4,016	**43,295**
Total equity	**292,466**	267,535	**2,841,682**
Total liabilities and equity	**¥ 4,777,483**	¥ 4,662,055	**$ 46,419,383**

See Notes to Consolidated Financial Statements.

The Shiga Bank, Ltd. and Consolidated Subsidiaries

Consolidated Statement of Income

Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Income			
Interest income:			
Interest on loans and discounts	**¥ 42,087**	¥ 44,073	**$ 408,929**
Interest and dividends on securities	**12,484**	13,585	**121,298**
Other interest income	**238**	140	**2,312**
Fees and commissions	**12,691**	12,454	**123,309**
Other operating income (Note 22)	**17,240**	15,019	**167,508**
Other income (Note 23)	**3,775**	3,599	**36,678**
Total income	**88,519**	88,872	**860,075**
Expenses			
Interest expenses:			
Interest on deposits	**2,540**	3,088	**24,679**
Interest on borrowing and rediscounts	**1,023**	1,013	**9,939**
Other interest expenses	**664**	459	**6,451**
Fees and commissions	**4,096**	3,875	**39,797**
Other operating expenses (Note 24)	**11,151**	9,876	**108,346**
General and administrative expenses	**45,584**	46,599	**442,907**
Other expenses (Note 2 (r) ii, 11 and 25)	**4,011**	10,079	**38,972**
Total expenses	**69,072**	74,991	**671,123**
Income before income taxes and minority interests	**19,447**	13,880	**188,952**
Income taxes (Notes 18 and 28)			
Current	**6,943**	6,526	**67,460**
Deferred	**1,114**	1,434	**10,823**
Income before minority interests	**11,389**	5,919	**110,658**
Minority interests	**362**	375	**3,517**
Net income (Note 32)	**¥ 11,027**	¥ 5,544	**$ 107,141**

	Yen		U.S. dollars
	2014	2013	**2014**
Per share information (Notes 2 (u) and 32)			
Basic net income	**¥ 41.79**	¥ 21.00	**$ 0.406**
Diluted net income	**41.78**	—	**0.406**
Cash dividends applicable to the year	**7.00**	6.00	**0.068**

See Notes to Consolidated Financial Statements.

The Shiga Bank, Ltd. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Income before minority interests	**¥ 11,389**	¥ 5,919	**$ 110,658**
Other comprehensive income (Note 31):			
Net unrealized gains on available-for-sale securities	**13,557**	15,338	**131,723**
Deferred losses on derivatives under hedge accounting	**110**	(171)	**1,068**
Total other comprehensive income	**13,668**	15,167	**132,802**
Comprehensive income	**25,058**	21,086	**243,470**
Attributable to			
Owners of parent	**24,645**	20,660	**239,457**
Minority interests	**412**	425	**4,003**

See Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

Years ended March 31, 2014 and 2013

	Millions of yen											
						Accumulated Other Comprehensive Income						
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Net unrealized gains on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Land revaluation surplus	Defined retirement benefit plans	Total	Minority interests	Total equity
Balance as of April 1, 2012	¥ 33,076	¥23,969	¥ —	¥133,975	¥(945)	¥43,200	¥ 0	¥11,177	¥ —	¥244,454	¥3,593	¥248,047
Changes during the year:												
Net income				5,544						5,544		5,544
Cash dividends, ¥6.00 per share				(1,583)						(1,583)		(1,583)
Purchase of treasury stock					(14)					(14)		(14)
Sales of treasury stock		(0)			1					1		1
Reversal of land revaluation surplus				312						312		312
Other changes						15,287	(171)	(312)	—	14,803	423	15,227
Net change in the year	—	(0)	—	4,273	(13)	15,287	(171)	(312)	—	19,063	423	19,487
Balance as of March 31, 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**

	Thousands of U.S. dollars											
						Accumulated Other Comprehensive Income						
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Net unrealized gains on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Land revaluation surplus	Defined retirement benefit plans	Total	Minority interests	Total equity
Balance as of March 31, 2013	**$321,375**	**$232,889**	**$ —**	**$1,343,266**	**$(9,317)**	**$568,286**	**$(1,661)**	**$105,557**	**$ —**	**$2,560,415**	**$39,020**	**$2,599,446**
Changes during the year:												
Net income				**107,141**						**107,141**		**107,141**
Cash dividends, $0.06 per share				**(15,380)**						**(15,380)**		**(15,380)**
Purchase of treasury stock					**(194)**					**(194)**		**(194)**
Sales of treasury stock		**(0)**			**19**					**9**		**9**
Reversal of land revaluation surplus				**1,593**						**1,593**		**1,593**
Other changes			**291**			**131,237**	**1,068**	**(1,593)**	**13,767**	**144,782**	**4,265**	**149,057**
Net change in the year	**—**	**(0)**	**291**	**93,354**	**(174)**	**131,237**	**1,068**	**(1,593)**	**13,767**	**237,961**	**4,265**	**242,236**
Balance as of March 31, 2014	**$321,375**	**$232,889**	**$291**	**$1,436,630**	**$(9,492)**	**$699,533**	**$(582)**	**$103,964**	**$13,767**	**$2,798,387**	**$43,295**	**$2,841,682**

See Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Operating activities:			
Income before income taxes and minority interests	**¥ 19,447**	¥ 13,880	**$ 188,952**
Depreciation	**2,555**	3,338	**24,825**
Losses on impairment of long-lived assets	**156**	202	**1,515**
Amortization of negative goodwill	**(11)**	(11)	**(106)**
Increase (decrease) in allowance for possible loan losses	**(1,419)**	1,840	**(13,787)**
Decrease in allowance for possible losses on investment securities	**—**	(148)	**—**
Increase (decrease) in reserve for other contingent losses	**24**	(34)	**233**
Increase (decrease) in liability for retirement benefits	**(2,521)**	1,117	**(24,494)**
Increase (decrease) in liability for retirement benefits of directors and Audit & Supervisory Board Members	**(290)**	24	**(2,817)**
Increase (decrease) in liability for reimbursement of deposits	**(38)**	31	**(369)**
Decrease in allowance for repayment of excess interest	**(26)**	(60)	**(252)**
Interest income	**(54,811)**	(57,799)	**(532,559)**
Interest expense	**4,228**	4,561	**41,080**
Gains on sales and write-down of investment securities	**(3,885)**	(2,284)	**(37,747)**
Gains on money held in trust	**(189)**	(95)	**(1,836)**
Foreign exchange gains	**(14)**	(19)	**(136)**
Losses (gains) on disposals of fixed assets – net	**(71)**	275	**(689)**
Net increase in loans and bills discounted	**(94,392)**	(79,123)	**(917,139)**
Net increase in deposits	**73,296**	104,554	**712,164**
Net decrease in negotiable certificate of deposits	**(751)**	(10,000)	**(7,296)**
Net increase (decrease) in borrowed money (excluding subordinated loans)	**(1,168)**	2,856	**(11,348)**
Net decrease (increase) in due from banks (excluding deposits in Bank of Japan)	**83**	(120)	**806**
Net decrease in call loans and others	**94,603**	33,453	**919,189**
Net increase in call money and bills sold	**13,766**	14,303	**133,754**
Net increase in payables under securities lending transactions	**9,089**	10,135	**88,311**
Net increase in foreign exchange assets	**(2,616)**	(202)	**(25,417)**
Net increase in foreign exchange liabilities	**16**	32	**155**
Interest received (cash basis)	**56,253**	57,613	**546,570**
Interest paid (cash basis)	**(4,333)**	(5,852)	**(42,100)**
Other	**(3,664)**	(9,504)	**(35,600)**
Subtotal	**103,313**	82,961	**1,003,818**
Income taxes – paid	**(6,501)**	(5,991)	**(63,165)**
Net cash provided by operating activities	**96,812**	76,969	**940,652**
Investing activities:			
Purchases of securities	**(508,303)**	(812,194)	**(4,938,816)**
Proceeds from sales of securities	**397,609**	555,717	**3,863,282**
Proceeds from redemptions of securities	**212,489**	215,357	**2,064,603**
Increase in money held in trust	**(1,000)**	—	**(9,716)**
Purchases of tangible fixed assets	**(1,897)**	(2,970)	**(18,431)**
Proceeds from sales of tangible fixed assets	**777**	401	**7,549**
Purchases of intangible fixed assets	**(832)**	(665)	**(8,083)**
Net cash provided by (used in) investing activities	**98,842**	(44,354)	**960,376**
Financing activities:			
Repayment of subordinated loans	**(10,000)**	—	**(97,162)**
Dividends paid	**(1,583)**	(1,583)	**(15,380)**
Dividends paid to minority shareholders	**(2)**	(2)	**(19)**
Purchase of treasury stock	**(20)**	(14)	**(194)**
Proceeds from sales of treasury stock	**1**	1	**9**
Net cash used in financing activities	**(11,604)**	(1,599)	**(112,747)**
Foreign currency translation adjustments on cash and cash equivalents	**13**	18	**126**
Net increase in cash and cash equivalents	**184,063**	31,033	**1,788,408**
Cash and cash equivalents, beginning of year	**72,798**	41,764	**707,326**
Cash and cash equivalents, end of year (Note 3)	**¥ 256,862**	¥ 72,798	**$ 2,495,744**

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Years ended March 31, 2014 and 2013

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 ¥102.92 to U.S.$1, the rate of exchange at March 31, 2014, 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, 2014 and 2013 include the accounts of the Bank and 9 consolidated subsidiaries.

The consolidated subsidiaries’ respective fiscal periods end March 31 for the year ended March 31, 2014.

The goodwill or negative goodwill is amortized evenly over a five year period. The Bank has three other non-consolidated subsidiaries in which investments are not accounted for by the equity method because their net income (the portion corresponding to the Bank’s equity), 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, 2014 and 2013 were ¥17,033 million ($165,497 thousand) and ¥20,090 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 ¥3,670 million ($35,658 thousand) and ¥3,793 million at March 31, 2014 and 2013, 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 ¥21,426 million ($208,181 thousand), and ¥23,775 million as of March 31, 2014 and 2013, 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 group applied the revised accounting standard and guidance for retirement benefit in fiscal 2014 as described in the following item (v).

(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.

At the general shareholders' meeting held in June 2013, the Bank resolved to abolish the retirement benefits to directors and Audit & Supervisory Board Members, and resolved lump sum payment for them, and introduce stock compensation-type stock options. As a result, liability for retirement for directors and Audit & Supervisory Board Members of the Bank was reversed and unpaid amount ¥177 million ($1,719 thousand) as of March 31, 2014, is included in other liabilities (see note18).

(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 which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Group applied the revised accounting standard effective April 1, 2008. The Group accounted for leases 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 acts 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 stockholders 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.

Diluted net income per share is not disclosed because no dilutive securities are outstanding for the year ended March 31, 2013.

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.

(v) New Accounting Pronouncements

Accounting Standard for Retirement Benefits

On May 17, 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.

Major changes are as follows:

(i) Treatment in the balance sheet

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(ii) Treatment in the statement of income and the statement of comprehensive income

The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be 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 shall be 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.

(iii) Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases

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 (i) and (ii) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (iii) 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 Group applied the revised accounting standard and guidance for retirement benefits for (i) and (ii) above, effective March 31, 2014. As a result, liability for retirement benefits of ¥12,657 million ($122,979 thousand) was recorded as of March 31, 2014, and deferred tax liabilities and accumulated other comprehensive income for the year ended March 31, 2014 increased by ¥775 million ($7,530 thousand) and ¥1,417 million ($13,767 thousand), respectively. In addition, the Group expects to apply (iii) above from April 1, 2014. As a result, retained earnings at the beginning of annual period beginning on April 1, 2014 will decrease by ¥1,458 million ($14,166 thousand).

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, 2014 and 2013, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Cash and due from banks	**¥ 257,212**	¥ 73,233	**$ 2,499,144**
Time deposits due from banks	**—**	(60)	**—**
Other due from banks	**(350)**	(374)	**(3,400)**
Cash and cash equivalents	**¥ 256,862**	¥ 72,798	**$ 2,495,744**

4. Investment securities

Investment securities at March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Japanese government bonds	**¥ 461,114**	¥ 493,455	**$ 4,480,314**
Japanese local government bonds	**299,072**	339,333	**2,905,868**
Japanese corporate bonds	**425,469**	464,045	**4,133,977**
Corporate stocks	**146,176**	114,874	**1,420,287**
Other securities	**90,377**	74,788	**878,128**
Total	**¥ 1,422,210**	¥ 1,486,497	**$ 13,818,596**

Fair value and other information on securities at March 31, 2014 and 2013 were as follows:

Securities

(1) Trading securities

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
	Gain (loss) included in profit/ (loss) during the fiscal year		
Trading securities	**¥ (118)**	¥ 1	**$ (1,146)**

(2) Held-to-maturity securities

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

	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)
Total	¥ **14,988**	¥ **15,022**	¥ **33**

	Thousands of U.S. dollars		
	2014		
	Consolidated balance sheet amount	Fair value	Unrealized gains (losses)
Fair value exceeding consolidated balance sheet amount:			
Japanese government bonds	$ 121,336	$ 121,754	$ 417
Fair value not exceeding consolidated balance sheet amount:			
Japanese government bonds	24,290	24,193	(87)
Total	$ **145,627**	$ **145,958**	$ **320**

No bonds classified as held-to-maturity securities that have fair value were held by the Group as of March 31, 2013.

(3) Available-for-sale securities

Available-for-sale securities as of March 31, 2014 and 2013 were as follows:

	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
Subtotal	¥ **1,295,326**	¥ **1,191,288**	¥ **104,038**
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)
Subtotal	**108,656**	**109,325**	**(669)**
Total	¥ **1,403,982**	¥ **1,300,614**	¥ **103,368**

	Millions of yen		
	2013		
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)
Consolidated balance sheet amount exceeding cost:			
Stocks	¥ 109,718	¥ 58,455	¥ 51,263
Bonds:	1,244,739	1,212,706	32,033
Japanese government bonds	449,736	440,315	9,421
Japanese local government bonds	338,804	326,865	11,938
Japanese corporate bonds	456,198	445,525	10,673
Others	48,062	47,536	526
Subtotal	¥ 1,402,521	¥ 1,318,697	¥ 83,823
Consolidated balance sheet amount not exceeding cost:			
Stocks	¥ 2,038	¥ 2,081	¥ (42)
Bonds:	52,095	52,379	(284)
Japanese government bonds	43,719	43,975	(256)
Japanese local government bonds	529	529	(0)
Japanese corporate bonds	7,846	7,874	(27)
Others	27,343	28,084	(740)
Subtotal	81,476	82,544	(1,068)
Total	¥ 1,483,998	¥ 1,401,242	¥ 82,755

	Thousands of U.S. dollars		
	2014		
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)
Consolidated balance sheet amount exceeding cost:			
Stocks	**$ 1,366,643**	**$ 559,016**	**$ 807,617**
Bonds:	**10,689,273**	**10,492,042**	**197,221**
Japanese government bonds	**4,111,620**	**4,047,940**	**63,670**
Japanese local government bonds	**2,745,608**	**2,672,230**	**73,377**
Japanese corporate bonds	**3,832,034**	**3,771,861**	**60,163**
Others	**529,828**	**523,824**	**6,004**
Subtotal	**$ 12,585,755**	**$ 11,574,893**	**$ 1,010,862**
Consolidated balance sheet amount not exceeding cost:			
Stocks	**$ 21,443**	**$ 24,757**	**$ (3,303)**
Bonds:	**685,250**	**685,969**	**(719)**
Japanese government bonds	**223,056**	**223,251**	**(184)**
Japanese local government bonds	**160,250**	**160,503**	**(252)**
Japanese corporate bonds	**301,943**	**302,205**	**(262)**
Others	**349,018**	**351,496**	**(2,467)**
Subtotal	**1,055,732**	**1,062,232**	**(6,500)**
Total	**$ 13,641,488**	**$ 12,637,135**	**$ 1,004,352**

(4) Bonds classified as held-to-maturity were not sold in both fiscal 2014 and 2013.

(5) Available-for-sale securities sold

	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**
Total	¥ **385,316**	¥ **5,799**	¥ **1,886**

	Millions of yen		
	2013		
	Sales amount	Gains on sales	Losses on sales
Stocks	¥ 1,021	¥ 296	¥ —
Bonds:	554,514	4,417	147
Japanese government bonds	497,072	3,107	146
Japanese local government bonds	31,580	730	—
Japanese corporate bonds	25,861	579	0
Others	5,363	126	164
Total	¥ 560,898	¥ 4,841	¥ 311

	Thousands of U.S. dollars		
	2014		
	Sales amount	Gains on sales	Losses on sales
Stocks	$ **6,529**	$ **2,147**	$ **19**
Bonds:	**3,428,293**	**52,876**	**7,306**
Japanese government bonds	**2,106,471**	**14,535**	**5,033**
Japanese local government bonds	**526,991**	**15,963**	**1,195**
Japanese corporate bonds	**794,821**	**22,376**	**1,068**
Others	**309,006**	**1,301**	**10,979**
Total	$ **3,743,839**	$ **56,344**	$ **18,324**

(6) Impairment losses on securities

For available-for-sale securities with market quotations, in cases where the fair value has fallen substantially from the acquisition cost and there is believed to be little likelihood of a recovery 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”).

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

Impairment losses amounted to ¥2,125 million of which equities accounted for the same amount for the year ended March 31, 2013.

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			
	2014		2013	
	Consolidated balance sheet amount	Gains included in profits during the fiscal year	Consolidated balance sheet amount	Gains included in profits during the fiscal year
Money held in trust classified as trading	**¥ 8,774**	**¥ 65**	¥ 7,870	¥ 95

	Thousands of U.S. dollars	
	2014	
	Consolidated balance sheet amount	Gains included in profits during the fiscal year
Money held in trust classified as trading	**$ 85,250**	**$ 631**

(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
	2014	2013	**2014**
Net unrealized gains on investment securities	**¥ 103,368**	¥ 82,755	**$ 1,004,352**
Other money held in trust	**—**	—	**—**
Deferred tax liabilities	**(31,228)**	(24,172)	**(303,420)**
Minority interests	**(144)**	(93)	**(1,399)**
Net unrealized gains on available-for-sale securities	**¥ 71,996**	¥ 58,488	**$ 699,533**

7. Loans and bills discounted

Loans and bills discounted at March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Bills discounted	**¥ 16,842**	¥ 19,856	**$ 163,641**
Loans on bills	**117,111**	124,127	**1,137,883**
Loans on deeds	**2,454,908**	2,342,792	**23,852,584**
Overdrafts	**328,091**	335,784	**3,187,825**
Total	**¥ 2,916,953**	¥ 2,822,561	**$ 28,341,945**

Loans in legal bankruptcy totaled ¥809 million ($7,860 thousand) and ¥868 million as of March 31, 2014 and 2013, respectively. Nonaccrual loans totaled ¥56,543 million ($549,387 thousand) and ¥64,033 million as of March 31, 2014 and 2013, respectively. Loans in legal bankruptcy are loans in which the interest accrual is discontinued (excluding the portion recognized as bad debts) based on management's judgement as to the collectibility of principal or interest resulting from the delay in payments of interest or principal for a considerable period of time and other factors. Nonaccrual loans are loans in which the interest accrual is discontinued, other than loans in legal bankruptcy and loans granting deferral of interest payment to the debtors in financial difficulties to assist them in their recovery.

Accruing loans contractually past due three months or more as to principal or interest payments totaled ¥309 million ($3,002 thousand) and ¥475 million as of March 31, 2014 and 2013, respectively. Loans classified as loans in legal bankruptcy and past due loans are excluded.

Restructured loans totaled ¥27,990 million ($271,958 thousand) and ¥25,259 million as of March 31, 2014 and 2013, 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 accruing loans contractually past due three months or more are excluded.

8. Foreign exchanges

Foreign exchange assets and liabilities at March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Assets:			
Due from foreign correspondents	**¥ 6,958**	¥ 4,040	**$ 67,605**
Foreign bills of exchange purchased	**98**	146	**952**
Foreign bills of exchange receivable	**1,243**	1,496	**12,077**
Total	**¥ 8,300**	¥ 5,683	**$ 80,645**
Liabilities:			
Foreign bills of exchange sold	**¥ 95**	¥ 66	**$ 923**
Accrued foreign bills of exchange	**35**	48	**340**
Total	**¥ 130**	¥ 114	**$ 1,263**

9. Other assets

Other assets at March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Prepaid expenses	**¥ 40**	¥ 44	**$ 388**
Accrued income	**4,045**	4,892	**39,302**
Derivatives	**969**	1,829	**9,415**
Other (Note 12)	**37,610**	43,213	**365,429**
Total	**¥ 42,665**	¥ 49,980	**$ 414,545**

10. Tangible fixed assets

Tangible fixed assets at March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Buildings	**¥ 15,392**	¥ 15,919	**$ 149,553**
Land	**39,347**	39,578	**382,306**
Construction in progress	**224**	160	**2,176**
Other	**2,881**	3,346	**27,992**
Total	**¥ 57,845**	¥ 59,005	**$ 562,038**

Accumulated depreciation on tangible fixed assets at March 31, 2014 and 2013 amounted to ¥46,006 million ($447,007 thousand) and ¥45,374 million, respectively.

11. Long-lived assets

The Group recognized impairment losses for the year ended March 31, 2014 and 2013, 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 ¥156 million ($1,515 thousand) and ¥202 million for the years ended March 31, 2014 and 2013, 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 2014	Impairment losses: Millions of yen 2013	Impairment losses: Thousands of U.S. dollars 2014
Shiga Prefecture	Branch offices and other	Land, buildings and equipment	**¥ 98**	¥ 11	**$ 952**
Shiga Prefecture	Idle asset	Land, buildings and equipment	**5**	—	**48**
Other	Branch offices and other	Land, buildings and equipment	**28**	48	**272**
Other	Idle asset	Land	**—**	141	**—**
Other	Shared asset	Buildings and equipment	**22**	—	**213**
Total			**¥ 156**	¥ 202	**$ 1,515**

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

12. Assets pledged

Assets pledged as collateral and related liabilities at March 31, 2014 and 2013, were as follows:

	Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars 2014
Investment securities	**¥ 154,283**	¥ 158,883	**$ 1,499,057**
Other assets (investments in leases) (Note 9)	**720**	1,811	**6,995**

Related liabilities	Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars 2014
Deposits	**¥ 17,320**	¥ 5,925	**$ 168,286**
Payables under securities lending transactions	**19,224**	10,135	**186,785**
Borrowed money	**28,637**	30,088	**278,245**

In addition, investment securities totaling ¥58,375 million ($567,188 thousand) and ¥36,490 million at March 31, 2014 and 2013, 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 ¥790 million ($7,675 thousand) and ¥791 million at March 31, 2014 and 2013, 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, 2014 and 2013 amounted to ¥830,297 million ($8,067,401 thousand) and ¥811,137 million, respectively, and the amounts of unused commitments whose original contract terms are within one year or unconditionally cancelable at any time were ¥806,354 million ($7,834,764 thousand) and ¥789,777 million at March 31, 2014 and 2013, respectively. In many cases, the term of the agreement runs its course without the loan ever being drawn down. Therefore, the unused loan commitment will not necessarily affect future cash flows. Conditions are included in certain loan agreements which allow the Bank to decline the request for a loan draw down or to reduce the agreed limit amount where there is due cause to do so, such as when there is a change in financial conditions or when it is necessary to do so in order to protect the Bank's credit. The Bank takes various measures to protect its credit. Such measures include having the obligor pledge collateral to the Bank in the form of real estate, securities, etc. on signing the loan agreements or, in accordance with the Bank's established internal procedures, confirming the obligor's financial condition, etc. at regular intervals.

14. Land revaluation

Under the "Act of Land Revaluation," promulgated on March 31, 1998 (final 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, 2014 and 2013, the carrying amount of the land after the above one-time revaluation exceeded the fair value by ¥14,182 million ($137,796 thousand) and ¥13,581 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, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Current deposits	**¥ 144,743**	¥ 153,457	**$ 1,406,364**
Ordinary deposits	**1,763,085**	1,697,389	**17,130,635**
Deposits at notice	**34,269**	14,623	**332,967**
Time deposits	**2,120,000**	2,133,018	**20,598,523**
Other deposits	**101,211**	91,525	**983,394**
Total	**¥ 4,163,311**	¥ 4,090,014	**$ 40,451,914**

16. Borrowed money

At March 31, 2014 and 2013, the weighted-average interest rates applicable to borrowed money were 1.20% and 1.21%, respectively.

Borrowed money at March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Subordinated loans	**¥ 30,000**	¥ 40,000	**$ 291,488**
Borrowing from banks and other	**39,255**	40,424	**381,412**
Total	**¥ 69,255**	¥ 80,424	**$ 672,901**

Annual maturities of borrowed money at March 31, 2014 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2015	**¥ 33,375**	**$ 324,280**
2016	**2,299**	**22,337**
2017	**1,665**	**16,177**
2018	**1,108**	**10,765**
2019	**614**	**5,965**
2020 and thereafter	**30,192**	**293,354**
Total	**¥ 69,255**	**$ 672,901**

17. Bonds

Bonds at March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars		
	2014	2013	**2014**	Interest rate	Due
Subordinated bonds	**¥ 20,000**	¥ 20,000	**$ 194,325**	1.89%	July 26, 2019

As mentioned in Note 33, the Bank resolved to redeem the full amount of the above unsecured subordinated bonds prior to maturity on July 28, 2014 at the meeting of the Board of Directors held on April 21, 2014.

18. Other liabilities

Other liabilities at March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Accrued income taxes	**¥ 4,024**	¥ 3,577	**$ 39,098**
Accrued expenses	**4,719**	5,371	**45,851**
Unearned income	**7,185**	5,677	**69,811**
Derivatives	**1,049**	2,144	**10,192**
Other	**13,973**	12,748	**135,765**
Total	**¥ 30,951**	¥ 29,519	**$ 300,728**

Liability of retirement for directors and Audit & Supervisory Board Members of the Bank amounting ¥177 million ($1,719 thousand) as of March 31, 2014 is included in “Other”.

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 ¥6,251 million ($60,736 thousand) and ¥6,736 million as of March 31, 2014 and 2013, 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, 2014 and 2013.

(2) Companies Act and Banking Act of Japan

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

On and after May 1, 2006, Japanese companies are subject to a new companies act of Japan (the “Companies Act”) which reformed and replaced the Code with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the 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 which 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, 2014 will be proposed at the Bank's general shareholders' meeting held on June 25, 2014.

	Millions of yen	Thousands of U.S. dollars
Cash dividends (dividend amount per share: ¥4 or $0.039)	**¥ 1,055**	**$ 10,250**

21. Stock options

The stock options outstanding as of March 31, 2014, are as follows:

Description	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2013 Stock Option	16 directors	83,300 shares	August 20, 2013	¥1 ($0.01)	From August 21, 2013 to August 20, 2043

The stock option activity is as follows:

Year Ended March 31, 2014	2013 Stock Option
Non-vested	
April 1, 2013—Outstanding	—
Granted	83,300
Canceled	(1,800)
Vested	(62,050)
March 31, 2014—Outstanding	19,450
Vested	
April 1, 2013—Outstanding	—
Vested	62,050
Exercised	(3,700)
Canceled	(—)
March 31, 2014—Outstanding	58,350

	Yen	U.S. dollars
Exercise price	¥ 1	$0.01
Average stock price at exercise	¥534	$5.19
Fair value price at grant date	¥528	$5.13

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

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	27.296%
Estimated remaining outstanding period:	3 years and 8 months
Estimated dividend:	¥6 per share
Risk free interest rate:	0.189%

22. Other operating income

Other operating income for the years ended March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Gains on foreign exchange transactions-net	**¥ 765**	¥ 601	**$ 7,432**
Gains on sales of bonds	**5,577**	4,547	**54,187**
Other	**10,898**	9,870	**105,888**
Total	**¥ 17,240**	¥ 15,019	**$ 167,508**

23. Other income

Other income for the years ended March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Recovery of claims previously charged-off	**¥ 1,360**	¥ 1,628	**$ 13,214**
Other	**2,415**	1,971	**23,464**
Total	**¥ 3,775**	¥ 3,599	**$ 36,678**

24. Other operating expenses

Other operating expenses for the years ended March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Losses on sales of government bonds	**¥ 2,000**	¥ 450	**$ 19,432**
Losses on financial derivatives	**—**	1,228	**—**
Other	**9,150**	8,197	**88,904**
Total	**¥ 11,151**	¥ 9,876	**$ 108,346**

25. Other expenses

Other expenses for the years ended March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Provision of allowance for possible loan losses	**¥ 2,246**	¥ 5,742	**$ 21,822**
Change-off of loans and bills discounted	**761**	1,093	**7,394**
Losses on impairment of long-lived assets (Note 11)	**156**	202	**1,515**
Losses on sales of investment in stocks	**102**	—	**991**
Valuation losses on investment in stocks	**15**	2,125	**145**
Other	**729**	916	**7,083**
Total	**¥ 4,011**	¥ 10,079	**$ 38,972**

26. Leases

Lessee

The Group leases certain equipment. Total rental expense under finance leases for the years ended March 31, 2014 and 2013 was ¥1 million ($9 thousand) and ¥1 million, respectively.

Finance lease transactions which 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, 2014 and 2013 was as follows:

	Tangible fixed assets		
	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Acquisition cost	**¥ 4**	¥ 9	**$ 38**
Accumulated depreciation	**(4)**	(7)	**(38)**
Net leased property	**¥ 0**	¥ 1	**$ 0**

Obligations under finance leases at March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Due within one year	**¥ 0**	¥ 1	**$ 0**
Due after one year	**—**	0	**—**
Total	**¥ 0**	¥ 1	**$ 0**

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
	2014	2013	**2014**
Lease payments	**¥ 1**	¥ 1	**$ 9**
Depreciation expense	**1**	1	**9**

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, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Gross lease receivables	**¥ 18,382**	¥ 18,698	**$ 178,604**
Unguaranteed residual values	**761**	717	**7,394**
Unearned interest income	**(1,969)**	(2,117)	**(19,131)**
Investments in leases	**¥ 17,174**	¥ 17,297	**$ 166,867**

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, 2014, are as follows:

	Millions of yen	Thousands of U.S. dollars
2015	**¥ 15**	**$ 145**
2016	**14**	**136**
2017	**13**	**126**
2018	**12**	**116**
2019	**12**	**116**
2020 and thereafter	**50**	**485**

Maturities of gross lease receivables related to investments in leases as of March 31, 2014, are as follows:

	Millions of yen	Thousands of U.S. dollars
2015	**¥ 5,778**	**$ 56,140**
2016	**4,688**	**45,549**
2017	**3,690**	**35,853**
2018	**2,427**	**23,581**
2019	**1,251**	**12,155**
2020 and thereafter	**545**	**5,295**

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, 2014 and 2013, increased by ¥71 million ($689 thousand) and ¥263 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, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Due within one year	**¥ 15**	¥ 16	**$ 145**
Due after one year	**32**	41	**310**
Total	**¥ 48**	¥ 57	**$ 466**

27. Retirement benefit plans

Year ended March 31, 2014

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 year ended March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of year	¥ 44,353	$ 430,946
Current service cost	1,716	16,673
Interest cost	665	6,461
Actuarial (gains) losses	(1,747)	(16,974)
Benefits paid	(2,472)	(24,018)
Prior service cost	—	—
Balance at end of year	¥ 42,515	$ 413,087

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

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of year	¥ 25,757	$ 250,262
Expected return on plan assets	354	3,439
Actuarial gains(losses)	3,195	31,043
Contribution from the employer	1,775	17,246
Benefits paid	(1,136)	(11,037)
Balance at end of year	¥ 29,946	$ 290,963

(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
Funded defined benefit obligation	¥ 42,515	$ 413,087
Plan assets	(29,946)	(290,963)
Net liability (asset) arising from the balance sheet	¥ 12,568	$ 122,114

	Millions of yen	Thousands of U.S. dollars
Liability for retirement benefits	¥ 12,568	$ 122,114
Asset for retirement benefits	—	—
Net liability (asset) arising from the balance sheet	¥ 12,568	$ 122,114

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

	Millions of yen	Thousands of U.S. dollars
Service cost	¥ 1,716	$ 16,673
Interest cost	665	6,461
Expected return on plan assets	(354)	(3,439)
Recognized actuarial (gains) losses	766	7,442
Amortization of prior service cost	(16)	(155)
Net periodic benefit costs	¥ 2,777	$ 26,982

(5) Accumulated other comprehensive income on defined retirement benefit plans as of March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
Unrecognized prior service cost	¥ (5)	$ (48)
Unrecognized actuarial (gains) losses	(2,187)	(21,249)
Total	¥ (2,192)	$ (21,298)

(6) Plan assets:

a. Components of plan assets

Bonds	26%
Stocks	49
Cash and cash equivalents	5
General accounts	20
Total	100%

(Note) Total plan assets included retirement benefits trust of 39%, 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 which are expected currently and in the future from the various components of the plan assets.

(7) Assumptions used for the year ended March 31, 2014, were set forth as follows:

Discount rate	1.50%
Expected rate of return on plan assets	
Plan assets (except for retirement benefits trust)	2.12%
Plan assets (retirement benefits trust)	0.00%

2. Defined benefit plan adopting the simplified method

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

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of year	¥ 84	$ 816
Net periodic benefit costs	15	145
Benefits paid	(10)	(97)
Contribution to the plan	—	—
Balance at end of year	¥ 89	$ 864

(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
Unfunded defined benefit obligation	¥ 89	$ 864
Net liability (asset) arising from the balance sheet	¥ 89	$ 864

	Millions of yen		Thousands of U.S. dollars	
Liability for retirement benefits	**¥**	**89**	**$**	**864**
Net liability (asset) arising from the balance sheet	**¥**	**89**	**$**	**864**

(3) Net periodic benefit costs recognized in the simplified method for the year ended March 31, 2014, were ¥15 million ($145 thousand).

3. Defined contribution plan

Not applicable.

Year ended March 31, 2013

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

The liability for retirement benefits as of March 31, 2013, consisted of the following:

	Millions of yen
	2013
Projected benefit obligation	¥ (44,437)
Plan assets (fair value)	25,757
Unfunded projected benefit obligation	(18,680)
Unrecognized actuarial net loss	3,522
Unrecognized prior service cost	(21)
Liability for retirement benefits	¥ (15,179)

The components of net periodic benefit costs for the year ended March 31, 2013, were as follows:

	Millions of yen
	2013
Service cost	¥ 1,740
Interest cost	660
Expected return on plan assets	(234)
Amortization of prior service cost	(16)
Recognized actuarial net loss	1,447
Net periodic retirement benefit costs	¥ 3,597

Assumptions used for the year ended March 31, 2013, were set forth as follows:

Discount rate	1.50%
Expected rate of return on plan assets	1.52%
Amortization period of prior service cost	10 years
Recognition period of actuarial gain/loss	10 years

28. Income taxes

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Deferred tax assets:			
Allowance for possible loan losses	**¥ 17,801**	¥ 18,424	**$ 172,959**
Liability for employees' retirement benefits	**7,463**	7,670	**72,512**
Accrued enterprise tax	**290**	306	**2,817**
Devaluation of stocks and other securities	**6,878**	6,946	**66,828**
Depreciation	**1,783**	1,719	**17,324**
Other	**2,311**	2,556	**22,454**
Less valuation allowance	**(17,285)**	(17,203)	**(167,945)**
Total	**¥ 19,245**	¥ 20,420	**186,989**
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	**(31,228)**	(24,172)	**(303,420)**
Reserve for advance depreciation of fixed assets	**(203)**	(182)	**(1,972)**
Reserve for special account of advanced depreciation of fixed assets	**(112)**	—	**(1,088)**
Defined retirement benefit plans	**(775)**	—	**(7,530)**
Total	**(32,320)**	(24,355)	**(314,030)**
Net deferred tax assets	**¥ (13,075)**	¥ (3,935)	**$(127,040)**

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, 2014 and 2013, is as follows:

	2014	2013
Normal effective statutory tax rate	**37.7%**	37.7%
Permanent differences – mainly dividends received	**(2.1)**	(2.9)
Increase in valuation allowance for deferred tax assets	**0.4**	20.7
Decrease in deferred tax assets due to changes in statutory tax rate	**4.2**	1.2
Other	**1.2**	0.6
Actual effective tax rate	**41.4%**	57.3%

New tax reform laws enacted in 2014 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2014, from approximately 37.75% to 35.38%. The effect of this change was a decrease in deferred tax assets in the consolidated balance sheet as of March 31, 2014 by ¥410 million ($3,983 thousand) and an increase in income taxes—deferred in the consolidated statement of income for the year ended March 31, 2014, by ¥410 million ($3,983 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 sets a credit limit for each country at the Meeting of Managing Directors each fiscal year, after taking into account the foreign currency conditions and the political and economic situation of the country in which the borrower resides. The Group manages this credit limit on a day-to-day basis.

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 for hedging purposes, market risks are managed so that derivative transaction risks and asset and liability risks offset each other.

5) Quantitative information regarding market risks

Regarding market risks, the Group measures the quantitative risk of interest-rate risks and stock price volatility risks through VaR, a statistical method. Principally by reporting these 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 ¥3,862 million ($37,524 thousand) as of March 31, 2014 and ¥2,690 million as of March 31, 2013.

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 ¥50,428 million ($489,972 thousand) as of March 31, 2014, and ¥17,139 million as of March 31, 2013.

Back-testing

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

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

(iii) Liquidity risk management related to financing

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

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

2. Fair value of financial instruments

Fair value and the consolidated balance sheet amount of as of March 31, 2014 and 2013, 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		
	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**
Borrowed money	**69,255**	**71,433**	**2,177**
Bonds	**20,000**	**20,085**	**85**
Liabilities total	**4,346,340**	**4,349,271**	**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)**	**¥ —**

	Millions of yen		
	2013		
	Consolidated balance sheet amount	Fair value	Difference
Call loans and bills bought	¥ 158,022	¥ 158,022	¥ —
Investment securities			
Trading securities	2,957	2,957	—
Available-for-sale securities	1,480,422	1,480,422	—
Loans and bills discounted	2,822,561	—	—
Allowance for possible loan losses (*1)	(37,135)	—	—
	2,785,426	2,814,806	29,379
Assets total	4,426,829	4,456,208	29,379
Deposits	4,090,014	4,090,829	815
Negotiable certificates of deposit	94,524	94,533	9
Borrowed money	80,424	83,021	2,597
Bonds	20,000	20,291	291
Liabilities total	4,284,962	4,288,677	3,714
Derivative transactions (*2)			
Deferred hedge accounting is not applied	10	10	—
Deferred hedge accounting is applied	(325)	(325)	—
Derivative transactions total	¥ (314)	¥ (314)	¥ —

	Thousands of U.S. dollars		
	2014		
	Consolidated balance sheet amount	Fair value	Difference
Call loans and bills bought	$ **610,882**	$ **610,882**	$ **—**
Investment securities			
Trading securities	**27,594**	**27,594**	**—**
Held-to-maturity securities	**145,627**	**145,958**	**320**
Available-for-sale securities	**13,613,165**	**13,613,165**	**—**
Loans and bills discounted	**28,341,945**	**—**	**—**
Allowance for possible loan losses (*1)	**(348,785)**	**—**	**—**
	27,993,159	**28,230,450**	**237,281**
Assets total	**42,390,448**	**42,628,060**	**237,602**
Deposits	**40,451,914**	**40,458,346**	**6,432**
Negotiable certificates of deposit	**911,125**	**911,183**	**58**
Borrowed money	**672,901**	**694,063**	**21,152**
Bonds	**194,325**	**195,151**	**825**
Liabilities total	**42,230,275**	**42,258,754**	**28,478**
Derivative transactions (*2)			
Deferred hedge accounting is not applied	**378**	**378**	**—**
Deferred hedge accounting is applied	**(1,165)**	**(1,165)**	**—**
Derivative transactions total	$ **(777)**	$ **(777)**	$ **—**

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

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

(Note 1) Valuation method of financial instruments

Assets

(1) Call loans and bills bought

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

(2) Investment securities

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

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

(3) Loans and bills discounted

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

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

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

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

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

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

(4) Bonds

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

Derivatives

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
	2014	2013	**2014**
Unlisted stocks (*1) (*2)	**¥ 3,314**	¥ 3,118	**$ 32,199**

(*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, 2014 and 2013, impairment losses for unlisted stocks amounted to ¥15 million ($145 thousand) and ¥0 million, respectively.

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

	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 (*1)	**779,140**	**578,293**	**391,756**	**230,107**	**295,476**	**559,146**
Total	**¥ 1,009,188**	**¥ 894,849**	**¥ 764,669**	**¥ 387,833**	**¥ 442,282**	**¥ 649,650**

	Millions of yen					
	2013					
	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	¥ 158,022	¥ —	¥ —	¥ —	¥ —	¥ —
Investment securities (*2)	171,283	286,928	346,593	180,053	240,013	110,749
Japanese government bonds	93,450	62,206	164,300	50,000	108,000	5,000
Japanese local government bonds	21,413	88,606	65,838	81,348	70,075	—
Japanese corporate bonds	39,140	125,281	100,265	45,884	47,828	94,719
Others	17,279	10,835	16,190	2,821	14,110	11,029
Loans and bills discounted (*1)	784,546	537,801	402,254	234,235	250,112	522,974
Total	¥ 1,113,853	¥ 824,729	¥ 748,848	¥ 414,288	¥ 490,125	¥ 633,723

	Thousands of U.S. dollars					
	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	**$ 610,882**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Investment securities	**1,624,319**	**3,075,738**	**3,623,319**	**1,532,500**	**1,426,408**	**879,362**
Held-to-maturity securities	**—**	**—**	**—**	**—**	**145,744**	**—**
Japanese government bonds	**—**	**—**	**—**	**—**	**145,744**	**—**
Available-for-sale securities	**1,624,319**	**3,075,738**	**3,623,319**	**1,532,500**	**1,280,664**	**879,362**
Japanese government bonds	**417,800**	**968,771**	**1,640,108**	**612,125**	**592,693**	**29,148**
Japanese local government bonds	**381,636**	**713,554**	**771,463**	**670,695**	**294,413**	**—**
Japanese corporate bonds	**758,453**	**1,254,877**	**975,068**	**192,149**	**133,258**	**758,948**
Others	**66,410**	**138,525**	**236,669**	**57,520**	**260,289**	**91,255**
Loans and bills discounted (*1)	**7,570,345**	**5,618,859**	**3,806,412**	**2,235,785**	**2,870,928**	**5,432,821**
Total	**$ 9,805,557**	**$ 8,694,607**	**$ 7,429,741**	**$ 3,768,295**	**$ 4,297,337**	**$ 6,312,184**

(*1) Loans in legal bankruptcy, virtual bankruptcy, and potential bankruptcy amounting to ¥57,353 million ($557,258 thousand) and ¥64,902 million loans and bills discounted without contractual maturities amounting to ¥25,679 million ($249,504 thousand) and ¥25,735 million are excluded from the table above as of March 31, 2014 and 2013.

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

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

	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**	**—**	**—**	**—**	**—**	**—**
Borrowed money	**33,375**	**3,965**	**1,722**	**10,192**	**—**	**20,000**
Bonds	**—**	**—**	**—**	**20,000**	**—**	**—**
Total	**¥ 3,791,579**	**¥ 473,277**	**¥ 31,290**	**¥ 30,192**	**¥ —**	**¥ 20,000**

	Millions of yen					
	2013					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (*)	¥ 3,554,977	¥ 510,192	¥ 24,843	¥ —	¥ —	¥ —
Negotiable certificates of deposit	94,524	—	—	—	—	—
Borrowed money	35,225	3,813	1,385	20,000	—	20,000
Bonds	—	—	—	20,000	—	—
Total	¥ 3,684,727	¥ 514,006	¥ 26,229	¥ 40,000	¥ —	¥ 20,000

	Thousands of U.S. dollars					
	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 (*)	**$ 35,604,644**	**$ 4,559,968**	**$ 287,281**	**$ —**	**$ —**	**$ —**
Negotiable certificates of deposit	**911,125**	**—**	**—**	**—**	**—**	**—**
Borrowed money	**324,280**	**38,525**	**16,731**	**99,028**	**—**	**194,325**
Bonds	**—**	**—**	**—**	**194,325**	**—**	**—**
Total	**$ 36,840,060**	**$ 4,598,493**	**$ 304,022**	**$ 293,354**	**$ —**	**$ 194,325**

(*) 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, 2014 and 2013.

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

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

(2) Currency-related transactions

	Millions of yen			
	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**
Total	**¥ —**	**¥ —**	**¥ 39**	**¥ 193**

	Millions of yen			
	2013			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the counter:				
Currency swap:	¥ 109,949	¥ 68,906	¥ 110	¥ 110
Forward exchange contracts:				
Sold	12,372	—	(661)	(661)
Bought	12,232	—	560	560
Currency options:				
Sold	22,953	8,139	(813)	170
Bought	22,953	8,139	813	68
Total	¥ —	¥ —	¥ 10	¥ 249

	Thousands of U.S. dollars			
	2014			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the counter:				
Currency swap:	**$ 701,535**	**$ 521,599**	**$ 738**	**$ 738**
Forward exchange contracts:				
Sold	**145,695**	**—**	**(2,351)**	**(2,351)**
Bought	**123,630**	**—**	**1,991**	**1,991**
Currency options:				
Sold	**176,243**	**68,966**	**(4,168)**	**1,428**
Bought	**176,243**	**68,966**	**4,168**	**48**
Total	**$ —**	**$ —**	**$ 378**	**$ 1,875**

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, 2014 and 2013.

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

(1) Interest-rate-related transactions

	Millions of yen			
	2014			
	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**	**¥ (93)**
Special hedging treatment				
Interest rate swaps:				
Receivable floating rate/pay fixed rate	**Borrowed Money**	**150**	**150**	**Note3**
Total		**—**	**—**	**¥ (93)**

	Millions of yen			
	2013			
	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	¥ (264)
Special hedging treatment				
Interest rate swaps:				
Receivable floating rate/pay fixed rate	Borrowed Money	210	210	Note3
Total		—	—	¥ (264)

	Thousands of U.S. dollars			
	2014			
	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)**	**$ 485,814**	**$ 485,814**	**$ (903)**
Special hedging treatment				
Interest rate swaps:				
Receivable floating rate/pay fixed rate	**Borrowed Money**	**1,457**	**1,457**	**Note3**
Total		**—**	**—**	**$ (903)**

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			
	2014			
	Hedged items	Contractual value	Contractual value due after one year	Fair value
Forward exchange contracts	**Loans denominated in foreign currencies**	**¥ 1,242**	**¥ —**	**¥ (26)**

	Millions of yen			
	2013			
	Hedged items	Contractual value	Contractual value due after one year	Fair value
Forward exchange contracts	Loans denominated on foreign currencies	¥ 1,334	¥ —	¥ (60)

	Thousands of U.S. dollars			
	2014			
	Hedged items	Contractual value	Contractual value due after one year	Fair value
Forward exchange contracts	**Loans denominated in foreign currencies**	**$ 12,067**	**$ —**	**$ (252)**

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, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Unrealized gains on available-for-sale securities, net of taxes:			
The amount arising during the period	**¥ 24,525**	¥ 23,377	**$ 238,291**
Reclassification adjustments to profit or loss	**(3,912)**	(2,404)	**(38,010)**
Before adjustments to tax effect	**20,613**	20,972	**200,281**
The amount of tax effect	**(7,055)**	(5,634)	**(68,548)**
Total	**13,557**	15,338	**131,723**
Deferred gain on derivatives under hedge accounting:			
The amount arising during the period	**98**	(317)	**952**
Reclassification adjustments to profit or loss	**72**	52	**699**
Before adjustments to tax effect	**171**	(264)	**1,661**
The amount of tax effect	**(60)**	93	**(582)**
Total	**110**	(171)	**1,068**
Total other comprehensive income	**¥ 13,668**	¥ 15,167	**$ 132,802**

32. Net income per share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2014 and 2013, is as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net Income	Weighted-average shares	EPS	
For the year ended March 31, 2014				
Basic EPS:				
Net income available to common shareholders	**¥ 11,027**	**263,864**	**¥ 41.79**	**$0.406**
Effect of dilutive securities:				
Warrants		**58**		
Diluted EPS:				
Net income for computation	**¥ 11,027**	**263,922**	**¥ 41.78**	**$0.406**
For the year ended March 31, 2013				
Basic EPS:				
Net income available to common shareholders	¥ 5,544	263,896	¥ 21.00	

Note: Diluted EPS is not presented since potential common stock did not exist for the year ended March 31, 2013.

33. Subsequent event

The Bank resolved to redeem the full amount of the unsecured subordinated bonds (note 17), which were issued on July 28, 2009, prior to maturity on July 28, 2014, at the Board of Directors' meeting held on April 21, 2014.

Description of advanced redemption bonds	The Shiga Bank 1st unsecured subordinated bonds with advanced redemption clause
Amount of advanced redemption bonds	¥20,000 million ($194,325 thousand)
Advanced redemption price	¥100 per ¥100 of face value
Scheduled date of advance redemption	July 28, 2014
Source and method of raising funds	The Bank will redeem in full from its own fund.

34. Segment information

For the years ended March 31, 2014 and 2013

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

Related Information

(1) Information about services

	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**

	Millions of yen				
	2013				
	Lending services	Securities investment	Fees and commissions	Other	Total
Operating income from external customers	¥ 45,391	¥ 18,426	¥ 12,454	¥ 12,543	¥ 88,815

	Thousands of U.S. dollars				
	2014				
	Lending services	Securities investment	Fees and commissions	Other	Total
Operating income from external customers	**$ 420,161**	**$ 179,518**	**$ 123,309**	**$ 134,832**	**$ 857,850**

(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, 2014 and 2013; 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, 2014 and 2013; 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, 2014 and 2013; therefore major customer information is not presented.

35. Related party transactions

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 Millions of yen	Transaction amount Thousands of U.S. dollars	Accounts name	Year-end balance Millions of yen	Year-end balance Thousands of U.S. dollars
Yoshihisa Fujita	Director and relative	Lending operation loan, net of collection	**¥ (8)**	**$ (77)**	Loans	**¥ 17**	**$ 165**
Taiyo & Co.	Company in which director or relative has the majority of the voting rights	Lending operation loan, net of collection	**14**	**136**	Loans	**14**	**136**

Transactions of the Bank with related parties for the year ended March 31, 2013, were as follows:

Related party	Category	Description of transactions	Transaction amount Millions of yen	Accounts name	Year-end balance Millions of yen
Yoshihisa Fujita	Director and relative	Lending operation loan, net of collection	¥ (0)	Loans ...	¥ 26

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, 2013 and 2012, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the years 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 audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2013 and 2012, and the consolidated results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in 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 4, 2013

Consolidated Balance Sheets

As of March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Assets			
Cash and due from banks (Note 3)	**¥ 73,233**	¥ 42,079	**$ 778,662**
Call loans and bills bought (Note 28)	**158,022**	183,565	**1,680,201**
Debt purchased	**9,659**	17,570	**102,704**
Trading securities (Note 4)	**476**	1,032	**5,068**
Money held in trust (Note 5)	**7,780**	7,799	**82,722**
Investment securities (Notes 4, 12 and 28)	**1,486,497**	1,430,242	**15,805,401**
Loans and bills discounted (Notes 7 and 28)	**2,822,561**	2,743,438	**30,011,286**
Foreign exchange assets (Note 8)	**5,683**	5,481	**60,430**
Other assets (Notes 9 and 12)	**49,980**	39,890	**531,423**
Tangible fixed assets (Notes 10, 11 and 14)	**59,005**	59,240	**627,380**
Intangible fixed assets	**1,441**	1,957	**15,327**
Deferred tax assets (Note 27)	**1,241**	3,218	**13,200**
Customers' liabilities for acceptances and guarantees (Note 19)	**24,802**	24,433	**263,721**
Allowance for possible loan losses	**(38,331)**	(36,491)	**(407,568)**
Allowance for possible losses on investment securities	**—**	(148)	**—**
Total assets	**¥ 4,662,055**	¥ 4,523,309	**$ 49,569,963**
Liabilities			
Deposits (Notes 12, 15 and 28)	**¥ 4,090,014**	¥ 3,985,459	**$ 43,487,658**
Negotiable certificates of deposit (Note 28)	**94,524**	104,524	**1,005,040**
Call money and bills sold	**14,303**	—	**152,082**
Payables under securities lending transactions (Note 12)	**10,135**	—	**107,761**
Borrowed money (Notes 12, 16 and 28)	**80,424**	77,567	**855,123**
Foreign exchange liabilities (Note 8)	**114**	82	**1,219**
Bonds (Notes 17 and 28)	**20,000**	20,000	**212,652**
Other liabilities (Note 18)	**29,519**	38,577	**313,874**
Liability for employees' retirement benefits (Note 26)	**15,179**	14,062	**161,401**
Liability for retirement benefits of directors and corporate auditors	**305**	280	**3,244**
Liability for reimbursement of deposits	**794**	763	**8,447**
Allowance for repayment of excess interest	**91**	152	**978**
Reserve for other contingent losses	**254**	289	**2,711**
Deferred tax liabilities (Note 27)	**5,176**	—	**55,042**
Deferred tax liabilities for land revaluation (Note 14)	**8,854**	9,032	**94,144**
Negative goodwill	**23**	35	**253**
Acceptances and guarantees (Note 19)	**24,802**	24,433	**263,721**
Total liabilities	**4,394,520**	4,275,261	**46,725,359**
Equity (Note 20)			
Common stock, authorized, 500,000,000 shares; issued, 265,450,406 shares as of March 31, 2013 and 2012	**33,076**	33,076	**351,695**
Capital surplus	**23,969**	23,969	**254,860**
Treasury stock – at cost 1,568,495 shares and 1,540,140 shares as of March 31, 2013 and 2012, respectively	**(959)**	(945)	**(10,201)**
Retained earnings	**138,249**	133,975	**1,469,953**
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities (Notes 4 and 6)	**58,488**	43,200	**621,889**
Deferred gains (losses) on derivatives under hedge accounting	**(171)**	0	**(1,819)**
Land revaluation surplus (Note 14)	**10,864**	11,177	**115,519**
Total	**263,518**	244,454	**2,801,900**
Minority interests	**4,016**	3,593	**42,707**
Total equity	**267,535**	248,047	**2,844,607**
Total liabilities and equity	**¥ 4,662,055**	¥ 4,523,309	**$ 49,569,963**

See Notes to Consolidated Financial Statements.

The Shiga Bank, Ltd. and Consolidated Subsidiaries

Consolidated Statements of Income

Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Income			
Interest income:			
Interest on loans and discounts	¥ 44,073	¥ 46,533	$ **468,615**
Interest and dividends on securities	13,585	14,626	**144,445**
Other interest income	140	159	**1,498**
Fees and commissions	12,454	12,362	**132,423**
Other operating income (Note 21)	15,019	13,715	**159,694**
Other income (Note 22)	3,599	3,685	**38,273**
Total income	88,872	91,082	**944,950**
Expenses			
Interest expenses:			
Interest on deposits	3,088	4,537	**32,836**
Interest on borrowings and rediscounts	1,013	577	**10,771**
Other interest expenses	459	397	**4,889**
Fees and commissions	3,875	3,735	**41,202**
Other operating expenses (Note 23)	9,876	8,423	**105,011**
General and administrative expenses	46,599	47,632	**495,477**
Other expenses (Note 2 (s) ii, 11 and 24)	10,079	7,695	**107,174**
Total expenses	74,991	72,998	**797,362**
Income before income taxes and minority interests	13,880	18,084	**147,587**
Income taxes (Notes 18 and 27)			
Current	6,526	6,056	**69,393**
Deferred	1,434	2,888	**15,255**
Income before minority interests	5,919	9,140	**62,939**
Minority interests	375	911	**3,988**
Net income (Note 31)	¥ 5,544	¥ 8,228	$ **58,951**

	Yen		U.S. dollars
	2013	2012	**2013**
Per share information (Notes 2 (v) and 31)			
Basic net income	¥ 21.00	¥ 31.17	$ **0.223**
Cash dividends applicable to the year	6.00	6.00	**0.064**

See Notes to Consolidated Financial Statements.

The Shiga Bank, Ltd. and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income

Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Income before minority interests	¥ 5,919	¥ 9,140	$ **62,939**
Other comprehensive income (Note 30):			
Net unrealized gains on available-for-sale securities	15,338	2,537	**163,087**
Deferred losses on derivatives under hedge accounting	(171)	(0)	**(1,819)**
Land revaluation surplus	—	1,293	**—**
Total other comprehensive income	15,167	3,830	**161,268**
Comprehensive income	21,086	12,970	**224,207**
Attributable to			
Owners of parent	20,660	12,047	**219,680**
Minority interests	425	923	**4,526**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Common stock			
Balance at the beginning of year	**¥ 33,076**	¥ 33,076	**$ 351,695**
Changes during the year:			
Net change in the year	**—**	—	**—**
Balance at the end of year	**¥ 33,076**	¥ 33,076	**$ 351,695**
Capital surplus			
Balance at the beginning of year	**¥ 23,969**	¥ 23,970	**$ 254,863**
Changes during the year:			
Sales of treasury stock	**(0)**	(0)	**(3)**
Net change in the year	**(0)**	(0)	**(3)**
Balance at the end of year	**¥ 23,969**	¥ 23,969	**$ 254,860**
Retained earnings			
Balance at the beginning of year	**¥ 133,975**	¥ 127,215	**$1,424,510**
Changes during the year:			
Net income	**5,544**	8,228	**58,951**
Cash dividends, ¥6.00 ($0.06) per share	**(1,583)**	(1,583)	**(16,835)**
Reversal of land revaluation surplus	**312**	115	**3,327**
Net change in the year	**4,273**	6,759	**45,442**
Balance at the end of year	**¥ 138,249**	¥ 133,975	**$1,469,953**
Treasury stock			
Balance at the beginning of year	**¥ (945)**	¥ (934)	**$ (10,057)**
Changes during the year:			
Purchases of treasury stock	**(14)**	(12)	**(158)**
Sales of treasury stock	**1**	1	**14**
Net change in the year	**(13)**	(11)	**(143)**
Balance at the end of year	**¥ (959)**	¥ (945)	**$ (10,201)**
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities			
Balance at the beginning of year	**¥ 43,200**	¥ 40,673	**$ 459,339**
Changes during the year:			
Net change in the year	**15,287**	2,527	**162,549**
Balance at the end of year	**¥ 58,488**	¥ 43,200	**$ 621,889**
Deferred gains (losses) on derivatives under hedge accounting			
Balance at the beginning of year	**¥ 0**	¥ 0	**$ 0**
Changes during the year:			
Net change in the year	**(171)**	(0)	**(1,819)**
Balance at the end of year	**¥ (171)**	¥ 0	**$ (1,819)**
Land revaluation surplus			
Balance at the beginning of year	**¥ 11,177**	¥ 9,999	**$ 118,846**
Changes during the year:			
Net change in the year	**(312)**	1,178	**(3,327)**
Balance at the end of year	**¥ 10,864**	¥ 11,177	**$ 115,519**
Total			
Balance at the beginning of year	**¥ 244,454**	¥ 234,000	**$2,559,199**
Changes during the year:			
Net income	**5,544**	8,228	**58,951**
Cash dividends, ¥6.00 ($0.06) per share	**(1,583)**	(1,583)	**(16,835)**
Purchases of treasury stock	**(14)**	(12)	**(158)**
Sales of treasury stock	**1**	0	**10**
Reversal of land revaluation surplus	**312**	115	**3,327**
Other changes	**14,803**	3,705	**157,402**
Net change in the year	**19,063**	10,454	**202,697**
Balance at the end of year	**¥ 263,518**	¥ 244,454	**$2,801,897**

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Minority interest			
Balance at the beginning of year	**¥ 3,593**	¥ 23,531	**$ 38,203**
Changes during the year:			
Net change in the year	**423**	(19,938)	**4,503**
Balance at the end of year	**¥ 4,016**	¥ 3,593	**$ 42,707**
Total equity			
Balance at the beginning of year	**¥ 248,047**	¥ 257,531	**$2,637,403**
Changes during the year:			
Net income	**5,544**	8,228	**58,951**
Cash dividends, ¥6.00 ($0.06) per share	**(1,583)**	(1,583)	**(16,835)**
Purchases of treasury stock	**(14)**	(12)	**(158)**
Sales of treasury stock	**1**	0	**10**
Reversal of land revaluation surplus	**312**	115	**3,327**
Other changes	**15,227**	(16,232)	**161,906**
Net change in the year	**19,487**	(9,483)	**207,201**
Balance at the end of year	**¥ 267,535**	¥ 248,047	**$2,844,604**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Operating activities:			
Income before income taxes and minority interests	¥ **13,880**	¥ 18,084	$ **147,587**
Depreciation	**3,338**	3,849	**35,494**
Losses on impairment of long-lived assets	**202**	359	**2,149**
Amortization of negative goodwill	**(11)**	(263)	**(126)**
Increase in allowance for possible loan losses	**1,840**	398	**19,566**
Decrease in allowance for possible losses on investment securities	**(148)**	(493)	**(1,576)**
Decrease in reserve for other contingent losses	**(34)**	(139)	**(366)**
Increase in liability for employees' retirement benefits	**1,117**	1,274	**11,878**
Increase (decrease) in liability for retirement benefits of directors and corporate auditors	**24**	(16)	**264**
Increase in liability for reimbursement of deposits	**31**	40	**330**
Decrease in allowance for repayment of excess interest	**(60)**	(33)	**(638)**
Interest income	**(57,799)**	(61,318)	**(614,558)**
Interest expense	**4,561**	5,512	**48,497**
Gains on sales and write-down of investment securities	**(2,284)**	(2,668)	**(24,295)**
Losses on money held in trust	**(95)**	(54)	**(1,018)**
Foreign exchange losses (gains)	**(19)**	2	**(212)**
Losses on disposals of fixed assets – net	**275**	69	**2,925**
Net decrease (increase) in loans and bills discounted	**(79,123)**	24,668	**(841,289)**
Net increase in deposits	**104,554**	94,052	**1,111,688**
Net decrease in negotiable certificate of deposits	**(10,000)**	(5,154)	**(106,331)**
Net increase in borrowed money (excluding subordinated loans)	**2,856**	10,409	**30,375**
Net decrease (increase) in due from banks (excluding deposits in Bank of Japan)	**(120)**	25	**(1,276)**
Net decrease (increase) in call loans and others	**33,453**	(99,224)	**355,698**
Net decrease in call money and bills sold	**14,303**	—	**152,082**
Net increase (decrease) in payables under securities lending transactions	**10,135**	(1,534)	**107,761**
Net increase in foreign exchange assets	**(202)**	(510)	**(2,148)**
Net increase in foreign exchange liabilities	**32**	22	**344**
Interest received (cash basis)	**57,613**	59,840	**612,582**
Interest paid (cash basis)	**(5,852)**	(6,415)	**(62,229)**
Other	**(9,504)**	1,902	**(101,063)**
Subtotal	**82,961**	42,684	**882,095**
Income taxes – paid	**(5,991)**	(9,316)	**(63,708)**
Net cash provided by operating activities	**76,969**	33,367	**818,386**
Investing activities:			
Purchases of securities	**(812,194)**	(525,528)	**(8,635,772)**
Proceeds from sales of securities	**555,717**	288,444	**5,908,741**
Proceeds from redemptions of securities	**215,357**	197,905	**2,289,814**
Purchases of tangible fixed assets	**(2,970)**	(4,331)	**(31,581)**
Proceeds from sales of tangible fixed assets	**401**	351	**4,269**
Purchases of intangible fixed assets	**(665)**	(455)	**(7,071)**
Net cash used in investing activities	**(44,354)**	(43,614)	**(471,600)**
Financing activities:			
Borrowing of subordinated loans	**—**	20,000	**—**
Repayment to minority shareholders	**—**	(20,000)	**—**
Dividends paid	**(1,583)**	(1,583)	**(16,835)**
Dividends paid to minority shareholders	**(2)**	(602)	**(23)**
Purchases of treasury stock	**(14)**	(12)	**(158)**
Proceeds from sales of treasury stock	**1**	0	**10**
Net cash used in financing activities	**(1,599)**	(2,197)	**(17,006)**
Foreign currency translation adjustments on cash and cash equivalents	**18**	(2)	**193**
Net increase (decrease) in cash and cash equivalents	**31,033**	(12,446)	**329,973**
Cash and cash equivalents, beginning of year	**41,764**	54,211	**444,067**
Cash and cash equivalents, end of year (Note 3)	¥ **72,798**	¥ 41,764	$ **774,040**

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Years ended March 31, 2013 and 2012

1. Basis of presenting consolidated financial statements

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

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

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

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥94.05 to U.S.$1, the rate of exchange at March 31, 2013 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, 2013 and 2012 include the accounts of the Bank and 9 and 10 consolidated subsidiaries, respectively. Shiga Preferred Capital Cayman Limited was excluded from the scope of consolidation due to the completion of its liquidation.

The consolidated subsidiaries’ respective fiscal periods end March 31 for the year ended March 31, 2013.

The goodwill or negative goodwill is amortized evenly over a five year period. The Bank has three other non-consolidated subsidiaries in which investments are not accounted for by the equity method because their net income (the portion corresponding to the Bank’s equity), retained earnings (as above) and accumulated other comprehensive income (as above) have no material impact on the Bank’s financial position or business performance.

All significant intercompany transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

(b) Cash equivalents

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

(c) Trading securities

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

(d) Investment securities

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

Securities held to maturity are stated at amortized cost (straight-line method) using the moving-average method. Securities available-for-sale for which current value can be estimated are stated at fair value at the fiscal year-end. Securities whose fair value cannot be reliably determined are stated at cost using the moving-average method. Valuation gains/losses on securities available for sale are included in net assets, net of income taxes (cost of sales, in principle, is computed by the moving-average method).

ii. Marketable securities included in money held in trust by the Bank are treated as trust assets and are stated at fair value at the fiscal year-end.

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

(e) Derivatives and hedging activities

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

i. Interest rate risk hedges

The Bank applies deferred hedge accounting to hedge transactions against interest rate risk arising from financial assets and liabilities. 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, 2013 and 2012 were ¥20,090 million ($213,614 thousand) and ¥19,826 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 ¥3,793 million ($40,338 thousand) and ¥3,905 million at March 31, 2013 and 2012, respectively.

(Changes in accounting policies which are difficult to distinguish from changes in accounting estimates)

Starting from the current fiscal year, the Group has changed the method of depreciation due to the revision of Corporation Tax Act. Accordingly, tangible fixed assets acquired on or after April 1, 2012 shall be depreciated according to the revised act. The effect of this change was to increase income before income taxes and minority interests by ¥68 million ($723 thousand).

(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 ¥23,775 million ($252,794 thousand), and ¥28,505 million as of March 31, 2013 and 2012, 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) Allowance for possible losses on investments

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

(m) Liability for employees' retirement benefits

The Bank has a contributory funded pension plan and an unfunded lump-sum severance payment plan. The Bank may grant additional benefits in cases where certain requirements are met when employees retire. In addition, the Bank contributed some of its marketable equity securities to employee retirement benefit trusts.

The Bank provides for the liability for employees' retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.

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

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

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

(o) Liability for reimbursement of deposits

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

(p) Allowance for repayment of excess interest

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

(q) Reserve for other contingent losses

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

(r) Foreign currency transactions

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

(s) Accounting for leases

In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," and ASBJ Practical Solutions Report No.16, "Practical Solutions for the Accounting Standard for Lease Transactions" which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

i. As lessee

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance-leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. The revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Group applied the revised accounting standard effective April 1, 2008. The Group accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

ii. As lessor

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were to be treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information is disclosed in the notes to the lessor's financial statements.

The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee should be recognized as lease receivables and all finance leases that are deemed not to transfer ownership of the leased property to the lessee should be recognized as investments in leases.

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

(t) Income taxes

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

(u) Appropriations of retained earnings

The consolidated statements of changes in equity reflect the appropriation resolved by the general shareholders' meeting when duly resolved and paid.

(v) Per share information

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

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

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

(w) New accounting pronouncements

Accounting Standard for Retirement Benefits – On May 17, 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 followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) Treatment in the balance sheet

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) Treatment in the statement of income and the statement of comprehensive income

The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives 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 shall be 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.

(c) Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases

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 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 expects to apply the revised accounting standard for (a) and (b) above from the end of the annual period beginning on April 1, 2013, and for (c) above from the beginning of the annual period beginning on April 1, 2014, and is in the process of measuring the effects of applying the revised accounting standard in future applicable periods.

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, 2013 and 2012, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Cash and due from banks	**¥ 73,233**	¥ 42,079	**$ 778,662**
Time deposits due from banks	**(60)**	—	**(644)**
Other due from banks	**(374)**	(314)	**(3,977)**
Cash and cash equivalents	**¥ 72,798**	¥ 41,764	**$ 774,040**

4. Investment securities

Investment securities at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Japanese government bonds	**¥ 493,455**	¥ 534,160	**$ 5,246,738**
Japanese local government bonds	**339,333**	313,463	**3,608,009**
Japanese corporate bonds	**464,045**	376,347	**4,934,034**
Corporate stocks	**114,874**	105,847	**1,221,416**
Other securities	**74,788**	91,423	**795,202**
Total	**¥ 1,486,497**	¥ 1,430,242	**$ 15,805,401**

Fair value and other information on securities at March 31, 2013 and 2012 is as follows:

Securities

(1) Trading securities

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
	Gain included in profit/ (loss) during the fiscal year		
Trading securities	**¥ 1**	¥ 80	**$ 13**

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

(3) Available-for-sale securities

Available-for-sale securities as of March 31, 2013 were as follows:

	Millions of yen		
	2013		
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)
Consolidated balance sheet amount exceeding cost:			
Stocks	¥ 109,718	¥ 58,455	¥ 51,263
Bonds:	1,244,739	1,212,706	32,033
Japanese government bonds	449,736	440,315	9,421
Japanese local government bonds	338,804	326,865	11,938
Japanese corporate bonds	456,198	445,525	10,673
Others	48,062	47,536	526
Subtotal	¥ 1,402,521	¥ 1,318,697	¥ 83,823
Consolidated balance sheet amount not exceeding cost:			
Stocks	¥ 2,038	¥ 2,081	¥ (42)
Bonds:	52,095	52,379	(284)
Japanese government bonds	43,719	43,975	(256)
Japanese local government bonds	529	529	(0)
Japanese corporate bonds	7,846	7,874	(27)
Others	27,343	28,084	(740)
Subtotal	81,476	82,544	(1,068)
Total	¥ 1,483,998	¥ 1,401,242	¥ 82,755

	Thousands of U.S. dollars		
	2013		
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)
Consolidated balance sheet amount exceeding cost:			
Stocks	$ 1,166,598	$ 621,536	$ 545,062
Bonds:	13,234,873	12,894,270	340,602
Japanese government bonds	4,781,890	4,681,718	100,171
Japanese local government bonds	3,602,382	3,475,443	126,939
Japanese corporate bonds	4,850,600	4,737,108	113,491
Others	511,036	505,436	5,600
Subtotal	$ 14,912,508	$ 14,021,242	$ 891,265
Consolidated balance sheet amount not exceeding cost:			
Stocks	$ 21,671	$ 22,126	$ (454)
Bonds:	553,909	556,934	(3,025)
Japanese government bonds	464,848	467,576	(2,727)
Japanese local government bonds	5,626	5,634	(7)
Japanese corporate bonds	83,433	83,724	(290)
Others	290,732	298,607	(7,875)
Subtotal	866,313	877,668	(11,355)
Total	$ 15,778,821	$ 14,898,911	$ 879,909

Available-for-sale securities that have fair value as of March 31, 2012 were as follows:

	Millions of yen		
	2012		
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)
Consolidated balance sheet amount exceeding cost:			
Stocks	¥ 92,230	¥ 51,443	¥ 40,787
Bonds:	1,157,521	1,133,876	23,644
Japanese government bonds	500,218	492,486	7,731
Japanese local government bonds	306,348	297,181	9,166
Japanese corporate bonds	350,954	344,208	6,746
Others	39,521	39,165	355
Subtotal	¥ 1,289,273	¥ 1,224,486	¥ 64,787
Consolidated balance sheet amount not exceeding cost:			
Stocks	¥ 10,554	¥ 11,942	¥ (1,388)
Bonds:	75,449	75,627	(177)
Japanese government bonds	42,941	43,010	(69)
Japanese local government bonds	7,115	7,122	(7)
Japanese corporate bonds	25,392	25,494	(101)
Others	52,415	53,854	(1,438)
Subtotal	138,419	141,424	(3,004)
Total	¥ 1,427,693	¥ 1,365,910	¥ 61,782

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

(5) Available-for-sale securities sold

	Millions of yen		
	2013		
	Sales amount	Gains on sales	Losses on sales
Stocks	**¥ 1,021**	**¥ 296**	**¥ —**
Bonds:	**554,514**	**4,417**	**147**
Japanese government bonds	**497,072**	**3,107**	**146**
Japanese local government bonds	**31,580**	**730**	**—**
Japanese corporate bonds	**25,861**	**579**	**0**
Others	**5,363**	**126**	**164**
Total	**¥ 560,898**	**¥ 4,841**	**¥ 311**

	Thousands of U.S. dollars		
	2013		
	Sales amount	Gains on sales	Losses on sales
Stocks	**$ 10,858**	**$ 3,154**	**$ —**
Bonds:	**5,895,954**	**46,974**	**1,563**
Japanese government bonds	**5,285,189**	**33,045**	**1,562**
Japanese local government bonds	**335,784**	**7,762**	**—**
Japanese corporate bonds	**274,980**	**6,166**	**0**
Others	**57,023**	**1,345**	**1,749**
Total	**$ 5,963,836**	**$ 51,474**	**$ 3,312**

	Millions of yen		
	2012		
	Sales amount	Gains on sales	Losses on sales
Stocks	¥ 17	¥ 2	¥ 4
Bonds:	253,494	2,891	78
Japanese government bonds	233,461	2,492	78
Japanese local government bonds	14,799	316	—
Japanese corporate bonds	5,234	82	—
Others	27,412	998	353
Total	¥ 280,925	¥ 3,892	¥ 437

(6) Impairment losses on securities

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

Impairment losses amounted to ¥2,125 million ($22,597 thousand) of which equities accounted for the same amount for the year ended March 31, 2013.

Impairment losses amounted to ¥435 million of which equities accounted for the same amount for the year ended March 31, 2012.

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			
	2013		2012	
	Consolidated balance sheet amount	Gains included in profits during the fiscal year	Consolidated balance sheet amount	Gains included in profits during the fiscal year
Money held in trust classified as trading	**¥ 7,780**	**¥ 95**	¥ 7,799	¥ 54

	Thousands of U.S. dollars	
	2013	
	Consolidated balance sheet amount	Gains included in profits during the fiscal year
Money held in trust classified as trading	**$ 82,722**	**$ 1,018**

(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
	2013	2012	**2013**
Net unrealized gains on investment securities	**¥ 82,755**	¥ 61,782	**$ 879,909**
Other money held in trust	**—**	—	**—**
Deferred tax liabilities	**(24,172)**	(18,538)	**(257,021)**
Minority interests	**(93)**	(43)	**(998)**
Net unrealized gains on available-for-sale securities	**¥ 58,488**	¥ 43,200	**$ 621,889**

7. Loans and bills discounted

Loans and bills discounted at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Bills discounted	**¥ 19,856**	¥ 19,524	**$ 211,126**
Loans on bills	**124,127**	134,562	**1,319,807**
Loans on deeds	**2,342,792**	2,249,811	**24,910,074**
Overdrafts	**335,784**	339,539	**3,570,279**
Total	**¥ 2,822,561**	¥ 2,743,438	**$30,011,286**

Loans in legal bankruptcy totaled ¥868 million ($9,237 thousand) and ¥1,320 million as of March 31, 2013 and 2012, respectively. Nonaccrual loans totaled ¥64,033 million ($680,847 thousand) and ¥61,152 million as of March 31, 2013 and 2012, respectively. Loans in legal bankruptcy are loans in which the interest accrual is discontinued (excluding the portion recognized as bad debts) based on management's judgement as to the collectibility of principal or interest resulting from the delay in payments of interest or principal for a considerable period of time and other factors. Nonaccrual loans are loans in which the interest accrual is discontinued, other than loans in legal bankruptcy and loans granting deferral of interest payment to the debtors in financial difficulties to assist them in their recovery.

Accruing loans contractually past due three months or more as to principal or interest payments totaled ¥475 million ($5,056 thousand) and ¥539 million as of March 31, 2013 and 2012, respectively. Loans classified as loans in legal bankruptcy and past due loans are excluded.

Restructured loans totaled ¥25,259 million ($268,570 thousand) and ¥13,372 million as of March 31, 2013 and 2012, respectively. Such restructured loans are loans on which creditors grant concessions (e.g., reduction of the stated interest rate, deferral of interest payments, extension of maturity dates, waiver of the face amount, or other concessive measures) to the debtors to assist them to recover from financial difficulties and eventually be able to pay creditors. Loans classified as loans in legal bankruptcy, nonaccrual loans and accruing loans contractually past due three months or more are excluded.

8. Foreign exchanges

Foreign exchange assets and liabilities at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Assets:			
Due from foreign correspondents	**¥ 4,040**	¥ 3,784	**$ 42,960**
Foreign bills of exchange purchased	**146**	31	**1,562**
Foreign bills of exchange receivable	**1,496**	1,665	**15,907**
Total	**¥ 5,683**	¥ 5,481	**$ 60,430**
Liabilities:			
Foreign bills of exchange sold	**¥ 66**	¥ 80	**$ 701**
Accrued foreign bills of exchange	**48**	2	**517**
Total	**¥ 114**	¥ 82	**$ 1,219**

9. Other assets

Other assets at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Prepaid expenses	**¥ 44**	¥ 89	$ 475
Accrued income	**4,892**	4,884	**52,018**
Derivatives	**1,829**	2,453	**19,452**
Other (Note 12)	**43,213**	32,463	**459,477**
Total	**¥ 49,980**	¥ 39,890	**$ 531,423**

10. Tangible fixed assets

Tangible fixed assets at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Buildings	**¥ 15,919**	¥ 14,965	**$ 169,268**
Land	**39,578**	40,005	**420,824**
Construction in progress	**160**	818	**1,710**
Other	**3,346**	3,450	**35,577**
Total	**¥ 59,005**	¥ 59,240	**$ 627,380**

Accumulated depreciation on tangible fixed assets at March 31, 2013 and 2012 amounted to ¥45,374 million ($482,452 thousand) and ¥45,515 million, respectively.

11. Long-lived assets

The Group recognized impairment losses for the year ended March 31, 2013 and 2012, as follows:

The Bank groups assets by branch, which are the minimum unit for management accounting. Subsidiaries group their assets by unit, which periodically manages profit and loss. The Bank wrote down the carrying amounts to the recoverable amounts and recognized impairment losses of ¥202 million ($2,149 thousand) and ¥359 million for the years ended March 31, 2013 and 2012, 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.

			Impairment losses		
			Millions of yen		Thousands of U.S. dollars
Location	Description	Classification	**2013**	2012	**2013**
Shiga Prefecture	Branch offices and other	Land, buildings and equipment	**¥ 11**	¥ 171	**$ 124**
Other	Branch offices and other	Land, buildings and equipment	**48**	188	**518**
Other	Idle asset	Land	**141**	—	**1,506**
Total			**¥ 202**	¥ 359	**$ 2,149**

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

12. Assets pledged

Assets pledged as collateral and related liabilities at March 31, 2013 and 2012 were as follows:

	Millions of yen		**Thousands of U.S. dollars**
	2013	2012	**2013**
Investment securities	**¥ 158,883**	¥ 147,710	**$ 1,689,347**
Other assets (investments in leases) (Note 9)	**1,811**	2,772	**19,256**

Related liabilities	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars 2013
Deposits	**¥ 5,925**	¥ 4,677	**$ 63,000**
Payables under securities lending transactions	**10,135**	—	**107,761**
Borrowed money	**30,088**	28,213	**319,916**

In addition, investment securities totaling ¥36,490 million ($387,987 thousand) and ¥36,212 million at March 31, 2013 and 2012, 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 ¥791 million ($8,416 thousand) and ¥787 million at March 31, 2013 and 2012, 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, 2013 and 2012 amounted to ¥811,137 million ($8,624,537 thousand) and ¥798,650 million, respectively, and the amounts of unused commitments whose original contract terms are within one year or unconditionally cancelable at any time were ¥789,777 million ($8,397,421 thousand) and ¥778,670 million at March 31, 2013 and 2012, respectively. In many cases, the term of the agreement runs its course without the loan ever being drawn down. Therefore, the unused loan commitment will not necessarily affect future cash flows. Conditions are included in certain loan agreements which allow the Bank to decline the request for a loan draw down or to reduce the agreed limit amount where there is due cause to do so, such as when there is a change in financial conditions or when it is necessary to do so in order to protect the Bank's credit. The Bank takes various measures to protect its credit. Such measures include having the obligor pledge collateral to the Bank in the form of real estate, securities, etc. on signing the loan agreements or, in accordance with the Bank's established internal procedures, confirming the obligor's financial condition, etc. at regular intervals.

14. Land revaluation

Under the "Act of Land Revaluation," promulgated on March 31, 1998 (final revised on May 30, 2003), the Bank elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 2002. The resulting land revaluation surplus represented unrealized appreciation of land and was stated, net of income taxes, as a component of equity. There was no effect on the consolidated statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation surplus account and related deferred tax liabilities. At March 31, 2013 and 2012, the carrying amount of the land after the above one-time revaluation was more than the fair value by ¥13,581 million ($144,402 thousand) and ¥12,716 million, respectively.

Method of revaluation

The fair values were determined by applying appropriate adjustments for land shape and analysis on the appraisal specified in Article 2-4 of the Enforcement Ordinance of the Act of Land Revaluation effective March 31, 1998.

15. Deposits

Deposits at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Current deposits	**¥153,457**	¥141,896	**$ 1,631,655**
Ordinary deposits	**1,697,389**	1,593,778	**18,047,736**
Deposits at notice	**14,623**	16,831	**155,487**
Time deposits	**2,133,018**	2,143,951	**22,679,623**
Other deposits	**91,525**	89,002	**973,155**
Total	**¥ 4,090,014**	¥ 3,985,459	**$ 43,487,658**

16. Borrowed money

At March 31, 2013 and 2012, the weighted average interest rates applicable to borrowed money were 1.21% and 1.29%, respectively.

Borrowed money at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Subordinated loans	**¥40,000**	¥40,000	**$ 425,305**
Borrowing from banks and other	**40,424**	37,567	**429,818**
Total	**¥ 80,424**	¥ 77,567	**$ 855,123**

Annual maturities of borrowed money at March 31, 2013 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2014	**¥35,225**	**$ 374,540**
2015	**2,226**	**23,675**
2016	**1,586**	**16,870**
2017	**971**	**10,331**
2018	**413**	**4,400**
2019 and thereafter	**40,000**	**425,305**
Total	**¥ 80,424**	**$ 855,123**

17. Bonds

Bonds at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars		
	2013	2012	**2013**	Interest rate	Due
Subordinated bonds	**¥ 20,000**	¥ 20,000	**$ 212,652**	1.89%	July 26, 2019

18. Other liabilities

Other liabilities at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Accrued income taxes	**¥ 3,577**	¥ 3,027	**$ 38,040**
Accrued expenses	**5,371**	7,179	**57,113**
Unearned income	**5,677**	5,137	**60,369**
Derivatives	**2,144**	2,363	**22,799**
Other	**12,748**	20,869	**135,550**
Total	**¥ 29,519**	¥ 38,577	**$ 313,874**

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 ¥6,736 million ($71,621 thousand) and ¥7,034 million as of March 31, 2013 and 2012, were set off because those which were relevant to corporate bonds and the guaranteed bonds were held by the Bank itself.

20. Equity

(1) Capital stock and capital surplus

Changes in the number of common stock of the years ended March 31, 2013 and 2012, consisted of the following:

	Thousands	
	Common stock	
	Issued number of shares	
	2013	2012
Beginning of the year	**265,450**	265,450
Increase	**—**	—
Decrease	**—**	—
End of the year	**265,450**	265,450

(2) Companies Act and Banking Act of Japan

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

On and after May 1, 2006, Japanese companies are subject to a new companies act of Japan (the "Companies Act") which reformed and replaced the Code with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as: (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Bank cannot do so because it does not meet all the above criteria.

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

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

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

The Companies Act requires that an amount equal to 10% (20% for banks pursuant to the Banking Act) of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of the legal reserve and additional paid-in capital equals 25% (100% for banks pursuant to the Banking Act) of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

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

(3) Appropriations of retained earnings

The following appropriation of retained earnings at March 31, 2013 is proposed to the Bank's general shareholders' meeting held on June 25, 2013.

	Millions of yen	Thousands of U.S. dollars
Cash dividends (dividend amount per share: ¥3 or $0.032)	**¥ 791**	**$ 8,418**

21. Other operating income

Other operating income for the years ended March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Gains on foreign exchange transactions-net	**¥ 601**	¥ 685	**$ 6,390**
Gains on sales of bonds	**4,547**	3,969	**48,350**
Other	**9,870**	9,060	**104,953**
Total	**¥ 15,019**	¥ 13,715	**$ 159,694**

22. Other income

Other income for the years ended March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Recovery of claims previously charged-off	**¥ 1,628**	¥ 1,328	**$ 17,312**
Other	**1,971**	2,357	**20,961**
Total	**¥ 3,599**	¥ 3,685	**$ 38,273**

23. Other operating expenses

Other operating expenses for the years ended March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Losses on sales of government bonds	**¥ 450**	¥ 651	**$ 4,788**
Losses on redemption of bonds	**—**	210	**—**
Losses on financial derivatives	**1,228**	330	**13,063**
Other	**8,197**	7,230	**87,159**
Total	**¥ 9,876**	¥ 8,423	**$ 105,011**

24. Other expenses

Other expenses for the years ended March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Provision of allowance for possible loan losses	**¥ 5,742**	¥ 4,345	**$ 61,055**
Change-off of loans and bills discounted	**1,093**	1,470	**11,625**
Losses on impairment of long-lived assets (Note 11)	**202**	359	**2,149**
Valuation losses on investment in stocks	**2,125**	509	**22,597**
Other	**916**	1,010	**9,745**
Total	**¥ 10,079**	¥ 7,695	**$ 107,174**

25. Leases

Lessee

The Group leases certain equipment. Total rental expense under finance leases for the years ended March 31, 2013 and 2012 was ¥1 million ($19 thousand) and ¥3 million, respectively.

Finance lease transactions which 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, 2013 and 2012 were as follows:

	Tangible fixed assets		
	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Acquisition cost	**¥ 9**	¥ 22	**$ 96**
Accumulated depreciation	**(7)**	(18)	**(81)**
Net leased property	**¥ 1**	¥ 3	**$ 14**

Obligations under finance leases at March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Due within one year	**¥ 1**	¥ 1	**$ 13**
Due after one year	**0**	1	**1**
Total	**¥ 1**	¥ 3	**$ 14**

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
	2013	2012	**2013**
Lease payments	**¥ 1**	¥ 3	**$ 19**
Depreciation expense	**1**	3	**19**

Lessor

One subsidiary leases certain equipment and other assets.

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

Investments in leases included in other assets on the balance sheets as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Gross lease receivables	**¥ 18,698**	¥ 18,809	**$ 198,809**
Unguaranteed residual values	**717**	771	**7,624**
Unearned interest income	**(2,117)**	(2,418)	**(22,511)**
Investments in leases	**¥ 17,297**	¥ 17,162	**$ 183,922**

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, 2013 are as follows:

	Millions of yen	Thousands of U.S. dollars
2014	**¥ 2**	**$ 24**
2015	**2**	**23**
2016	**1**	**17**
2017	**0**	**6**

Maturities of gross lease receivables related to investments in leases as of March 31, 2013 are as follows:

	Millions of yen	Thousands of U.S. dollars
2014	**¥ 5,879**	**$ 62,515**
2015	**4,717**	**50,162**
2016	**3,575**	**38,015**
2017	**2,536**	**26,973**
2018	**1,253**	**13,324**
2019 and thereafter	**735**	**7,818**

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

As a result, income before income taxes and minority interests for the fiscal years ended March 31, 2013 and 2012, increased by ¥263 million ($2,802 thousand) and ¥513 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, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Due within one year	**¥ 16**	¥ 7	**$ 170**
Due after one year	**41**	16	**439**
Total	**¥ 57**	¥ 24	**$ 609**

26. Employees' retirement benefits

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

The liability for employees' retirement benefits at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Projected benefit obligation	**¥ (44,437)**	¥ (44,120)	**$ (472,487)**
Plan assets (fair value)	**25,757**	22,287	**273,868**
Unfunded projected benefit obligation	**(18,680)**	(21,832)	**(198,619)**
Unrecognized actuarial net loss	**3,522**	7,808	**37,449**
Unrecognized prior service cost	**(21)**	(37)	**(230)**
Liability for employees' retirement benefits	**¥ (15,179)**	¥ (14,062)	**$ (161,401)**

The components of net periodic benefit costs for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Service cost	**¥ 1,740**	¥ 1,729	**$ 18,501**
Interest cost	**660**	657	**7,022**
Expected return on plan assets	**(234)**	(229)	**(2,493)**
Amortization of prior service cost	**(16)**	(16)	**(172)**
Recognized actuarial net loss	**1,447**	1,833	**15,388**
Net periodic retirement benefit costs	**¥ 3,597**	¥ 3,975	**$ 38,246**

Assumptions used for the years ended March 31, 2013 and 2012 were set forth as follows:

	2013	2012
Discount rate	**1.50%**	1.50%
Expected rate of return on plan assets	**1.52%**	1.51%
Amortization period of prior service cost	**10 years**	10 years
Recognition period of actuarial gain or loss	**10 years**	10 years

27. Income taxes

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Deferred tax assets:			
Allowance for possible loan losses	**¥ 18,424**	¥ 18,376	**$ 195,896**
Liability for employees' retirement benefits	**7,670**	7,305	**81,558**
Accrued enterprise tax	**306**	235	**3,261**
Devaluation of stocks and other securities	**6,946**	6,186	**73,861**
Depreciation	**1,719**	1,609	**18,283**
Other	**2,556**	2,732	**27,182**
Less valuation allowance	**(17,203)**	(14,505)	**(182,921)**
Total	**¥ 20,420**	¥ 21,940	**$ 217,123**
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	**(24,172)**	(18,538)	**(257,021)**
Reserve for advanced depreciation of fixed assets	**(182)**	(182)	**(1,943)**
Other	**—**	(0)	**—**
Total	**(24,355)**	(18,721)	**(258,964)**
Net deferred tax assets	**¥ (3,935)**	¥ 3,218	**$ (41,841)**

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, 2013 and 2012 is as follows:

	2013	2012
Normal effective statutory tax rate	**37.7%**	40.4%
Permanent differences – mainly dividends received	**(2.9)**	(2.3)
Increase in valuation allowance for deferred tax assets	**20.7**	2.7
Tax rate difference in special purpose entities	**—**	(1.1)
Decrease in deferred tax assets due to changes in statutory tax rate	**—**	10.1
Other	**1.8**	(0.4)
Actual effective tax rate	**57.3%**	49.4%

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from approximately 40.4% to 37.7% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 35.3% afterwards.

28. Financial instruments and related disclosures

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

1. Overall situation concerning financial instruments

(1) Basic policy for financial instruments

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

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

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

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

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

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

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

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

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

These derivative transactions include the market risk of incurring potential losses from market fluctuations, such as fluctuations in interest rates and exchange rates, as well as the credit risk of incurring potential losses when the counterparty to the transaction defaults on a contract.

(3) Risk management for financial instruments

(i) Credit risk management

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

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

With respect to individual credit management, the Group has instituted its "Basic Rules of Loan Business," in which it has clearly defined the way of thinking and a code of conduct to which all employees involved in the loan business should adhere. It has also established basic procedures to follow when making credit decisions or managing credit, along with putting in place a system that enables executives and employees to make credit decisions in accordance with the principles of public benefit, security, profitability, liquidity, and growth potential. More specifically, the Group has developed and is operating a credit management system that handles credit assessment, credit limits, credit information management, and internal ratings; sets guarantees and collateral; and deals with problem debts of companies (or corporate groups) or individual projects. This credit management system is being implemented in every bank branch and the Credit Supervision Department.

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

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 for hedging purposes, market risks are managed so that derivative transaction risks and asset and liability risks offset each other.

5) Quantitative information regarding market risks

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

Interest-rate risks

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

The Group's interest-rate risk amounts stood at ¥2,690 million ($28,604 thousand) as of March 31, 2013 and ¥5,074 million as of March 31, 2012.

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 ¥17,139 million ($18,243 thousand) as of March 31, 2013, and ¥16,195 million as of March 31, 2012.

Back-testing

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

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

(iii) Liquidity risk management related to financing

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

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

2. Fair value of financial instruments

Fair value and the consolidated balance sheet amount of as of March 31, 2013 and 2012 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		
	2013		
	Consolidated balance sheet amount	Fair value	Difference
Call loans and bills bought	¥ **158,022**	¥ **158,022**	¥ **—**
Investment securities			
Trading securities	**2,957**	**2,957**	**—**
Available-for-sale securities	**1,480,422**	**1,480,422**	**—**
Loans and bills discounted	**2,822,561**	**—**	**—**
Allowance for possible loan losses (*1)	**(37,135)**	**—**	**—**
	2,785,426	**2,814,806**	**29,379**
Assets total	**4,426,829**	**4,456,208**	**29,379**
Deposits	**4,090,014**	**4,090,829**	**815**
Negotiable certificates of deposit	**94,524**	**94,533**	**9**
Borrowed money	**80,424**	**83,021**	**2,597**
Bonds	**20,000**	**20,291**	**291**
Liabilities total	**4,284,962**	**4,288,677**	**3,714**
Derivative transactions (*2)			
Deferred hedge accounting is not applied	**10**	**10**	**—**
Deferred hedge accounting is applied	**(325)**	**(325)**	**—**
Derivative transactions total	¥ **(314)**	¥ **(314)**	¥ **—**

	Millions of yen		
	2012		
	Consolidated balance sheet amount	Fair value	Difference
Call loans and bills bought	¥ 183,565	¥ 183,565	¥ —
Investment securities			
Trading securities	3,745	3,745	—
Available-for-sale securities	1,423,433	1,423,433	—
Loans and bills discounted	2,743,438	—	—
Allowance for possible loan losses (*1)	(35,283)	—	—
	2,708,155	2,732,684	24,529
Assets total	4,318,899	4,343,428	24,529
Deposits	3,985,459	3,986,989	1,529
Negotiable certificates of deposit	104,524	104,546	21
Borrowed money	77,567	79,077	1,509
Bonds	20,000	20,385	385
Liabilities total	4,187,552	4,190,998	3,445
Derivative transactions (*2)			
Deferred hedge accounting is not applied	170	170	—
Deferred hedge accounting is applied	(80)	(80)	—
Derivative transactions total	¥ 89	¥ 89	¥ —

	Thousands of U.S. dollars		
	2013		
	Consolidated balance sheet amount	Fair value	Difference
Call loans and bills bought	**$ 1,680,201**	**$ 1,680,201**	**$ —**
Investment securities			
Trading securities	**31,447**	**31,447**	**—**
Available-for-sale securities	**15,740,799**	**15,740,799**	**—**
Loans and bills discounted	**30,011,286**	**—**	**—**
Allowance for possible loan losses (*1)	**(394,844)**	**—**	**—**
	29,616,441	**29,928,825**	**312,383**
Assets total	**47,068,891**	**47,381,275**	**312,383**
Deposits	**43,487,658**	**43,496,331**	**8,673**
Negotiable certificates of deposit	**1,005,040**	**1,005,144**	**103**
Borrowed money	**855,123**	**882,740**	**27,616**
Bonds	**212,652**	**215,753**	**3,100**
Liabilities total	**45,560,475**	**45,599,970**	**39,494**
Derivative transactions (*2)			
Deferred hedge accounting is not applied	**111**	**111**	**—**
Deferred hedge accounting is applied	**(3,459)**	**(3,459)**	**—**
Derivative transactions total	**$ (3,347)**	**$ (3,347)**	**$ —**

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

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

(Note 1) Valuation method of financial instruments

Assets

(1) Call loans and bills bought

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

(2) Investment securities

Fair values of securities that have market prices are based on their market prices. However, taking into account recent market conditions, a judgement has been made by management that current market prices of floating Japanese government bonds are not indicative of fair value. The fair values of these bonds were determined based on the values reasonably estimated by a broker dealer. The effect of the decision was to increase investment securities by ¥1,025 million, to decrease deferred tax assets by ¥362 million and to increase net unrealized gains on available-for-sale securities by ¥662 million compared to the valuation based on the market price as of March 31, 2012.

The information for investment securities by classification is included in Note 4 “Investment securities.”

(3) Loans and bills discounted

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

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

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

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

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

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

(4) Bonds

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

Derivatives

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

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

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

	Consolidated balance sheet amount		
	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Unlisted stocks (*1) (*2)	**¥ 3,118**	¥ 3,063	**$ 33,153**

(*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, 2013 and 2012, impairment losses for unlisted stocks amounted to ¥0 million ($0 thousand) and ¥74 million, respectively.

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

	Millions of yen					
	2013					
	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	**¥ 158,022**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Investment securities (*1)	**171,283**	**286,928**	**346,593**	**180,053**	**240,013**	**110,749**
Japanese government bonds	**93,450**	**62,206**	**164,300**	**50,000**	**108,000**	**5,000**
Japanese local government bonds	**21,413**	**88,606**	**65,838**	**81,348**	**70,075**	**—**
Japanese corporate bonds	**39,140**	**125,281**	**100,265**	**45,884**	**47,828**	**94,719**
Others	**17,279**	**10,835**	**16,190**	**2,821**	**14,110**	**11,029**
Loans and bills discounted (*2)	**784,546**	**537,801**	**402,254**	**234,235**	**250,112**	**522,974**
Total	**¥ 1,113,853**	**¥ 824,729**	**¥ 748,848**	**¥ 414,288**	**¥ 490,125**	**¥ 633,723**

	Millions of yen					
	2012					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Call loans and bills bought	¥ 183,565	¥ —	¥ —	¥ —	¥ —	¥ —
Investment securities (*1)	138,615	333,979	295,870	182,492	261,838	81,416
Japanese government bonds	44,830	136,450	142,706	125,800	82,000	—
Japanese local government bonds	20,317	60,133	69,492	40,017	114,215	—
Japanese corporate bonds	47,991	103,752	68,664	16,510	63,980	68,460
Others	25,476	33,642	15,007	164	1,643	12,955
Loans and bills discounted (*2)	813,642	509,632	397,081	217,766	208,894	507,627
Total	¥ 1,135,823	¥ 843,611	¥ 692,952	¥ 400,258	¥ 470,733	¥ 589,043

	Thousands of U.S. dollars					
	2013					
	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	**$ 1,680,201**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Investment securities (*1)	**1,821,194**	**3,050,806**	**3,685,206**	**1,914,447**	**2,551,972**	**1,177,555**
Japanese government bonds	**993,620**	**661,414**	**1,746,943**	**531,632**	**1,148,325**	**53,163**
Japanese local government bonds	**227,678**	**942,117**	**700,032**	**864,946**	**745,082**	**—**
Japanese corporate bonds	**416,166**	**1,332,068**	**1,066,086**	**487,868**	**508,538**	**1,007,120**
Others	**183,728**	**115,206**	**172,145**	**30,000**	**150,026**	**117,271**
Loans and bills discounted (*2)	**8,341,807**	**5,718,246**	**4,277,028**	**2,490,537**	**2,659,351**	**5,560,596**
Total	**$ 11,843,203**	**$ 8,769,052**	**$ 7,962,234**	**$ 4,404,984**	**$ 5,211,324**	**$ 6,738,152**

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

(*2) Loans in legal bankruptcy, virtual bankruptcy, and potential bankruptcy amounting to ¥64,902 million ($690,084 thousand) and ¥62,472 million loans and bills discounted without contractual maturities amounting to ¥25,735 million ($273,634 thousand) and ¥26,320 million are excluded from the table above as of March 31, 2013 and 2012.

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

	Millions of yen					
	2013					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (*)	**¥ 3,554,977**	**¥ 510,192**	**¥ 24,843**	**¥ —**	**¥ —**	**¥ —**
Negotiable certificates of deposit	**94,524**	**—**	**—**	**—**	**—**	**—**
Borrowed money	**35,225**	**3,813**	**1,385**	**20,000**	**—**	**20,000**
Bonds	**—**	**—**	**—**	**20,000**	**—**	**—**
Total	**¥ 3,684,727**	**¥ 514,006**	**¥ 26,229**	**¥ 40,000**	**¥ —**	**¥ 20,000**

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

	Thousands of U.S. dollars					
	2013					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (*)	**$ 37,798,806**	**$ 5,424,699**	**$ 264,152**	**$ —**	**$ —**	**$ —**
Negotiable certificates of deposit	**1,005,040**	**—**	**—**	**—**	**—**	**—**
Borrowed money	**374,540**	**40,545**	**14,732**	**212,652**	**—**	**212,652**
Bonds	**—**	**—**	**—**	**212,652**	**—**	**—**
Total	**$ 39,178,388**	**$ 5,465,244**	**$ 278,884**	**$ 425,305**	**$ —**	**$ 212,652**

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

29. Fair value information on derivative transactions

Derivative transactions to which hedge accounting is not applied

The following is the fair value information for derivative transactions to which hedge accounting is not applied at March 31, 2013 and 2012.

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

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

(2) Currency-related transactions

	Millions of yen			
	2013			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the-counter:				
Currency swap:	**¥ 109,949**	**¥ 68,906**	**¥ 110**	**¥ 110**
Forward exchange contracts:				
Sold	**12,372**	**—**	**(661)**	**(661)**
Bought	**12,232**	**—**	**560**	**560**
Currency options:				
Sold	**22,953**	**8,139**	**(813)**	**170**
Bought	**22,953**	**8,139**	**813**	**68**
Total	**¥ —**	**—**	**¥ 10**	**¥ 249**

	Millions of yen			
	2012			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the-counter:				
Currency swap:	¥ 127,182	¥ 103,164	¥ 166	¥ 166
Forward exchange contracts:				
Sold	6,928	—	(220)	(220)
Bought	6,106	—	224	224
Currency options:				
Sold	30,495	16,095	(1,341)	180
Bought	30,495	16,095	1,341	173
Total	¥ —	—	¥ 170	¥ 524

	Thousands of U.S. dollars			
	2013			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the-counter:				
Currency swap:	**$ 1,169,057**	**$ 732,661**	**$ 1,176**	**$ 1,176**
Forward exchange contracts:				
Sold	**131,549**	**—**	**(7,028)**	**(7,028)**
Bought	**130,059**	**—**	**5,963**	**5,963**
Currency options:				
Sold	**244,054**	**86,546**	**(8,647)**	**1,814**
Bought	**244,054**	**86,546**	**8,647**	**725**
Total	**¥ —**	**—**	**$ 111**	**$ 2,651**

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

2. Fair value is calculated using discounted cash flows.

(3) Stock-related transactions are not performed.

(4) Bond-related transactions are not performed.

(5) Financial product-related transactions are not performed.

(6) Credit derivative transactions are not performed.

Derivative transactions to which hedge accounting is applied

The following is the fair value information for derivative transactions to which hedge accounting is applied at March 31, 2013 and 2012.

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

(1) Interest-rate-related transactions

	Millions of yen			
	2013			
	Hedged items	Contractual value	Contractual value due after one year	Fair value
Principle treatment				
Interest rate swaps:				
Receivable floating rate/pay fixed rate	**Available-for-sale securities (bonds)**	**¥ 50,000**	**¥ 50,000**	**¥ (264)**
Special hedging treatment				
Interest rate swaps:				
Receivable floating rate/pay fixed rate	**Borrowed money**	**210**	**210**	**Note3**
Total				**¥ (264)**

	Thousands of U.S. dollars			
	2013			
	Hedged items	Contractual value	Contractual value due after one year	Fair value
Principle treatment				
Interest rate swaps:				
Receivable floating rate/pay fixed rate	**Available-for-sale securities (bonds)**	**$ 531,632**	**$ 531,632**	**$ (2,817)**
Special hedging treatment				
Interest rate swaps:				
Receivable floating rate/pay fixed rate	**Borrowed money**	**2,232**	**2,232**	**Note3**
Total				**$ (2,817)**

	Millions of yen			
	2012			
	Hedged items	Contractual value	Contractual value due after one year	Fair value
Interest rate swaps:				
Receivable floating rate/pay fixed rate	Borrowed money	¥ 270	¥ 270	Note3

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

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

3. Because the interest rate swaps are accounted for with long-term debt as the hedged item, the fair value of the swaps is included in the fair value of the borrowed money in Note 28-2.

(2) Currency-related transactions

	Millions of yen			
	2013			
	Hedged items	Contractual value	Contractual value due after one year	Fair value
Forward exchange contracts	**Loans denominated in foreign currencies**	**¥ 1,334**	**¥ —**	**¥ (60)**

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

	Thousands of U.S. dollars			
	2013			
	Hedged items	Contractual value	Contractual value due after one year	Fair value
Forward exchange contracts	**Loans denominated in foreign currencies**	**$ 14,191**	**$ —**	**$ (642)**

Notes: 1. Deferred hedge accounting is mainly applied in accordance with the JICPA Industry Audit Committee Report No. 25.

2. Fair value is calculated using discounted cash flow.

(3) Stock-related transactions are not performed.

(4) Bond-related transactions are not performed.

30. Comprehensive income

The components of other comprehensive income for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Unrealized gains on available-for-sale securities, net of taxes:			
The amount arising during the period	**¥ 23,377**	¥ 4,725	**$ 248,561**
Reclassification adjustments to profit or loss	**(2,404)**	(2,809)	**(25,565)**
Before adjustments to tax effect	**20,972**	1,915	**222,996**
The amount of tax effect	**(5,634)**	621	**(59,908)**
Total	**15,338**	2,537	**163,087**
Deferred gain on derivatives under hedge accounting:			
The amount arising during the period	**(317)**	(1)	**(3,378)**
Reclassification adjustments to profit or loss	**52**	0	**562**
Before adjustments to tax effect	**(264)**	(0)	**(2,815)**
The amount of tax effect	**93**	0	**996**
Total	**(171)**	(0)	**(1,819)**
Land revaluation surplus:			
The amount arising during the period	**—**	—	**—**
Reclassification adjustments to profit or loss	**—**	—	**—**
Before adjustments to tax effect	**—**	—	**—**
The amount of tax effect	**—**	1,293	**—**
Total	**—**	1,293	**—**
Total other comprehensive income	**¥ 15,167**	¥ 3,830	**$ 161,268**

31. Net income per share

Calculation of net income per share ("EPS") for the years ended March 31, 2013 and 2012 is as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net income	Weighted-average shares	EPS	
For the year ended March 31, 2013				
Basic EPS				
Net income available to common shareholders	**¥5,544**	**263,896**	**¥21.00**	**$0.223**
For the year ended March 31, 2012				
Basic EPS				
Net income available to common shareholders	¥8,228	263,923	¥31.17	$0.379

32. Segment information

For the years ended March 31, 2013 and 2012

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

Related Information

(1) Information about services

	Millions of yen				
	2013				
	Lending services	Securities investment	Fees and commissions	Other	Total
Operating income from external customers	**¥ 45,391**	**¥ 18,426**	**¥ 12,454**	**¥ 12,543**	**¥ 88,815**

	Millions of yen				
	2012				
	Lending services	Securities investment	Fees and commissions	Other	Total
Operating income from external customers	¥ 46,144	¥ 18,660	¥ 12,362	¥ 13,544	¥ 90,711

	Thousands of U.S. dollars				
	2013				
	Lending services	Securities investment	Fees and commissions	Other	Total
Operating income from external customers	**$ 482,631**	**$ 195,922**	**$ 132,423**	**$ 133,367**	**$ 944,345**

(2) Information about geographical areas

(a) Operating income

Operating income from external domestic customers exceeded 90% of total operating income on the consolidated statements of income for the fiscal years ended March 31, 2013 and 2012; 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, 2013 and 2012; therefore geographical tangible fixed assets information is not presented.

(3) Information about major customers

Operating income to a specific customer did not reach 10% of total operating income on the consolidated statements of income for the fiscal years ended March 31, 2013 and 2012; therefore major customer information is not presented.

33. Related party transactions

Transactions of the Bank with related parties for the year ended March 31, 2013 were as follows:

Related party	Category	Description of transactions	Millions of yen	Thousands of U.S. dollars
Yoshihisa Fujita	Director or relative	Lending operation loan	**¥ 26**	**$ 279**

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

Related party	Category	Description of transactions	Millions of yen
Yoshihisa Fujita	Director or relative	Lending operation loan	¥ 27

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying interim consolidated balance sheet of The Shiga Bank, Ltd. and its consolidated subsidiaries as of December 31, 2014, and the related interim consolidated statements of income, and comprehensive income for the nine-month periods ended December 31, 2014 and 2013, all expressed in Japanese yen.

Management's Responsibility

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

Accountant's Responsibility

Our responsibility is to express a conclusion on these interim consolidated financial statements based on our reviews. We conducted our reviews in accordance with quarterly review standards generally accepted in Japan.

A review of interim financial statements consists of making inquiries, primarily of management and persons responsible for financial and accounting matters, and applying analytical and other quarterly review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Japan and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We believe that we have obtained the evidence to provide a basis for our review conclusion.

Accountant's Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of The Shiga Bank, Ltd. and its consolidated subsidiaries as of December 31, 2014, and the consolidated results of their operations for the nine-month periods ended December 31, 2014 and 2013, in accordance with accounting principles for interim consolidated financial statements generally accepted in Japan.

Convenience Translation

Our review also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, based upon our review, nothing has come to our attention that causes us to believe that such translation has not been made in accordance with the basis stated in Note 1 to the interim consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

February 4, 2015

Interim Consolidated Balance Sheet

December 31, 2014 (unaudited)

	Millions of yen		Thousands of U.S. dollars
	December 31, 2014	March 31, 2014	**December 31, 2014**
Assets			
Cash and due from banks	¥ **207,614**	¥ 257,212	$ **1,722,223**
Call loans and bills bought	**65,576**	62,872	**543,973**
Debt purchased	**9,904**	10,206	**82,156**
Trading securities	**665**	851	**5,516**
Money held in trust	**9,038**	8,774	**74,973**
Investment securities (Note 3)	**1,500,934**	1,422,210	**12,450,717**
Loans and bills discounted (Note 4)	**3,000,505**	2,916,953	**24,890,128**
Foreign exchange assets	**6,218**	8,300	**51,580**
Other assets	**46,120**	42,665	**382,579**
Tangible fixed assets	**57,277**	57,845	**475,130**
Intangible fixed assets	**1,711**	1,782	**14,193**
Deferred tax assets	**773**	930	**6,412**
Customers' liabilities for acceptances and guarantees	**23,549**	23,789	**195,346**
Allowance for possible loan losses	**(34,138)**	(36,912)	**(283,185)**
Total assets	**4,895,754**	4,777,483	**40,611,812**
Liabilities			
Deposits	**4,234,671**	4,163,311	**35,127,922**
Negotiable certificates of deposit	**87,699**	93,773	**727,490**
Call money and bills sold	**52,625**	28,069	**436,540**
Payables under securities lending transactions	**31,313**	19,224	**259,751**
Borrowed money	**57,577**	69,255	**477,619**
Foreign exchange liabilities	**50**	130	**414**
Bonds	**-**	20,000	**-**
Other liabilities	**29,520**	30,951	**244,877**
Liability for employees' retirement benefits	**13,047**	12,657	**108,228**
Liability for retirement benefits of directors and Audit & Supervisory Board Members	**14**	14	**116**
Liability for reimbursement of deposits	**798**	755	**6,619**
Allowance for repayment of excess interest	**55**	65	**456**
Reserve for other contingent losses	**280**	279	**2,322**
Deferred tax liabilities	**31,293**	14,005	**259,585**
Deferred tax liabilities for land revaluation	**8,706**	8,720	**72,218**
Negative goodwill	**2**	11	**16**
Acceptances and guarantees	**23,549**	23,789	**195,346**
Total liabilities	**4,571,208**	4,485,017	**37,919,601**
Equity (Note 5)			
Common stock, authorized, 500,000,000 shares; issued, 265,450,406 shares as of December 31, 2014 and March 31, 2014	**33,076**	33,076	**274,375**
Capital surplus	**23,968**	23,969	**198,822**
Stock acquisition rights	**59**	30	**489**
Retained earnings	**154,206**	147,858	**1,279,187**
Treasury stock – at cost 1,622,865 shares and 1,602,119 shares as of December 31, 2014 and March 31, 2014, respectively	**(990)**	(977)	**(8,212)**
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities (Note 3)	**97,769**	71,996	**811,024**
Deferred losses on derivatives under hedge accounting	**(845)**	(60)	**(7,009)**
Land revaluation surplus	**10,939**	10,700	**90,742**
Defined retirement benefit plans	**1,554**	1,417	**12,890**
Total	**319,740**	288,010	**2,652,343**
Minority interests	**4,806**	4,456	**39,867**
Total equity	**324,546**	292,466	**2,692,210**
Total liabilities and equity	¥ **4,895,754**	¥ 4,777,483	$ **40,611,812**

See Notes to Interim Consolidated Financial Statements.

Interim Consolidated Statements of Income

Nine-Month Periods ended December 31, 2014 and 2013 (unaudited)

	Millions of yen		Thousands of U.S. dollars
	Nine-Month Periods ended December 31		
	2014	2013	**2014**
Income			
Interest income	¥ **41,132**	¥ 41,882	$ **341,202**
Of which, loans and discounts	**30,681**	31,779	**254,508**
Of which, securities	**10,248**	9,927	**85,010**
Fees and commissions	**10,110**	9,505	**83,865**
Other operating income	**10,204**	14,444	**84,645**
Other income (Note 6)	**3,511**	2,258	**29,124**
Total income	**64,958**	68,091	**538,846**
Expenses			
Interest expenses	**2,637**	3,242	**21,874**
Of which, deposits	**1,686**	1,953	**13,985**
Fees and commissions	**3,199**	3,062	**26,536**
Other operating expenses	**7,078**	7,623	**58,714**
General and administrative expenses	**33,877**	34,748	**281,020**
Other expenses (Note 7)	**1,224**	2,038	**10,153**
Total expenses	**48,016**	50,716	**398,307**
Income before income taxes and minority interests	**16,941**	17,375	**140,530**
Income taxes			
Current	**2,690**	5,494	**22,314**
Deferred	**4,063**	1,530	**33,703**
Income before minority interests	**10,186**	10,351	**84,496**
Minority interests	**293**	272	**2,430**
Net income (Note 10)	¥ **9,893**	¥ 10,078	$ **82,065**

	Yen		U.S. dollars
Per share information (Note 10)			
Basic net income	¥ **37.49**	¥ 38.19	$ **0.311**
Diluted net income	**37.48**	38.19	**0.311**

See Notes to Interim Consolidated Financial Statements.

The Shiga Bank, Ltd. and Consolidated Subsidiaries

Interim Consolidated Statements of Comprehensive Income

Nine-Month Periods ended December 31, 2014 and 2013 (unaudited)

	Millions of yen		Thousands of U.S. dollars
	Nine-Month Periods ended December 31		
	2014	2013	**2014**
Income before minority interests	¥ **10,186**	¥ 10,351	$ **84,496**
Other comprehensive income:			
Net unrealized gains on available-for-sale securities	**25,832**	11,126	**214,284**
Deferred gains (losses) on derivatives under hedge accounting	**(784)**	463	**(6,503)**
Remeasurements of defined retirement benefit plans	**136**	-	**1,128**
Total other comprehensive income	**25,184**	11,590	**208,909**
Comprehensive income	**35,371**	21,941	**293,413**
Attributable to:			
Owners of parent	**35,019**	21,616	**290,493**
Minority interests	**352**	324	**2,919**

See Notes to Interim Consolidated Financial Statements.

Notes to Interim Consolidated Financial Statements (unaudited)

1. Basis of presenting interim consolidated financial statements

The accompanying interim consolidated financial statements have been prepared based on the accounts maintained by The Shiga Bank, Ltd. (the "Bank") and its consolidated 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 accordance 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.

The accounting standard for quarterly financial statements requires the Bank to prepare a set of interim consolidated financial statements for each quarter composed of the consolidated balance sheet as of the current quarter-end, the consolidated statements of income, and comprehensive income for the current quarterly period and the year-to-date period and the consolidated statement of cash flows for the year-to-date period. A statement of changes in equity is not required.

Effective April 1, 2011, under the revised accounting standard for quarterly financial statements, the year-to-date consolidated statements of cash flows for the first quarter and the third quarter are not required, but may be prepared at the company's option. In addition, the consolidated statements of income, and comprehensive income for the current quarter are not required, but may be prepared at the company's option.

The consolidated statements of income, and comprehensive income for the current quarterly period, and the consolidated statements of cash flows and changes in equity are not presented herein.

Certain items presented in the quarterly 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 interim 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 ¥120.55 to U.S.$1, the rate of exchange at December 30, 2014, 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. Significant accounting policies

Substantially the same accounting policies have been followed in these interim consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended March 31, 2014, with certain simplified methods, except for the accounting change described below.

Accounting Change

Concerning the application of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012; hereinafter referred to as the "Standard") and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012; hereinafter referred to as the "Guidance"), the Group has adopted provisions stated in the main clause of Paragraph 35 of the Standard and the main clause of

Paragraph 67 of the Guidance effective from the three-month period ended June 30, 2014. Due to this application, the Group has reviewed the calculation methods for retirement benefit obligations and service cost and changed the method of attributing expected benefit to periods from the straight-line basis to the benefit formula basis. In addition, the method for determining the discount rate has been changed from the method using a discount rate based on the maturity of bonds which approximates the estimated average remaining service lives for employees to the method using a single weighted-average discount rate which reflects the estimated payment periods of retirement benefits and the amounts by the respective estimated payment periods.

Since the Standard and the Guidance are being applied transitionally as provided for in Paragraph 37 of the Standard, the effect of changing the method for determining retirement benefit obligations and service cost has been recognized in retained earnings at the beginning of the nine-month period ended December 31, 2014.

As a result, liability for employees' retirement benefits at the beginning of the nine-month period ended December 31, 2014 increased by ¥1,458 million ($12,094 thousand), while retained earnings decreased by ¥1,458 million ($12,094 thousand).

The impact on profit or loss for the nine-month period ended December 31, 2014 was immaterial.

3. Securities

Securities which were important for the business of the Group are shown in this note and include beneficial trust interests under "Debt purchased," in addition to "Investment securities," which are presented on the interim consolidated balance sheet.

(1) Held-to-maturity securities

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

	Millions of yen		
	December 31, 2014		
	Consolidated balance sheet amount	Fair value	Unrealized gains
Japanese government bonds	**¥ 37,517**	**¥ 38,577**	**¥ 1,059**
Total	**¥ 37,517**	**¥ 38,577**	**¥ 1,059**

	Millions of yen		
	March 31, 2014		
	Consolidated balance sheet amount	Fair value	Unrealized gains
Japanese government bonds	¥ 14,988	¥ 15,022	¥ 33
Total	¥ 14,988	¥ 15,022	¥ 33

	Thousands of U.S. dollars		
	December 31, 2014		
	Consolidated balance sheet amount	Fair value	Unrealized gains
Japanese government bonds	**$ 311,215**	**$ 320,008**	**$ 8,784**
Total	**$ 311,215**	**$ 320,008**	**$ 8,784**

Note: Fair values of securities are based on their market prices as of the consolidated balance sheet date.

(2) Available-for-sale securities

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

	Millions of yen		
	December 31, 2014		
	Consolidated balance sheet amount	Cost	Unrealized gains
Stocks	**¥ 175,468**	**¥ 59,742**	**¥ 115,725**
Bonds:	**1,156,652**	**1,132,098**	**24,554**
Japanese government bonds	**437,326**	**428,838**	**8,488**
Japanese local government bonds	**294,009**	**285,979**	**8,029**
Japanese corporate bonds	**425,316**	**417,280**	**8,036**
Others	**126,980**	**124,338**	**2,642**
Total	**¥ 1,459,101**	**¥ 1,316,179**	**¥ 142,922**

	Millions of yen		
	March 31, 2014		
	Consolidated balance sheet amount	Cost	Unrealized gains
Stocks	¥ 142,862	¥ 60,083	¥ 82,779
Bonds:	1,170,667	1,150,442	20,224
Japanese government bonds	446,126	439,592	6,534
Japanese local government bonds	299,072	291,545	7,526
Japanese corporate bonds	425,469	419,304	6,164
Others	90,452	90,088	364
Total	¥ 1,403,982	¥ 1,300,614	¥ 103,368

	Thousands of U.S. dollars		
	December 31, 2014		
	Consolidated balance sheet amount	Cost	Unrealized gains
Stocks	**$ 1,455,562**	**$ 495,578**	**$ 959,975**
Bonds:	**9,594,790**	**9,391,107**	**203,683**
Japanese government bonds	**3,627,756**	**3,557,345**	**70,410**
Japanese local government bonds	**2,438,896**	**2,372,285**	**66,603**
Japanese corporate bonds	**3,528,129**	**3,461,468**	**66,661**
Others	**1,053,338**	**1,031,422**	**21,916**
Total	**$ 12,103,699**	**$ 10,918,116**	**$ 1,185,582**

Notes: 1. The consolidated balance sheet amounts are based on their market price and others as of the consolidated balance sheet date.

2. Securities whose fair value cannot be reliably determined are not included in the above table.

3. For available-for-sale securities with market quotations (excluding 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 ($107 thousand) of which equities accounted for the same amount for the nine-month period ended December 31, 2014.

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 third quarter 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 third quarter 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 third quarter consolidated balance sheet date has fallen 50% or more from the acquisition cost or when the fair value as of the third quarter 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.

4. Loans and bills discounted

Loans and bills discounted at December 31, 2014 and March 31, 2014 included the following loans:

	Millions of yen		Thousands of U.S. dollars
	December 31, 2014	March 31, 2014	**December 31, 2014**
Loans in legal bankruptcy	**¥ 817**	¥ 809	**$ 6,777**
Nonaccrual loans	**55,476**	56,543	**460,190**
Past due loans (three months or more)	**174**	309	**1,443**
Restructured loans	**21,675**	27,990	**179,800**
Total	**¥ 78,144**	¥ 85,652	**$ 648,228**

5. Equity

Dividends paid for the nine-month periods ended December 31, 2014 and 2013 were as follows:

For the nine-month period ended December 31, 2014:

Resolution	Class of shares	Total amount (Millions of Yen)	Total amount (Thousands of U.S. Dollars)	Per share amount (Yen)	Per share amount (U.S. Dollars)	Record date	Effective date	Source of dividends
Ordinary general shareholders' meeting held on June 25, 2014	Common stock	**¥ 1,055**	**$ 8,751**	**¥ 4**	**$ 0.033**	March 31, 2014	June 26, 2014	Retained earnings
Board of Directors' meeting held on November 13, 2014	Common stock	**¥ 791**	**$ 6,561**	**¥ 3**	**$ 0.025**	September 30, 2014	December 10, 2014	Retained earnings

For the nine-month period ended December 31, 2013:

Resolution	Class of shares	Total amount (Millions of Yen)	Per share amount (Yen)	Record date	Effective date	Source of dividends
Ordinary general shareholders' meeting held on June 25, 2013	Common stock	¥ 791	¥ 3	March 31, 2013	June 26, 2013	Retained earnings
Board of Directors' meeting held on November 11, 2013	Common stock	¥ 791	¥ 3	September 30, 2013	December 10, 2013	Retained earnings

6. Other income

Other income for the nine-month periods ended December 31, 2014 and 2013 included the following:

	Millions of yen		Thousands of U.S. dollars
	Nine-Month periods ended December 31		
	2014	2013	**2014**
Reversal of allowance for possible loan losses	¥ **1,973**	¥ -	$ **16,366**
Recovery of claims previously charged off	**346**	478	**2,870**
Gain on money held in trust	**264**	308	**2,189**

7. Other expenses

Other expenses for the nine-month periods ended December 31, 2014 and 2013 included the following:

	Millions of yen		Thousands of U.S. dollars
	Nine-Month periods ended December 31		
	2014	2013	**2014**
Charge-off of loans and bills discounted	¥ **384**	¥ 424	$ **3,185**
Losses on sales of investment in stocks	**20**	102	**165**
Provision of allowance for possible loan losses	**-**	917	**-**

8. Supplemental cash flow information

The interim consolidated statement of cash flows for the nine-month periods ended December 31, 2014 and 2013 has not been prepared. Depreciation, which includes amortization of intangible assets excluding goodwill, and amortization of negative goodwill were as follows:

	Millions of yen		Thousands of U.S. dollars
	Nine-Month periods ended December 31		
	2014	2013	**2014**
Depreciation	¥ **1,772**	¥ 1,874	$ **14,699**
Amortization of negative goodwill	**(8)**	(8)	**(66)**

9. Financial instruments and related disclosures

There were no material items to be presented.

10. Net income per share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the nine-month periods ended December 31, 2014 and 2013 is as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net income	Weighted-average shares	EPS	
For the nine-month period ended December 31, 2014				
Basic EPS:				
Net income available to common shareholders	**¥ 9,893**	**263,838**	**¥ 37.49**	**$ 0.311**
Effect of dilutive securities:				
Warrants		**113**		
Diluted EPS:				
Net income for computation	**¥ 9,893**	**263,952**	**¥ 37.48**	**$ 0.311**
For the nine-month period ended December 31, 2013				
Basic EPS:				
Net income available to common shareholders	¥ 10,078	263,868	¥ 38.19	
Effect of dilutive securities:				
Warrants		42		
Diluted EPS:				
Net income for computation	¥ 10,078	263,910	¥ 38.19	

11. Subsequent event

There were no items to be reported.

12. Segment information

For the nine-month periods ended December 31, 2014 and 2013

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

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