

# 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 or 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 [from the beginning] 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)
<b>Cash and cash equivalents...</b>	<b>¥72,798</b>	<b>¥41,764</b>	<b>\$774,040</b>

## 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	¥ 543,160	\$ 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
<b>Total.....</b>	<b>¥1,486,497</b>	<b>¥1,430,242</b>	<b>\$15,805,401</b>

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			Thousands of U.S. dollars		
	2013			2013		
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)	Consolidated balance sheet amount	Cost	Unrealized gains (losses)
Consolidated balance sheet amount exceeding cost:						
Stocks.....	¥ 109,718	¥ 58,455	¥51,263	\$ 1,166,598	\$ 621,536	\$545,062
Bonds: .....	1,244,739	1,212,706	32,033	13,234,873	12,894,270	340,602
Japanese government bonds.....	449,736	440,315	9,421	4,781,890	4,681,718	100,171
Japanese local government bonds.....	338,804	326,865	11,938	3,602,382	3,475,443	126,939
Japanese corporate bonds.....	456,198	445,525	10,673	4,850,600	4,737,108	113,491
Others.....	48,062	47,536	526	511,036	505,436	5,600
<b>Subtotal.....</b>	<b>¥1,402,521</b>	<b>¥1,318,697</b>	<b>¥83,823</b>	<b>\$14,912,508</b>	<b>\$14,021,242</b>	<b>\$891,265</b>
Consolidated balance sheet amount not exceeding cost:						
Stocks.....	¥ 2,038	¥ 2,081	¥ (42)	\$ 21,671	\$ 22,126	\$ (454)
Bonds: .....	52,095	52,379	(284)	553,909	556,934	(3,025)
Japanese government bonds.....	43,719	43,975	(256)	464,848	467,576	(2,727)
Japanese local government bonds.....	529	529	(0)	5,626	5,634	(7)
Japanese corporate bonds.....	7,846	7,874	(27)	83,433	83,724	(290)
Others.....	27,343	28,084	(740)	290,732	298,607	(7,875)
<b>Subtotal.....</b>	<b>81,476</b>	<b>82,544</b>	<b>(1,068)</b>	<b>866,313</b>	<b>877,668</b>	<b>(11,355)</b>
<b>Total.....</b>	<b>¥1,483,998</b>	<b>¥1,401,242</b>	<b>¥82,755</b>	<b>\$15,778,821</b>	<b>\$14,898,911</b>	<b>\$879,909</b>

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
<b>Subtotal.....</b>	<b>¥1,289,273</b>	<b>¥1,224,486</b>	<b>¥64,787</b>
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)
<b>Subtotal.....</b>	<b>138,419</b>	<b>141,424</b>	<b>(3,004)</b>
<b>Total.....</b>	<b>¥1,427,693</b>	<b>¥1,365,910</b>	<b>¥61,782</b>

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

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

	Millions of yen			Thousands of U.S. dollars		
	2013			2013		
	Sales amount	Gains on sales	Losses on sales	Sales amount	Gains on sales	Losses on sales
Stocks.....	¥ 1,021	¥ 296	¥ —	\$ 10,858	\$ 3,154	\$ —
Bonds: .....	554,514	4,417	147	5,895,954	46,974	1,563
Japanese government bonds.....	497,072	3,107	146	5,285,189	33,045	1,562
Japanese local government bonds.....	31,580	730	—	335,784	7,762	—
Japanese corporate bonds.....	25,861	579	0	274,980	6,166	0
Others.....	5,363	126	164	57,023	1,345	1,749
<b>Total.....</b>	<b>¥560,898</b>	<b>¥4,841</b>	<b>¥311</b>	<b>\$5,963,836</b>	<b>\$51,474</b>	<b>\$3,312</b>

	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
<b>Total.....</b>	<b>¥280,925</b>	<b>¥3,892</b>	<b>¥437</b>

#### (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				Thousands of U.S. dollars	
	2013		2012		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	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	\$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
<b>Total.....</b>	<b>¥2,822,561</b>	<b>¥2,743,438</b>	<b>\$30,011,286</b>

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
<b>Assets:</b>			
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
<b>Total.....</b>	<b>¥5,683</b>	<b>¥5,481</b>	<b>\$60,430</b>
<b>Liabilities:</b>			
Foreign bills of exchange sold.....	¥ 66	¥ 80	\$ 701
Accrued foreign bills of exchange.....	48	2	517
<b>Total.....</b>	<b>¥ 114</b>	<b>¥ 82</b>	<b>\$ 1,219</b>

## 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
<b>Total.....</b>	<b>¥49,980</b>	<b>¥39,890</b>	<b>\$531,423</b>

## 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
<b>Total.....</b>	<b>¥59,005</b>	<b>¥59,240</b>	<b>\$627,380</b>

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.

Location	Description	Classification	Impairment losses		Thousands of U.S. dollars
			Millions of yen		2013
			2013	2012	
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
<b>Total.....</b>			<b>¥202</b>	<b>¥359</b>	<b>\$2,149</b>

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

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Related liabilities			
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
<b>Total.....</b>	<b>¥4,090,014</b>	<b>¥3,985,459</b>	<b>\$43,487,658</b>

## 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
<b>Total.....</b>	<b>¥80,424</b>	<b>¥77,567</b>	<b>\$855,123</b>

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
<b>Total.....</b>	<b>¥80,424</b>	<b>\$855,123</b>

## 17. Bonds

Bonds at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars	Interest rate	Due
	2013	2012	2013		
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
<b>Total.....</b>	<b>¥29,519</b>	<b>¥38,577</b>	<b>\$313,874</b>

## 19. Acceptances and guarantees

All contingent liabilities arising from acceptances and guarantees are reflected in "Acceptances and guarantees." As a contra account, "Customers' liabilities for acceptances and guarantees," is shown as an asset representing the Bank's right of indemnity from the applicants.

The amounts "Acceptances and guarantees" and "Customers' liabilities for acceptances and guarantees" amounting to ¥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
<b>Total.....</b>	<b>¥15,019</b>	<b>¥13,715</b>	<b>\$159,694</b>

## 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
<b>Total.....</b>	<b>¥3,599</b>	<b>¥3,685</b>	<b>\$38,273</b>

## 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
<b>Total.....</b>	<b>¥9,876</b>	<b>¥8,423</b>	<b>\$105,011</b>

## 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
<b>Total.....</b>	<b>¥10,079</b>	<b>¥7,695</b>	<b>\$107,174</b>

## 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 a '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)
<b>Net leased property.....</b>	<b>¥1</b>	<b>¥ 3</b>	<b>\$14</b>

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
Due after one year.....	0	1	1
<b>Total.....</b>	<b>¥1</b>	<b>¥3</b>	<b>\$14</b>

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

Lease payments and depreciation expense under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
	Lease payments.....	¥1	¥3
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	2012
	Gross lease receivables.....	¥18,698	¥18,809
Unguaranteed residual values.....	717	771	7,624
Unearned interest income.....	(2,117)	(2,418)	(22,511)
<b>Investments in leases.....</b>	<b>¥17,297</b>	<b>¥17,162</b>	<b>\$183,922</b>

Maturities of lease receivables for finance leases that are deemed to transfer ownership of the leased property to the lessee are as of March 31, 2013 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2014.....	¥2
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
<b>Total.....</b>	<b>¥57</b>	<b>¥24</b>	<b>\$609</b>

## 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)
<b>Liability for employees' retirement benefits .....</b>	<b>¥(15,179)</b>	<b>¥(14,062)</b>	<b>\$(161,401)</b>

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
<b>Net periodic retirement benefit costs .....</b>	<b>¥3,597</b>	<b>¥3,975</b>	<b>\$38,246</b>

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)
<b>Total .....</b>	<b>¥ 20,420</b>	<b>¥ 21,940</b>	<b>\$ 217,123</b>
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)	—
<b>Total .....</b>	<b>¥(24,355)</b>	<b>¥(18,721)</b>	<b>\$(258,964)</b>
<b>Net deferred tax assets .....</b>	<b>¥ (3,935)</b>	<b>¥ 3,218</b>	<b>\$ (41,841)</b>

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)
<b>Actual effective tax rate .....</b>	<b>57.3%</b>	<b>49.4%</b>

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 above-mentioned policy and plan. The extent to which the Group complies with the established acceptable risk limit and other risk limits is monitored on a daily basis and is reported to management.

## **4) Derivative transaction management**

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

## **5) Quantitative information regarding market risks**

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

### **Interest-rate risks**

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

The Group's interest-rate risk amounts stood at ¥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 (\$182,243 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			2012		
	Consolidated balance sheet amount	Fair value	Difference	Consolidated balance sheet amount	Fair value	Difference
Call loans and bills bought.....	¥ 158,022	¥ 158,022	¥ —	¥ 183,565	¥ 183,565	¥ —
Investment securities						
Trading securities.....	2,957	2,957	—	3,745	3,745	—
Available-for-sale securities.....	1,480,422	1,480,422	—	1,423,433	1,423,433	—
Loans and bills discounted.....	2,822,561	—	—	2,743,438	—	—
Allowance for possible loan losses (*1).....	(37,135)	—	—	(35,283)	—	—
	2,785,426	2,814,806	29,379	2,708,155	2,732,684	24,529
Assets total.....	4,426,829	4,456,208	29,379	4,318,899	4,343,428	24,529
Deposits.....	4,090,014	4,090,829	815	3,985,459	3,986,989	1,529
Negotiable certificates of deposit.....	94,524	94,533	9	104,524	104,546	21
Borrowed money.....	80,424	83,021	2,597	77,567	79,077	1,509
Bonds.....	20,000	20,291	291	20,000	20,385	385
Liabilities total.....	4,284,962	4,288,677	3,714	4,187,552	4,190,998	3,445
Derivative transactions (*2)						
Deferred hedge accounting is not applied.....	10	10	—	170	170	—
Deferred hedge accounting is applied.....	(325)	(325)	—	(80)	(80)	—
Derivative transactions total.....	¥ (314)	¥ (314)	¥ —	¥ 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
<b>Total.....</b>	<b>¥1,113,853</b>	<b>¥824,729</b>	<b>¥748,848</b>	<b>¥414,288</b>	<b>¥490,125</b>	<b>¥633,723</b>

	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
<b>Total.....</b>	<b>¥1,135,823</b>	<b>¥843,611</b>	<b>¥692,952</b>	<b>¥400,258</b>	<b>¥470,733</b>	<b>¥589,043</b>

	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
<b>Total.....</b>	<b>\$11,843,203</b>	<b>\$8,769,052</b>	<b>\$7,962,234</b>	<b>\$4,404,984</b>	<b>\$5,211,324</b>	<b>\$6,738,152</b>

(\*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	—	—
<b>Total.....</b>	<b>¥3,684,727</b>	<b>¥514,006</b>	<b>¥26,229</b>	<b>¥40,000</b>	<b>¥—</b>	<b>¥20,000</b>

	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	—
<b>Total</b>	<b>¥3,607,829</b>	<b>¥502,557</b>	<b>¥17,165</b>	<b>¥10,000</b>	<b>¥30,000</b>	<b>¥20,000</b>

  

	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	—	—
<b>Total</b>	<b>\$39,178,388</b>	<b>\$5,465,244</b>	<b>\$278,884</b>	<b>\$425,305</b>	<b>\$—</b>	<b>\$212,652</b>

(\*) 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				2012			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the-counter:								
Currency swap:	¥109,949	¥68,906	¥110	¥110	¥127,182	¥103,164	¥ 166	¥166
Forward exchange contracts:								
Sold	12,372	—	(661)	(661)	6,928	—	(220)	(220)
Bought	12,232	—	560	560	6,106	—	224	224
Currency options:								
Sold	22,953	8,139	(813)	170	30,495	16,095	(1,341)	180
Bought	22,953	8,139	813	68	30,495	16,095	1,341	173
<b>Total</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ 10</b>	<b>¥249</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ 170</b>	<b>¥524</b>

  

	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
<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 111</b>	<b>\$2,651</b>

Notes: 1. The above transactions were revalued at the end of each of the years and the related gains and losses are reflected in the accompanying consolidated statements of 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				Thousands of U.S. dollars			
	2013				2013			
	Hedged items	Contractual value	Contractual value due after one year	Fair value	Hedged items	Contractual value	Contractual value due after one year	Fair value
Principle treatment	<b>Available-for-sale securities (bonds)</b>				<b>Available-for-sale securities (bonds)</b>			
Interest rate swaps:								
Receivable floating rate/pay fixed rate.....		¥50,000	¥50,000	¥(264)		\$531,632	\$531,632	\$(2,817)
Special hedging treatment	<b>Borrowed money</b>				<b>Borrowed money</b>			
Interest rate swaps:								
Receivable floating rate/pay fixed rate.....		210	210	Note3		2,232	2,232	Note3
<b>Total.....</b>				<b>¥(264)</b>				<b>\$(2,817)</b>
	Millions of yen							
	2012							
	Hedged items	Contractual value	Contractual value due after one year	Fair value				
Interest rate swaps:	<b>Borrowed money</b>							
Receivable floating rate/pay fixed rate.....		¥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				2012			
	Hedged items	Contractual value	Contractual value due after one year	Fair value	Hedged items	Contractual value	Contractual value due after one year	Fair value
Forward exchange contracts.....	<b>Loans denominated in foreign currencies</b>	¥1,334	¥—	¥(60)	<b>Loans denominated in foreign currencies</b>	¥1,540	¥—	¥(80)

Thousands of U.S. dollars			
2013			
Hedged items	Contractual value	Contractual value due after one year	Fair value
Forward exchange contracts .....	<b>Loans denominated in foreign currencies</b> \$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 year 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)
<b>Total</b> .....	<b>15,338</b>	<b>2,537</b>	<b>163,087</b>
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
<b>Total</b> .....	<b>(171)</b>	<b>(0)</b>	<b>(1,819)</b>
Land revaluation surplus:			
The amount arising during the period .....	—	—	—
Reclassification adjustments to profit or loss .....	—	—	—
Before adjustments to tax effect .....	—	—	—
The amount of tax effect .....	—	1,293	—
<b>Total</b> .....	<b>—</b>	<b>1,293</b>	<b>—</b>
<b>Total other comprehensive income</b> .....	<b>¥15,167</b>	<b>¥3,830</b>	<b>\$161,268</b>

### 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	
<b>For the year ended March 31, 2013</b>				
Basic EPS				
Net income available to common shareholders .....	¥5,544	263,896	¥21.00	\$0.223
<b>For the year ended March 31, 2012</b>				
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