

# 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 note 18).

#### (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)
<b>Cash and cash equivalents .....</b>	<b>¥256,862</b>	<b>¥72,798</b>	<b>\$2,495,744</b>

## 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
<b>Total .....</b>	<b>¥1,422,210</b>	<b>¥1,486,497</b>	<b>\$13,818,596</b>

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)
<b>Total .....</b>	<b>¥14,988</b>	<b>¥15,022</b>	<b>¥33</b>
	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)
<b>Total .....</b>	<b>\$145,627</b>	<b>\$145,958</b>	<b>\$320</b>

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
<b>Subtotal .....</b>	<b>¥1,295,326</b>	<b>¥1,191,288</b>	<b>¥104,038</b>
Consolidated balance sheet amount not exceeding cost:			
Stocks .....	¥ 2,207	¥ 2,548	¥ (340)
Bonds: .....	70,526	70,600	(74)
Japanese government bonds ..	22,957	22,977	(19)
Japanese local government bonds .....	16,493	16,519	(26)
Japanese corporate bonds .....	31,076	31,103	(27)
Others .....	35,921	36,176	(254)
<b>Subtotal .....</b>	<b>108,656</b>	<b>109,325</b>	<b>(669)</b>
<b>Total .....</b>	<b>¥1,403,982</b>	<b>¥1,300,614</b>	<b>¥103,368</b>
	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
<b>Subtotal .....</b>	<b>¥1,402,521</b>	<b>¥1,318,697</b>	<b>¥83,823</b>
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)
<b>Subtotal .....</b>	<b>81,476</b>	<b>82,544</b>	<b>(1,068)</b>
<b>Total .....</b>	<b>¥1,483,998</b>	<b>¥1,401,242</b>	<b>¥82,755</b>

	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
<b>Subtotal.....</b>	<b>\$12,585,755</b>	<b>\$11,574,893</b>	<b>\$ 1,010,862</b>
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)
<b>Subtotal.....</b>	<b>1,055,732</b>	<b>1,062,232</b>	<b>(6,500)</b>
<b>Total.....</b>	<b>\$13,641,488</b>	<b>\$12,637,135</b>	<b>\$ 1,004,352</b>

(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
<b>Total.....</b>	<b>¥385,316</b>	<b>¥5,799</b>	<b>¥1,886</b>

	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
<b>Total.....</b>	<b>¥560,898</b>	<b>¥4,841</b>	<b>¥311</b>

	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
<b>Total.....</b>	<b>\$3,743,839</b>	<b>\$56,344</b>	<b>\$ 18,324</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 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
<b>Total .....</b>	<b>¥2,916,953</b>	<b>¥2,822,561</b>	<b>\$28,341,945</b>

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
<b>Assets:</b>			
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
<b>Total .....</b>	<b>¥8,300</b>	<b>¥5,683</b>	<b>\$80,645</b>
<b>Liabilities:</b>			
Foreign bills of exchange sold ...	¥ 95	¥ 66	\$ 923
Accrued foreign bills of exchange .....	35	48	340
<b>Total .....</b>	<b>¥ 130</b>	<b>¥ 114</b>	<b>\$ 1,263</b>

## 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
<b>Total .....</b>	<b>¥42,665</b>	<b>¥49,980</b>	<b>\$414,545</b>

## 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
<b>Total .....</b>	<b>¥57,845</b>	<b>¥59,005</b>	<b>\$562,038</b>

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		Thousands of U.S. dollars
			2014	2013	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
<b>Total</b> .....			<b>¥156</b>	<b>¥202</b>	<b>\$1,515</b>

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		Thousands of U.S. dollars
	2014	2013	2014
Investment securities .....	¥154,283	¥158,883	\$1,499,057
Other assets (investments in leases) (Note 9) .....	720	1,811	6,995

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Related liabilities			
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
<b>Total .....</b>	<b>¥4,163,311</b>	<b>¥4,090,014</b>	<b>\$40,451,914</b>

## 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
<b>Total .....</b>	<b>¥69,255</b>	<b>¥80,424</b>	<b>\$672,901</b>

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
<b>Total .....</b>	<b>¥69,255</b>	<b>\$672,901</b>

## 17. Bonds

Bonds at March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars	Interest rate	Due
	2014	2013	2014		
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
<b>Total .....</b>	<b>¥30,951</b>	<b>¥29,519</b>	<b>\$300,728</b>

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:

	2013 Stock Option
<u>Year Ended March 31, 2014</u>	
<u>Non-vested</u>	
April 1, 2013—Outstanding	—
Granted	83,300
Canceled	(1,800)
Vested	(62,050)
March 31, 2014—Outstanding	19,450
<u>Vested</u>	
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
<b>Total .....</b>	<b>¥17,240</b>	<b>¥15,019</b>	<b>\$167,508</b>

## 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
<b>Total .....</b>	<b>¥3,775</b>	<b>¥3,599</b>	<b>\$36,678</b>

## 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
<b>Total .....</b>	<b>¥11,151</b>	<b>¥9,876</b>	<b>\$108,346</b>

## 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
<b>Total .....</b>	<b>¥4,011</b>	<b>¥10,079</b>	<b>\$38,972</b>

## 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)
<b>Net leased property .....</b>	<b>¥ 0</b>	<b>¥ 1</b>	<b>\$ 0</b>

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	—
<b>Total .....</b>	<b>¥0</b>	<b>¥1</b>	<b>\$0</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
	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)
<b>Investments in leases .....</b>	<b>¥17,174</b>	<b>¥17,297</b>	<b>\$166,867</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, 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
<b>Total .....</b>	<b>¥48</b>	<b>¥57</b>	<b>\$466</b>

## 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 .....	—	—
<b>Balance at end of year .....</b>	<b>¥42,515</b>	<b>\$413,087</b>

(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)
<b>Balance at end of year .....</b>	<b>¥29,946</b>	<b>\$290,963</b>

(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)
<b>Net liability (asset) arising from the balance sheet .....</b>	<b>¥ 12,568</b>	<b>\$ 122,114</b>

	Millions of yen	Thousands of U.S. dollars
Liability for retirement benefits .....	¥12,568	\$122,114
Asset for retirement benefits .....	—	—
<b>Net liability (asset) arising from the balance sheet .....</b>	<b>¥12,568</b>	<b>\$122,114</b>

(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)
<b>Net periodic benefit costs .....</b>	<b>¥2,777</b>	<b>\$26,982</b>

(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)
<b>Total .....</b>	<b>¥(2,192)</b>	<b>\$ (21,298)</b>

(6) Plan assets:

#### a. Components of plan assets

Bonds .....	26%
Stocks .....	49
Cash and cash equivalents .....	5
General accounts .....	20
<b>Total .....</b>	<b>100%</b>

(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 .....	—	—
<b>Balance at end of year .....</b>	<b>¥ 89</b>	<b>\$864</b>

(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)
<b>Total .....</b>	<b>¥ 19,245</b>	<b>¥ 20,420</b>	<b>\$ 186,989</b>
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)
<b>Total .....</b>	<b>(32,320)</b>	<b>(24,355)</b>	<b>(314,030)</b>
<b>Net deferred tax assets .....</b>	<b>¥(13,075)</b>	<b>¥ (3,935)</b>	<b>\$(127,040)</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, 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
<b>Actual effective tax rate .....</b>	<b>41.4%</b>	<b>57.3%</b>

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
<b>Total</b> .....	<b>¥1,009,188</b>	<b>¥894,849</b>	<b>¥764,669</b>	<b>¥387,833</b>	<b>¥442,282</b>	<b>¥649,650</b>

	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
<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>

	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
<b>Total</b> .....	<b>\$ 9,805,557</b>	<b>\$ 8,694,607</b>	<b>\$ 7,429,741</b>	<b>\$ 3,768,295</b>	<b>\$ 4,297,337</b>	<b>\$ 6,312,184</b>

(\*1) Loans in legal bankruptcy, virtual bankruptcy, and potential bankruptcy amounting to ¥57,353 million (\$57,258 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	—	—
<b>Total</b> .....	<b>¥3,791,579</b>	<b>¥473,277</b>	<b>¥31,290</b>	<b>¥30,192</b>	<b>¥—</b>	<b>¥20,000</b>

	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>

	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	—	—
<b>Total</b> .....	<b>\$36,840,060</b>	<b>\$4,598,493</b>	<b>\$304,022</b>	<b>\$293,354</b>	<b>\$—</b>	<b>\$194,325</b>

(\*) 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
<b>Total .....</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ 39</b>	<b>¥ 193</b>

	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
<b>Total .....</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ 10</b>	<b>¥ 249</b>

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
<b>Total .....</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 378</b>	<b>\$ 1,875</b>

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

2. Fair value is calculated using discounted cash flows.

(3) Stock-related transactions are not performed.

(4) Bond-related transactions are not performed.

(5) Financial product-related transactions are not performed.

(6) Credit derivative transactions are not performed.

#### Derivative transactions to which hedge accounting is applied

The following is the fair value information for derivative transactions to which hedge accounting is applied at March 31, 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	Note 3
<b>Total.....</b>		<b>—</b>	<b>—</b>	<b>¥(93)</b>

Millions of yen				
2013				
	Hedged items	Contractual value	Contractual value due after one year	Fair value
Principle treatment	Available-			
Interest rate swap:	for-sale			
Receivable floating rate/	securities			
pay fixed rate.....	(bonds)	¥50,000	¥50,000	¥(264)
Special hedging treatment				
Interest rate swaps:				
Receivable floating rate/	Borrowed			
pay fixed rate.....	Money	210	210	Note 3
<b>Total</b> .....		—	—	¥(264)

Thousands of U.S. dollars				
2014				
	Hedged items	Contractual value	Contractual value due after one year	Fair value
Principle treatment	Available-			
Interest rate swap:	for-sale			
Receivable floating rate/	securities			
pay fixed rate.....	(bonds)	\$485,814	\$485,814	\$(903)
Special hedging treatment				
Interest rate swaps:				
Receivable floating rate/	Borrowed			
pay fixed rate.....	Money	1,457	1,457	Note 3
<b>Total</b> .....		—	—	\$(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	Loans			
contracts.....	denominated			
	in foreign	¥1,242	¥—	¥(26)
	currencies			

Millions of yen				
2013				
	Hedged items	Contractual value	Contractual value due after one year	Fair value
Forward exchange	Loans			
contracts.....	denominated			
	on foreign	¥1,334	¥—	¥(60)
	currencies			

Thousands of U.S. dollars				
2014				
	Hedged items	Contractual value	Contractual value due after one year	Fair value
Forward exchange	Loans			
contracts.....	denominated			
	in foreign	\$12,067	\$—	\$(252)
	currencies			

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

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

## 31. Comprehensive income

The components of other comprehensive income for the years ended March 31, 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)
<b>Total</b> .....	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)
<b>Total</b> .....	110	(171)	1,068
<b>Total other comprehensive income</b> .....	¥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	
<b>For the year ended March 31, 2014</b>				
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
<b>For the year ended March 31, 2013</b>				
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		Accounts name	Year-end balance	
			Millions of yen	Thousands of U.S. dollars		Millions of yen	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	Accounts name	Year-end balance
			Millions of yen		Millions of yen
Yoshihisa Fujita	Director and relative	Lending operation loan, net of collection.....	¥(0)	Loans.....	¥26