

SHIGA BANK

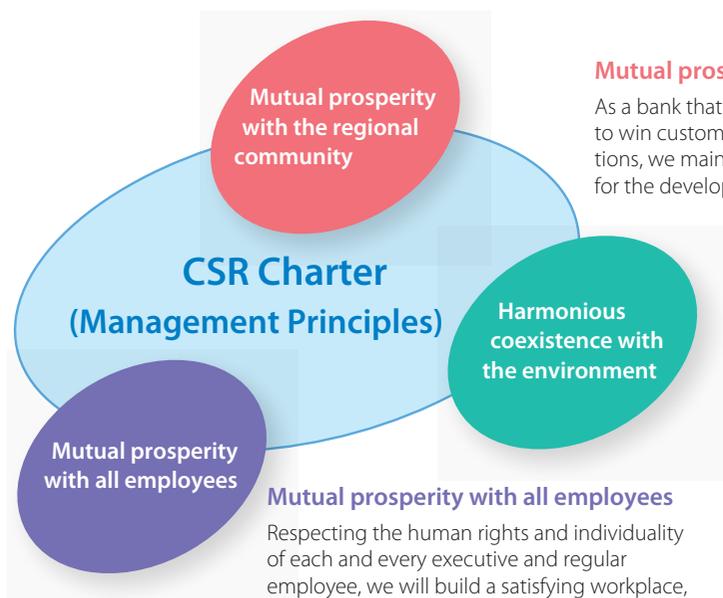
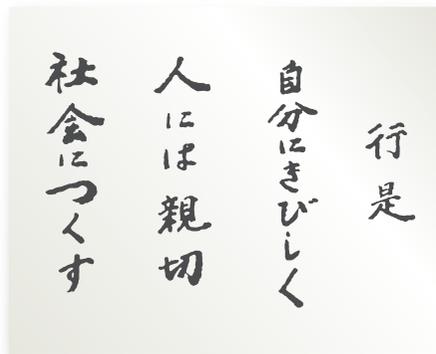
ANNUAL REPORT
2014

Year ended March 31, 2014



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

The Shiga Bank has its own motto of “Be tough on ourselves, kind to others and serve society,” which forms the starting point for corporate social responsibility (CSR). As a member of society, the Bank will work for mutual prosperity with society. The Bank’s motto carries on the “Sampo yoshi” philosophy, a management philosophy embraced by Merchants in the Omi region of central Japan, which means to bring happiness to three sides: being good for the seller, the buyer, and society.



Mutual prosperity with the regional community

As a bank that advances hand-in-hand with society, in order to win customer confidence and meet customer expectations, we maintain a sound and enterprising bank and work for the development of regional communities.

Harmonious coexistence with the environment

The social mission of our company, which is headquartered next to Lake Biwa, is environmental management. We are committed to protection of the global environment and the building of a sustainable society.

Mutual prosperity with all employees

Respecting the human rights and individuality of each and every executive and regular employee, we will build a satisfying workplace, and turn our bank into “Clean Bank Shigagin.” *

*Clean Bank Shigagin

Under its motto Clean Bank Shigagin, since 1999 Shiga Bank has sought to raise environmental awareness among all employees, and is committed to improving transparency of disclosure and realizing its aim of being a “clean bank”

There are four aspects to being clean:

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

Profile (As of March 31, 2014, on non-consolidated)

Corporate Name: THE SHIGA BANK, LTD.
Head Office: 1-38, Hamamachi, Otsu, Shiga 520-8686, Japan
Established: October 1, 1933
Total Assets: ¥4,755.8 billion
Deposits (including negotiable certificates of deposits): ¥4,268.8 billion
Loans: ¥2,924.8 billion
Common Stock: ¥33.0 billion
Employees: 2,262
Offices and Branches: 138 (including 10 agents)
Rating: JCR A⁺
R&I A⁺

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Consolidated Financial Highlights

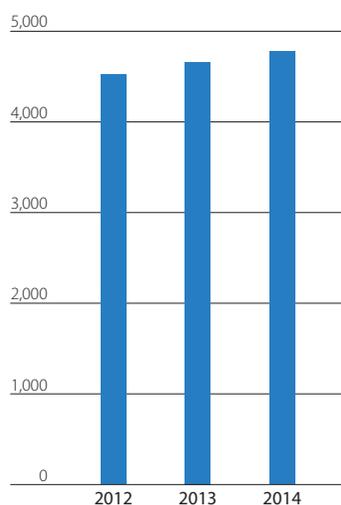
	Millions of yen			Thousands of U.S. dollars
	2014	2013	2012	2014
As of March 31				
Total assets	¥4,777,483	¥4,662,055	¥4,523,309	\$46,419,383
Investment securities	1,422,210	1,486,497	1,430,242	13,818,596
Loans and bills discounted	2,916,953	2,822,561	2,743,438	28,341,945
Deposits	4,163,311	4,090,014	3,985,459	40,451,914
Total equity	292,466	267,535	248,047	2,841,682
Years ended March 31				
Total income	88,519	88,872	91,082	860,075
Total expenses	69,072	74,991	72,998	671,123
Income before income taxes and minority interests	19,447	13,880	18,084	188,952
Net income	11,027	5,544	8,228	107,141
Per share data (in yen, dollar)				
Cash dividends	¥ 7.00	¥ 6.00	¥ 6.00	\$ 0.068
Net income	41.79	21.00	31.17	0.406
Net equity	1,091.45	998.62	926.27	10.60
Ratio				
Capital ratio	14.80%	14.14%	14.04%	—
ROE	3.99	2.18	3.43%	—

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

2. U.S. dollar amounts represent translation of Japanese yen at the rate of ¥102.92 to US\$1.00 on March 31, 2014, the final business day of the term.

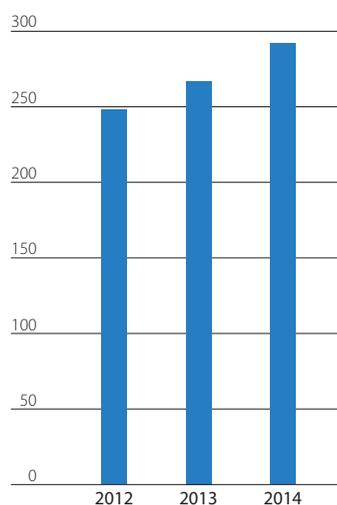
Total assets

(Billions of yen)



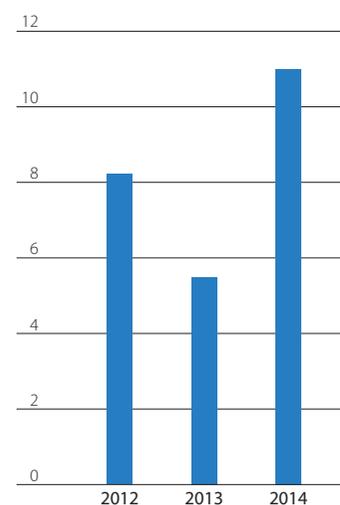
Total equity

(Billions of yen)



Net income

(Billions of yen)



Cautionary Statement with Respect to Forward-Looking Statements

Statements made in this annual report with respect to The Shiga Bank, Ltd.'s current plans, estimates, strategies and beliefs, and other statements that are not historical facts are forward-looking statements about the future performance of Shiga Bank. These statements are based on management's assumptions and beliefs in light of the information currently available to it, and therefore readers should not place undue reliance on them. Shiga Bank cautions readers that a number of important factors could cause actual results to differ materially from those discussed in the forward-looking statements.

Message from the President



Yoshio Daido
President

Beginning of stirrings toward escape from deflation

The Japanese economy is escaping the sense of stagnation caused by the deflation following the so-called bubble economy burst and has started moving toward recovery. Household and corporate sentiment has improved as a result of the policies of the current administration, and positive signs are being observed, including a broadening trend of economic recovery, chiefly in domestic demand such as private consumption and capital expenditure.

Meanwhile, Japan faces many social challenges such as demographic change due to aging population combined with low birth rate, widening regional disparities and fiscal problems. Moreover, turning eyes over to overseas, there are various factors which do not permit an optimistic outlook, including the economic slowdown in emerging countries, chiefly China, and resource producing nations, and mounting uncertainty due to geopolitical risks, such as the situation in Ukraine. In addition, there is no time to waste in tackling environmental issues such as global warming.

Efforts are being required to address these domestic and overseas issues as well as to strike a balance between sustainable growth and environmental preservation.

The era of the regional community has arrived

I believe that the revitalization of regional communities is the key to solving the diverse challenges faced by today's society and achieving sustainable growth. The expansion of the Japanese economy used to be driven by the major metropolitan areas, principally Tokyo. However, the advent of an era in which sophisticated computer technology is increasingly used due to the progress in Information and Communication Technology (ICT) has facilitated the development of attractive businesses in regional areas. I sense that the era of the regional community has now arrived.

Japan has a large number of distinctive local communities. Each of these local communities has diverse local resources, and, with unique businesses that leverage local features and resources, small and medium-sized enterprises can also develop businesses that takes on the world. I believe now is the time for us to change our business model, in other words to focus our management resources on our core competencies and focus our efforts on generating innovative and creative businesses that incorporate a new sense of values to revitalize the regional communities.

Efforts to meet stakeholders' expectations of Shigagin

In April 2013, we started the 5th Medium-Term Business Plan with the aim of making further contributions to our regional community to meet the expectations of all of our stakeholders. In addition to further enhancing our existing Saturday School for Entrepreneurship and Shigagin Eco Business Matching Fair as well as various seminars, the Bank launched new initiatives, such as establishing the Shigagin Growth Strategy Fund to support the development of new businesses in growth sectors and handling Agribusiness Loans that aim to strengthen the framework of support for the agriculture sector. We also pursue initiatives aimed at secondary start-ups and new businesses through such means as actively providing new loans in sectors related to renewable energy, including solar power generation, and health care. In addition, the Bank proactively pursue initiatives centered on the Regional Promotion Office with an eye to public-private partnership, regional revitalization and regional development that include the conclusion of a Community-Based Partnership Agreement with Shiga Prefecture and a Memorandum on Support for Business Creation and New Business with Shiga Prefectural Federation of Societies of Commerce and Industry.

An increasing number of our customers state that they wish to sell outstanding products and services to rapidly-developing China and ASEAN countries and plan to expand overseas to bring in the "growth" of Asia. We utilize our overseas network linking the Hong Kong Branch which is the only overseas branch run by a regional bank in Kinki, the Shanghai Representative Office, the Bangkok Representative Office, and the Asia Desk at the Head Office to actively provide support for these customers.

Aiming for the realization of a sustainable society

In April 2014, the Intergovernmental Panel on Climate Change (IPCC) made the shocking announcement that global greenhouse gas emissions need to be slashed to nearly zero by the end of this century in order to successfully "limit the increase in temperature to two degrees Celsius," which is necessary to avoid dramatic change in the

earth's environment. We urgently need to strengthen efforts to strike a balance between economic growth and environmental preservation with the aim of realizing a low carbon, recycling society and coexistence with nature. Recently, the ethical way of thinking and acting appears to have become popular. The ethical way of thinking is an approach that has made CSR activities more profound, and it guides corporate conduct and consumption behavior to consider the environment, community and human rights based on an inherently human outlook on ethics and morals. As an approach in the spirit of the Omi merchant philosophy of Sanpo-yoshi (three-way benefit to self, business partners and society at large), it is a way of thinking that aspires for the creation of a sustainable society.

Without the revitalization of regional communities, the Japanese economy will not grow, and without harmonious coexistence with the earth's environment, there will be no economic growth. Now is the time to rally public wisdom.

Based on this awareness, Shiga Bank will strive to balance economic growth and regional revitalization with the preservation of the earth's environment and is committed to concentrating its efforts on the realization of a sustainable society.



80 years thanks to our customers

Digest of 80th Anniversary Celebration Projects

On October 1, 2013, the Bank celebrated the 80th anniversary of its founding. We held various celebration projects as a token of our gratitude and with the aim of achieving harmonious coexistence and mutual prosperity with the regional community.

これまででも
これからも。



Slogan
**In the past
and for the future**

This expresses our gratitude to our customers in the past and our determination for the future.

With gratitude to our customers

Promotional campaigns

The Bank ran three promotional campaigns in which we offered 80th anniversary celebration gifts according to contract details. To increase the appeal of the regional brand, we also offered gifts made up of local Kyoto and Shiga delicacies such as Omi beef which gained favorable recognition.



Added to the product lineup
by popular demand

Shigagin Twin Plan Dedicated for Retirement Benefits

The Shigagin Twin Plan Dedicated for Retirement Benefits which gave a special time deposit interest rate to customers who applied for a time deposit at the same time as an investment trust for their retirement benefit received favorable recognition.

We added it to our product lineup as an exclusive product that can meet important retirement benefit management needs.



September 23, 2013

Shiga Bank 80th Anniversary Concert

We held the 80th Anniversary Concert at the Biwako Hall Center for the Performing Arts, Shiga. Conducted by (Mr.) Yutaka Sado, a leading international conductor, the wonderful concert by internationally renowned accordionist Mie Miki and the Hyogo Performing Arts Center Orchestra was met with great applause, and the hall was filled with a sensational impression.





Yoshimoto Shinkigeki Comedy Performance

We selected 12,000 people by lottery to be invited to the Yoshimoto Shinkigeki Variety Performance for our customers receiving their pensions via our bank. In addition to *manzai* (Japanese stand-up comedy), skits and *rakugo* comic monologues, there was also the Yoshimoto Shinkigeki and a prize raffle, and the venues were filled with laughter.

September 7, 2013: Biwako Hall
September 14, 2013: Youkaichi Cultural and Performing Arts Center
September 21, 2013: Shiga Theatre for Cultural and Industrial Development
September 28, 2013: Koga Aikoka City (citizen) Hall
October 5, 2013: Moriyama Citizen Hall

May 25, 2013

Shigagin Business Forum 2013: Saturday School for Entrepreneurship Shiga Bank 80th Anniversary Celebration Lecture

Speakers: (Mr.) Yoshio Ichiryu, President&CEO, Ichiryu Associates, inc.
(Mr.) Akio Yamada, Director and Senior Advisor, Mirai Industry Co., Ltd.

November 5, 2013

Shiga Bank 80th Anniversary Celebration Business Club Seminar

Speaker: Isao Harimoto
(former pro-baseball
player) at Otsu Prince Hotel



The Bank also held commemorative lectures in Kyoto, Osaka, Tokyo and Nagoya. Entire venues were captivated by the enthusiastic presentations of the speakers, and attendees commented that they learned a lot from the presentations and that the speeches changed their mindsets.

Gratitude for support from our shareholders

80th Anniversary Commemorative Dividend

Out of gratitude for the support we have received from our shareholders, we paid a year-end dividend of four yen per share in the fiscal year ended March 31, 2014, which included a commemorative dividend of one yen per share.

For mutual prosperity with the regional community and harmonious coexistence with the environment

We integrated the *Ikimonogatari* CSR activities that we were previously implementing individually into the *Ikimonogatari* Project, which we developed as a Shiga Bank 80th Anniversary Celebration Project. Please see page 16 for details.

Shiga Bank 80th Anniversary Celebration Publicity

Main Poster

Tepei Hayakawa, the paper-cutting artist who lives in Maibara City, created the Bank's original design based on the theme of harmonious coexistence and mutual prosperity.



Television commercial and song for commercial

Our commercial which tells the story of the release of Nigrobuna and Wataka fingerlings, endangered indigenous fish species, into Lake Biwa won a Prize for Excellence at the 17th Environmental Communication Awards. The song for the commercial was composed by Ayano Tsuji, the songwriter and ukulele player, in celebration of our 80th anniversary.





For the Future with You

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

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

Main Theme

Awareness-raising and behavioral improvement for improving customer satisfaction

Behavioral Guidelines

Faithfulness, imagination, and enthusiasm

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

Basic strategy

1

Provision of solutions matching the customers

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

<Being strong in Networks>

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

<Being strong in Asia>

- (iv) Support the overseas businesses of our customers

<Being highly CSR-conscious>

- (v) Develop CSR activities together with our customers

Strengthening of profitability

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

Reduction of expenses

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

Risk management

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

Bank motto:

Be tough on ourselves, kind to others and serve society

CSR Charter (Management Principles):

Mutual prosperity with the regional community,

ROE (return on equity)

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

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

OHR (Overhead ratio)

An indicator showing how efficiently the bank is being managed

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



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

[Name and the concept of the basic vision]

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

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

Imagination: a keen sensibility and abundant ideas

Enthusiasm: full dedication and strong will

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

Basic strategy

2

Further contributions to the regional economy

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

Basic strategy

3

Construction of a resilient business foundation

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

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

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

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

Regional contribution goals (by the final fiscal year)

Total deposits (end of year balance) ¥4.3 trillion
Total loans (end of year balance) ¥3.0 trillion

<Promotion of relationship banking> (cumulative over the period of the plan)

Network: number of customers for which we provide the ratings communication service: 3,200 customers
Number of instances of business matching meetings: 3,000 instances

Asia: number of instances of overseas business support: 4,300 instances

CSR: total number of people participating in volunteer activities: 7,500 people

mutual prosperity with all employees,

harmonious coexistence with the environment

Common equity Tier 1 ratio

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

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

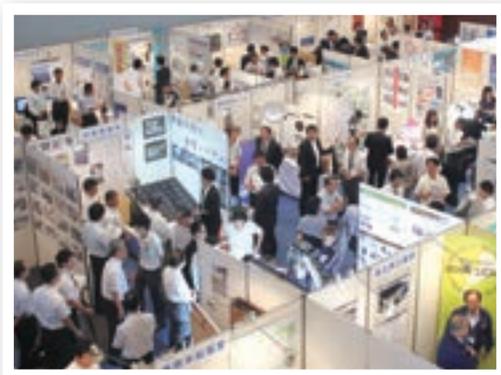
The Year for Shigagin

Initiatives for Relationship Banking

“Being strong in Networks”

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

We held the Shigagin Eco Business Matching Fair 2014 this year as well. With 86 companies and organizations presented exhibits and 1,660 visitors at the fair, enthusiastic business discussions were held.



We concluded a Community-Based Partnership Agreement with Shiga Prefecture to collaborate in a total of 11 areas including promotion of industry in the prefecture and regional revitalization. This will strengthen out initiatives aimed at “further contributions to the regional economy.”



We gave presentations on public relations techniques for food ingredients and products at the Shigagin Seminar on Expanding Sales Channels for Agricultural and Food Products. We held a seminar on hexagonal industrialization with the aim of increasing awareness about it.



Shigagin Seminar on Expanding Sales Channels for Agricultural and Food Products

“Being strong in Asia”

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

Thanks to our customers, the Hong Kong Branch celebrated the 20th anniversary since its establishment and the Shanghai Representative Office celebrated 10 years since its establishment. To express our gratitude, we held get-togethers for customers at both sites, which were attended by 217 guests from 195 companies. The Bank works to support overseas business while at the same time revitalizing the regional economy as a whole through improving the business performance of our customers.



The Bank concluded operational alliance agreements with Metropolitan Bank and Trust Company (the Philippines) in July 2013, with the Hong Kong Trade Development Council (Hong Kong) in September 2013 as the first regional bank in the Kinki region, and with Vietcombank (Vietnam) in December 2013.



Signing ceremony with Hong Kong Trade Development Council

In April 2013, the Bank set up a new short-term overseas training program and sent trainees to our Hong Kong Branch for three months in order to train Area International Services Promotion Leaders.

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

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

“Being highly CSR-conscious”

We have positioned the pursuit of CSR (corporate social responsibility) with an environmental focus as the “essence of bank management.” Under our motto “Clean Bank Shigagin,” and based on “environmental management,” which incorporates the environment in management, we have developed “environmental finance,” which embeds the environment in finance as an initiative to preserve the environment through our core business, and “environmental volunteer” activities.

At the 17th Environmental Communication Awards sponsored by Japan’s Ministry of the Environment among others, the Bank’s CSR Report 2013: Together with You was awarded for the highest-ranked Environmental Report Grand Prize while the Bank’s television commercial “Release of Nigorobuna and Wataka fingerlings” was awarded for a Prize for Excellence. This was the first time that the Bank has earned double commendations.



Environmental Communication Grand Prize Awarding Ceremony

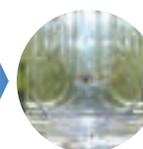
The Bank’s environmental preservation activities and initiatives for “environmental finance” were included in the senior high school textbook *Gendai Rinri (Modern Ethics)* published by Shimizu Shoin Co., Ltd.



The Bank ran a Project to run Biwa trout upstream as a Shiga Bank 80th Anniversary Celebration *Ikimonogatari* Project. Approximately 600 of the Bank’s executives and employees raised this endangered species indigenous to Lake Biwa from eggs and released the grown fingerlings.



Biwa trout eggs



Fingerlings



Scene of the release

Numerical Targets and Performance in Our Commitment to Relationship Banking (April 2013 – March 2014)

Specific initiatives	Targets for the year ending March 31, 2016	Results as of March 31, 2014	Progress toward goal as of March 31, 2014 (%)
● Numerical targets in the 5th Medium-Term Business Plan			
ROE (consolidated)	3.0% or higher	3.99%	
OHR (non-consolidated)	Below 70%	70.18%	
Common equity Tier 1 ratio (consolidated) *1	10.0% or higher	10.50%	
Greenhouse gas emissions reduction *2	20% cut	22.99% cut	
● Initiatives for “providing expertise and care under three brand-building strategies”			
1. Initiatives for “being strong in Networks”			
Number of times setting up business matching meetings ★	3,000	1,300	43.3%
Number of times providing new business support: acting as coordinator	150	106	70.6%
Number of customers with business loans	18,000	18,205	101.1%
Number of times providing “Communications Services” (cumulative total) ★	3,200	2,805	87.6%
Number of customers supporting formulation of business improvement plans (cumulative total) *3	3,000	2,835	94.5%
2. Initiatives for “being strong in Asia”			
Number of times providing overseas business support *4 ★	4,300 cases	2,267 cases	52.7%
Number of times holding overseas business talks, seminars and overseas study tours	30	17	56.6%
3. Initiatives for “being high CSR-conscious”			
Total number of loans under the PLB Fund/Eco-Clean Loan Program *5	600	216	36.0%
Total Eco-plus Time Deposit and Internet banking service agreements (total)	500,000	155,540	31.1%
Total number of people taking part in volunteer activities ★	7,500	2,750	36.6%

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

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

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

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

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

*5 PLB Fund Principles for Lake Biwa Support Fund

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

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

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

1. Initiatives for Supporting Management at Small and Medium-Sized Enterprises

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

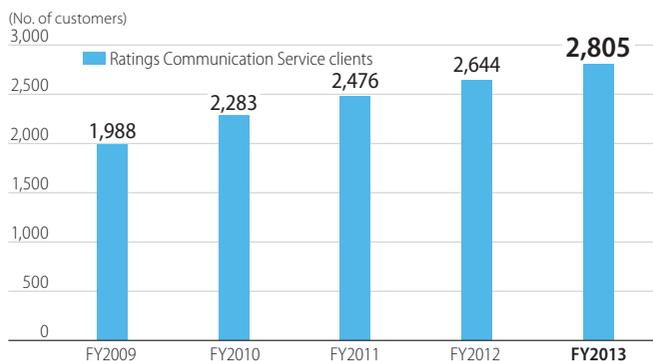
2. Progress on Establishment of Environment for Supporting Management at Small and Medium-Sized Enterprises

Ratings Communication Service

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

Using the “Ratings Communication Service,” the Bank shares with its clients their respective “strengths” and “weaknesses” which were discovered through the rating process. The service also aims to support the clients in building sustainable management infrastruc-

Rating Communication Service clients (cumulative total)



tures and increasing their corporate value, by working together with them to solve their problems and improve their financial condition. Specifically, after asking the customers about its management vision, we propose and provide support for improvement measures for the challenges and problems that the Bank perceives.

Backing up the corporate management of our customers

We offer extensive support to customers working to improve their management. The Company Management Support Office in the Credit Supervision Department is at the center of these activities. Qualified employees, including certified small and medium enterprise management consultants, comprise this Office. The Office members provide management support to our corporate customers by making active use of their expertise and collaborating with external experts, such as lawyers, certified public accountants, tax accountants and consulting companies.



3. Progress of Initiatives for Supporting Management at Small and Medium-Sized Enterprises

Support for Business Creation and Development of New Businesses, Support for Growth Stage

Strengthening of New Financing

Commencement of Agribusiness Loan Offering

The Bank concluded a debt guarantee agreement with Shiga Prefecture Agricultural Trust Fund Association and began offering an agribusiness loan guaranteed by the Association in May 2014. The Loan has enabled the Bank to offer more extensive support for agriculture-related financial needs.

■ Fund for Communicating Shiga's Appeal (crowdfunding)

The Fund for Communicating Shiga's Appeal, which invests in tourism businesses, supports businesses working to increase the appeal of Shiga's regional brand and develop new products and services utilizing local resources. The Bank is providing business matching services in partnership with Music Securities Inc., which has a track record in crowdfunding. The Bank invested in a fund that has the objective increasing the brand power of Kurokabe Corpora-



Biwa pearls

tion, the operator of Kurokabe Glass Shop (Nagahama City, Shiga Prefecture), and in a fund that has the objective of reviving the fresh-water pearl industry in which production volumes are dropping sharply.

■ Shigagin Growth Strategy Fund

The Bank invested in the Shigagin Growth Strategy Fund Investment Limited Partnership, with Shigagin Lease Capital Co., Ltd. and REVIC Capital Co., Ltd. as joint unlimited partners, in order to support customers seeking growth by making investments, and concluded a partnership agreement in April 2014. The Bank aims to improve the corporate value of the companies it invests in by making investments in venture enterprises as well as small and medium-sized enterprises and providing hands on support for growth.

Support for Business Creation and Development of New Businesses

■ Developing new businesses

To assist in the development of new businesses that realize new growth for our customers, we are providing in a wide range of activities including (i) offering the hints for the new business through Saturday School for Entrepreneurship, (ii) industry-academia-government cooperation through the new business support network Shigagin Nonohana Support Group, and (iii) equity investment through the Shigagin New Business Support Loan and the Shigagin Growth Strategy Fund which meet diverse funding needs.

■ Business Forum: Saturday School for Entrepreneurship

The "Saturday School for Entrepreneurship" supports a strong spirit of entrepreneurship through lectures by business executives currently active in each field and presentations about the latest trends in each field by experts, based on themes such as medical care and health, local resources and next generation infrastructure.

In May we started the "Saturday School for Entrepreneurship" business forum for fiscal year 2014, which is the fifteenth year. This fiscal year, we are continuing to add breakout sessions and introduce content for creating more practical business ideas. The school will be held on Saturdays, five times, until February 2015.

Performing our consulting function

■ Conclusion of agreement with Japan Science and Technology Agency

The Bank became the first regional bank to conclude an Agreement on Operational Partnership and Cooperation between Industry and Academia with the Japan Science and Technology Agency (JST).

The Bank will support the industry-academia partnership activities of our customers through its collaboration with JST, contributing to the development of regional industry.

Supporting development of sales channels

■ Business Matching

In order to support the creation of new "business flow" by matching the seeds and needs of our customers, we leverage the Bank's network of branches to introduce and propose as candidates companies that satisfy the demands of our customers, including corporations and sole proprietors.

■ Eco Business Matching Fair 2014

We held the "Eco Business Matching Fair 2014" on July 3, 2014 to provide a forum for business discussions focusing on environmental businesses. This year was the seventh time we have held the fair. 86 companies and organizations presented exhibits in sectors such as new energy, energy saving and recycling, with 1,660 visitors, and 705 business talks held.

We newly established "Shiga Prefecture Health Creation" Special Zone Corner to highlight Special Zone initiatives and support measures.

In addition, carried on from last year, we established the "Asian Market Expansion Support Corner" as part of our support for overseas business.



Our Services for Corporate Customers and Sole Proprietors

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

Assisting customers develop environmental management

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

Shiga Bank Principles for Lake Biwa (PLB)

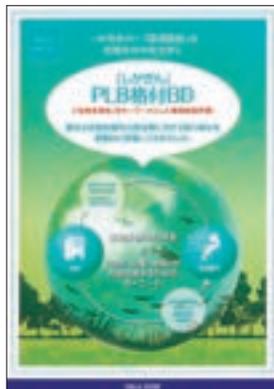
The Bank has established "the Shiga Bank Principles for Lake Biwa (PLB)" to protect Lake Biwa and the global environment, and is enlisting support for these principles.

Adoption of the PLB rating

As part of its initiatives for preserving the environment, the Bank rates customers who have agreed with the principles of the PLB and offers interest-rate incentives. It uses five grades (L1 through L5) for the ratings, which are based on its unique evaluation standards developed in accordance with "CSR Management Documents with an Environmental Focus."

PLB rating BD

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



Principles for Lake Biwa support fund (PLB Fund)

When extending loans to customers who adopt initiatives to preserve the environment and biodiversity, the Bank examines the status of the initiatives and offers a discount up to a maximum of 0.6% per annum on annual interest rates on loans, in accordance with the applicable PLB rating and PLB rating BD.



As of the end of March 2014, a total of 1,475 loans of the fund worth ¥31.5 billion had been summed up.

*BD: biodiversity

PLB rating 80

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

Carbon Neutral Loan, Mirai-Yoshi (Bright future)

To preserve the environment and the ecological system of Lake Biwa, the Bank offers a "Carbon Neutral Loan, Mirai-Yoshi," which is designed to encourage customers to reduce emissions of greenhouse gas.

Under this initiative, the Bank estimates the reduction in greenhouse gas emissions achieved by its customers through their introduction of solar power generation systems and other environmentally friendly systems made possible by using the Bank's environmental preservation financial products. The Bank then converts the reduced emission amount into a monetary value based on emissions trading prices. This is then used as funds for the release program of *Nigorobuna* and *Wataka* fish, endangered indigenous species of Lake Biwa.



Nigorobuna fish



Wataka fish

Overseas Business Support

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

Asia Network



Banks and organizations which have agreed to be in business alliances and cooperate with Shiga Bank (in the order in which agreements were concluded)

(as of the end of June 2014)

Name of bank or organization	The alliance or cooperation was agreed on...
① Vietcombank (Hanoi, Vietnam)	December 2013
② Hong Kong Trade Development Council (Hong Kong)	September 2013
③ Metropolitan Bank and Trust Company (Manila, the Philippines)	July 2013
④ Thailand Board of Investment (Thailand)	June 2013
⑤ State Bank of India (India)	February 2013
⑥ Bank Negara Indonesia (Indonesia)	September 2012
⑦ Bangkok Bank (Thailand)	November 2008
⑧ Kasikorn Bank (Thailand)	November 2008
⑨ Bank of China (China)	June 2003
⑩ Industrial and Commercial Bank of China Limited (China)	November 2002

Short-Term Overseas Training Program to Train "Area International Services Promotion Leaders"

To strengthen our support for our customers' Asian business, we send trainees to the Hong Kong branch for three months.

After returning to their jobs, they are offering a menu of overseas solutions to customers at our offices.

Reinforcing the structure of the Bangkok Representative Office

In April 2013, the Bank increased the number of staff at the Bangkok Representative Office by two in order to strengthen the support structure for our customers expanding into Southeast Asia. With four members of staff composed of two employees posted from Japan and two local employees, the Bangkok Representative Office has been enabled to provide even more support on the ground.

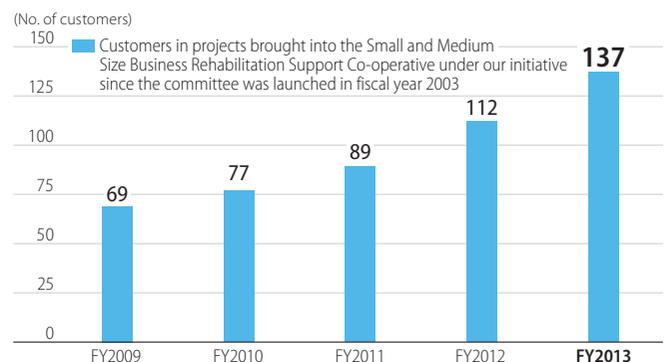
Support for management improvement, business revitalization and change in business activities

Initiative for fundamental business revitalization support

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

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

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

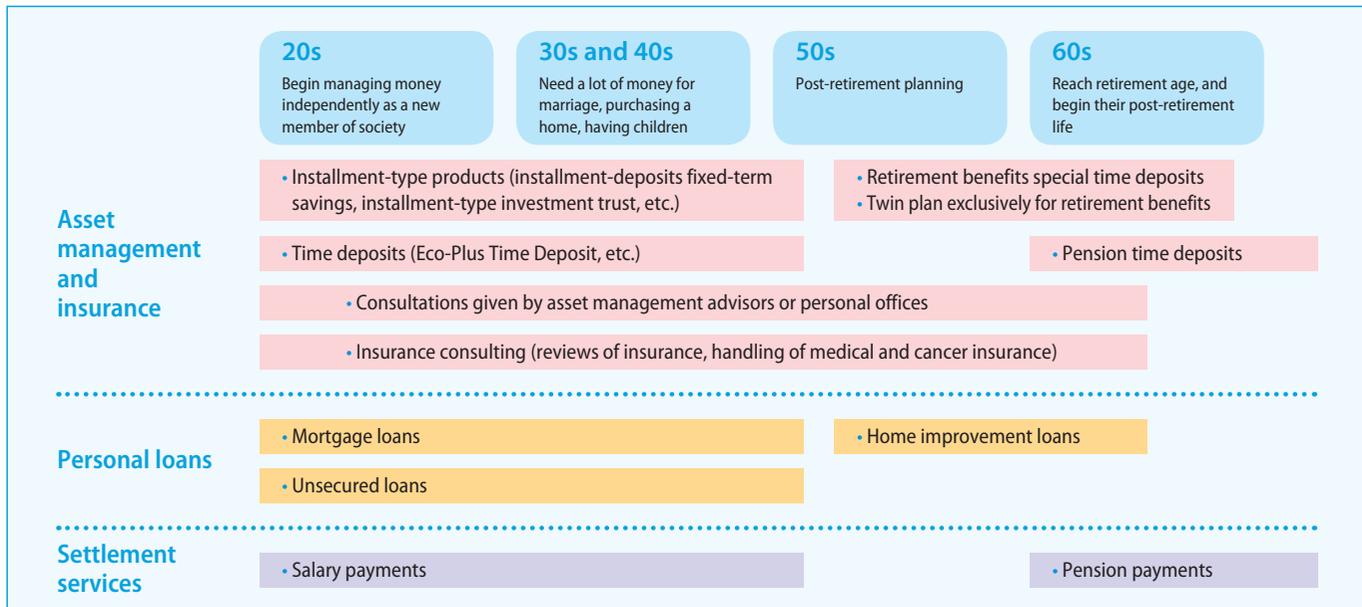


4. Progress of Initiatives on Regional Revitalization

Concluding Community-Based Partnership Agreement with Shiga Prefecture

The Bank concluded a Community-Based Partnership Agreement with Shiga Prefecture in March, 2014 as the first company in the financial industry. Under the agreement, we will cooperate with the prefecture in 11 items, including promoting industry in the prefecture and regional revitalization. Through the agreement, the Bank will further reinforce its relationship of mutual cooperation with Shiga Prefecture and strengthen initiatives on "further contributions to the regional economy."

Providing products and services



NISA Seminars

The Bank held seminars on NISA (Japanese ISA) to deepen our customers' understanding about these products and asset management from the perspective of the process "from saving to investment." We are holding the seminars on an as needed basis even on the holidays, Saturdays and Sundays.



A seminar

Increased Quality, Speed and Volume of Information Provision with Introduction of Tablets

The Bank's customer service officers began using tablets in order to provide customers with timely information and proposals that match their needs.

As a result, it is possible to provide customers with the information they need quickly in a visual format, including market information such as share prices and exchange rates, and information on individual funds, to achieve proposals and after sales service that are more closely tailored to customers' requirements than in the past.



150 tablets introduced

Commenced Dissemination of Information using LINE (social network)

In March 2014, the Bank became the first regional bank in the Kinki region to set up an account with smartphone communication app LINE. We have disseminated information in a timely manner, including information on promotional campaigns and convenient services.

LINE@



Eco-Plus Time Deposit

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

The Bank has donated a cumulative total of ¥13,790,000 to 29 schools to support the creation of biotopes in the elementary schools in Shiga Prefecture (as of July 7, 2014).



A Duty to be Fulfilled for Development of Sustainable Society

We are developing CSR activities based on the three key concepts of “environment,” “welfare,” and “culture” in order to achieve the goals of “mutual prosperity with the regional community,” “mutual prosperity with all employees,” and “harmonious coexistence with the environment” put forth in the CSR Charter (Management Principles), which has as its starting point the Bank’s motto, “Be tough on ourselves, be kind to others and to serve society.”

Certified Again as “Eco-First Enterprise”

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



Awarded Grand Prize at 15th Green Purchasing Awards

The Bank’s initiatives to extensively and continuously reduce environmental impact were recognized and awarded a Grand Prize in December 2013. (Sponsor: the Green Purchasing Network)



Double Commendation at 17th Environmental Communication Awards Environmental Communication Grand Prize in Environmental Report Division, Prize for Excellence in Environmental Television Commercial

In March 2014, the Bank’s CSR Report 2013: Walking (together) with You and our television commercial showing “Release of Nigorobuna and Wataka fingerlings” received high acclaim for being outstanding environmental communication, and we received double commendation with honour. (Sponsors: the Ministry of the Environment and Global Environmental Forum)



80th Anniversary Celebration Project

Ikimonogatari Project

The Bank has developed diverse CSR activities in the past based on its CSR Shigagin brand strategy. We integrated these activities into the *Ikimonogatari Project*, a Shiga Bank 80th Anniversary Celebration Project, and conducted activities with sustainability, potential for development and a strong narrative through to the end of March 2014.

- Shigagin Welfare Fund awards ceremony
- Volunteers for fishing to eradicate exotic fish species
- School biotope awards ceremony
- Plastic bottle cap recycling activities
- Used stamp collection activities
- Presentation of ¥1.7 million to project to release Nigorobuna and Wataka fingerlings
- Forest building activities
- UNICEF foreign coin presentation ceremony
- Exhibiting in the Biwako Environmental Business Exhibition 2013 (Biwako Business Messe)
- Susuki grass cutting at Ibuki
- Planting reed seedlings
- Cutting reeds
- Nigorobuna and Wataka fingerling release ceremony
- Project to run Biwa trout upstream



Forest building activities



UNICEF foreign coin presentation ceremony



Planting reed seedlings



Project to run Biwa trout upstream

BCP

Business continuity

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

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

Toward operation of an effective “Business Continuity Plan”

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

Based on these business continuity plans (BCPs), learning from the Great East Japan Earthquake, the Bank formulated the “Earthquake Disaster Initial Response Manual” and the “Nuclear Power Facility Accident Initial Response Manual” to make initial responses at the time of a disaster clear, and the Bank also established regulations, manuals and procedures for crisis management, disaster prevention and other areas.

Moreover, we ran training and education based on our annual schedule that included initial response and decision-making drills for the Crisis Response Division, working to ensure and enhance its effectiveness for all employees. Moreover we regularly hold meetings of the BCP Committee chaired by the Senior Managing Director, keep everyone in the bank informed, and continuously revise our in-house systems.



Training at Emergency Headquarters

Disaster measures

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

Maintaining the functions of on-line systems

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

Maintaining the functions of branches

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



Introduction of satellite cell-phones

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

Distribution of Emergency Supplies

The Bank distributed safety helmets for all employees and visitors to our branches as well as emergency toilets and water carriage bags in case of water supply failure and emergency food and drinking water to all our branches.

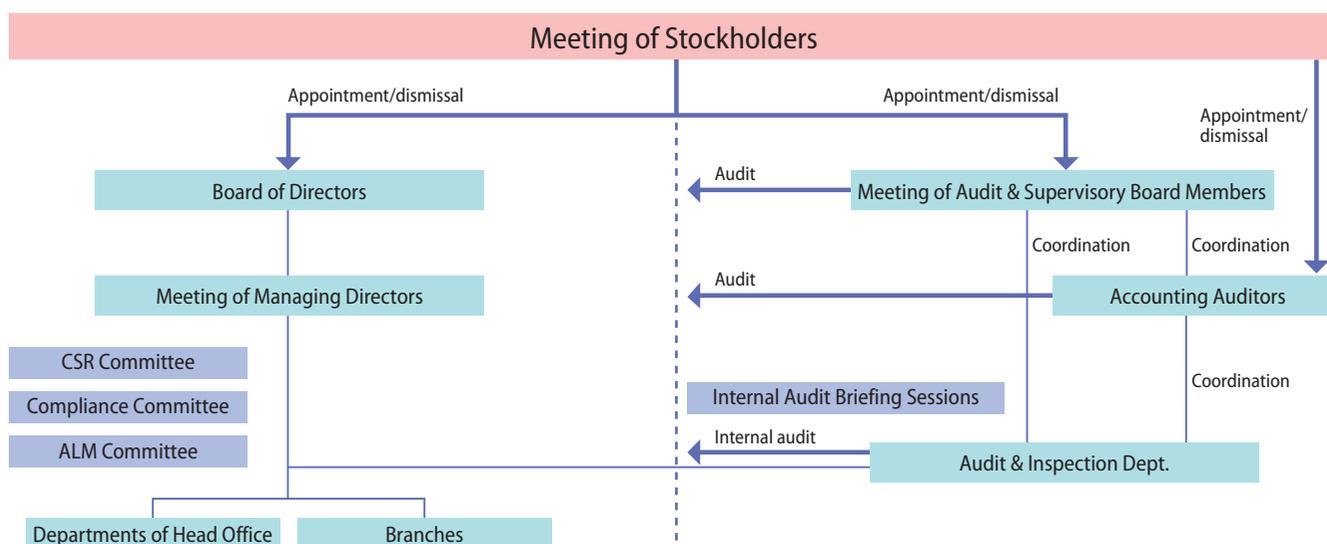


Emergency supplies

Corporate Governance

Based on its commitment to being a partner for prosperity for local communities, the Bank is upgrading its corporate governance system to ensure soundness, efficiency, and transparency of management. In addition to strengthening risk management, we are pursuing a number of specific initiatives. These include improving operating efficiency, instilling full compliance with legal and ethical rules, disclosing information in an appropriate and timely manner, and upgrading the content of materials disclosed. In addition, we intend to constantly review the status of corporate governance in order to properly address the ever-changing business conditions that we face.

Shiga Bank's corporate governance system (as of the end of June 2014) is shown in the chart below.



Company Organizations (as of the end of June 2014)

(1) Board of Directors

The Board of Directors, with 17 members, including one from outside the Bank, meets once a month in principle. At the meetings, decisions are made on important business matters for conduct business. Audit & Supervisory Board Members attend all such meetings to monitor the performance of directors.

(2) Meeting of Audit & Supervisory Board Members

Meeting of Audit & Supervisory Board Members has four statutory auditors, including two from outside the Bank. The Board meets once a month, in principle. Audit & Supervisory Board Members also attend other important meetings, including those of the Board of Directors and Executive Committee, as well as internal audit briefing sessions. They also audit the performance of directors in their duties through ongoing examination of the Bank's business performance and financial position.

(3) Meeting of Managing Directors

The Executive Committee consists of the president, senior managing directors, and managing directors. It meets as necessary to make swift decisions about overall operations, including investment plans, new product development, business structural changes and monitoring the risk environment. Important items related to the execution of business are submitted to the Board of Directors.

(4) Internal Audit System

Seeking to conduct its business in a sound and appropriate manner, the Bank established the Audit & Inspection Department to undertake internal audits. The Department performs audits of the Bank's branches to ensure that their internal control mechanisms are functioning properly and effectively, in accordance with annual internal audit plans approved each year by the Board of Directors.

Internal Control System

Internal control system status

At the Bank, in accordance with Companies Act and the Regulations for Enforcement of the Companies Act, the fundamental policy of our internal control structure was discussed and determined by the Board of Directors. As detailed below, the Bank has a system to ensure appropriate practices in the execution of its daily business.

Response to internal control reporting system

According to the Internal Control Reporting System provided in the Financial Instruments and Exchange Law, listed companies are obliged to submit an "Internal Control Report," after receiving external audits and conducting self-evaluation of the validity of internal control systems, to ensure appropriate disclosure on financial matters.

The Bank Group, in order to improve the reliability of its end-of-year financial reporting, established an Internal Controls Group in its Assets & Liabilities Managing Department to plan, supervise and evaluate the internal controls reports.

Timely and appropriate disclosure

We have made every effort to establish more transparent management and improve communications with customers, shareholders, and regional communities by positively and fairly disclosing management and other information. In April 2008, with the aim of ensuring that information is disclosed in a fair, appropriate and timely manner, Shiga Bank established its "Regulations on the Disclosure of Management Information" and a system overseen by the General Planning Department.

Fundamental Policy of the Internal Control System Structure

Fundamental policy

The Bank sees the appropriate execution of its social responsibilities as an essential role in its overall management approach. To ensure that the Bank is using the most appropriate work practices when carrying out its business, the following (Internal Control System) structure has been put in place. Moreover, in order for the Bank to flexibly change its operational system in line with changes in the business environment, it will review following systems as needed.

(Systems to ensure the most appropriate work practices)

1. A system to ensure that the Bank's Directors are executing their duties in accordance with the law as well as the Bank's Articles of Incorporation. A system to ensure that Bank employees are executing their duties in accordance with the law as well as the Bank's Articles of Incorporation.
2. A system to store and maintain information related to the Directors and the execution of their duties.
3. A system to ensure that regulations related to risk management are being followed.
4. A system to ensure that the Directors execute their duties in an effective manner.
5. A system to ensure that the Shiga Bank Group, consisting of the parent Bank and its subsidiary companies, uses the most appropriate work practices in the execution of their business.
6. In the event that the Bank's statutory auditors request the appointment of employees of the Bank to assist in their tasks, said employees shall be treated pursuant to stipulations in Article 100, Paragraph 3, Item 1 of the Regulations for Enforcement of the Companies Act. Independence of such employees from the Directors shall also be assured.
7. A system to facilitate reporting to the statutory auditors by the Bank's Directors and employees, an auxiliary system for reports to the statutory auditors, and a system to ensure the effective execution of any audit carried out by the statutory auditors.

Enhancing Legal Compliance

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

Legal compliance system

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

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

In fiscal year 2014, we will thoroughly carry out road safety, and hold training in line with themes each branch and affiliate has set.

Whistle-blowing system established

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

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

Code of Conduct of the Shiga Bank (established in April 2007)

1. Establishing trust and fulfilling corporate social responsibility

Fully aware of the public and social mission of banks and our need to fulfill our corporate social responsibility, we will strive to establish unwavering trust.

2. Providing high-quality financial services

We will always provide imaginative and ingenious goods and services and will contribute to the development of society.

3. Strictly complying with laws and regulations

Strictly complying with all laws and regulations, we will carry out honest and fair corporate activities.

4. Enhancing communication with society

We will communicate with our customers and shareholders, and regional society through the proactive and fair disclosure of management information and will endeavor to achieve transparent management.

5. Respecting the human rights of all employees and giving them job satisfaction

We will respect the human rights and individuality of all employees and will strive to create vigorous workplaces where each employee can fully demonstrate his or her abilities.

6. Promoting environmentally-friendly management

We will strive to conserve resources and will promote environmentally friendly management to contribute to environmental preservation in cooperation with the regional society.

7. Undertaking philanthropic activities

As a good corporate citizen that is close to its local community and operates hand-in-hand with society, we will strive to promote a range of philanthropic activities including cultural and welfare activities.

8. Excluding antisocial forces

We will be resolute in our stance against antisocial forces that could threaten sound civil society.

Toward a Stronger Risk Management System

Based on the Bank's policy that "Shiga Bank must be sound in order for the local community to be healthy," we are building a Comprehensive Risk Management System and Internal Rating System in order to accurately assess and control risk using rational criteria without undue reliance on personal intuition or experience.

Risk Management System



Outline of Risk Management System

The Shiga Bank's Board of Directors have established risk management rules, specified the types of risk that should be managed, and defined the roles and responsibilities of the sections responsible for those risks. At the same time, Risk Management Rules prescribe risk management methods.

Furthermore, in light of the Bank's strategic goals and risk status, "risk management policies" are instituted semiannually at the board of directors' meeting.

Risk management status is properly managed by having it reported to management through the ALM Committee, the Meeting of Managing Directors, and the Board of Directors.

Comprehensive Risk Management System

Comprehensive risk management means to appropriately manage risks by looking at various types of risk as a whole, and comparing them to capital adequacy which represents the strength of the financial institution.

The Bank's Assets & Liabilities Managing Department is responsible for unified monitoring of all risks, including quantitative monitoring and management of loan concentration risk, which is outside the scope of capital adequacy requirements, and interest rate risk in the Bank's own accounts.

Integrative Risk Management System

In our integrative risk management, we measure and manage risk quantitatively using such integrated yardsticks as the (maximum) Value at Risk (VaR) formula applied to each risk category.

The Bank conducts its business based on the capital allocation system, controlling risk by keeping it within the specified ratio to both 1) regulatory capital and 2) economic capital.

In addition, the Bank has created a system that appropriately complements the capital allocation system by controlling 3) price change risk in investments in securities by keeping it within a specified range.

VaR (Value at risk)

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

Toward a Stronger Risk Management System

Credit Risk Management System

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

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

Outline of the Corporate Credit Rating System

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

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

Outline of Credit Risk Management

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

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

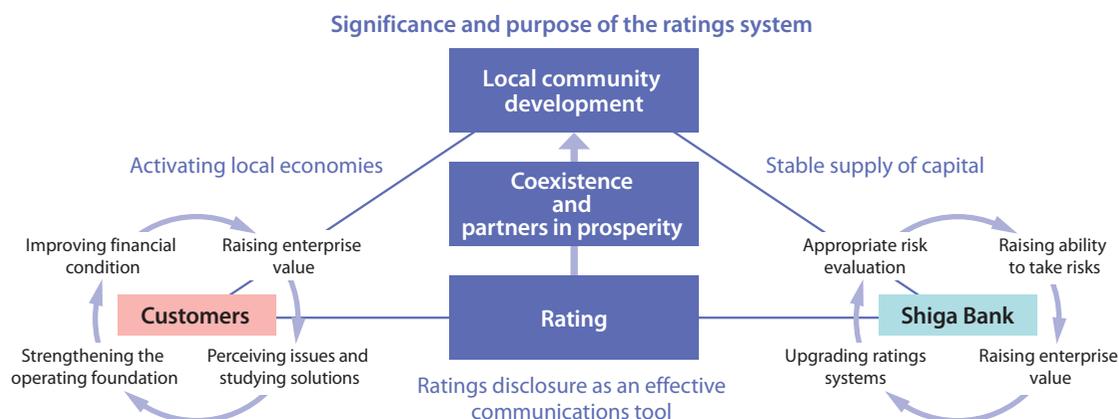
The Significance and Purpose of the Corporate Credit Rating System

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

Based on its conviction to adhere to our "responsible management" system, and with the aim of sophisticating credit risk management, the Bank introduced its own corporate credit ratings system in December 1998 as a rational communication tool for the Bank and its customers to use together to raise enterprise value.

Based on its belief that Basel II is ultimately a tool for pursuing mutual prosperity with regional communities, the Bank recognizes that the building of a solid internal ratings system is essential for consistent implementation of the responsible management model. Therefore, it will do its utmost to further improve its risk management system.

From this viewpoint, the Bank, in adopting Basel II, has selected the Internal Ratings-Based Approach founded on the principle of accountability, has proactively committed itself to a credit-based business and its own credit ratings system, and wants to contribute on a broad basis to the further development of regional communities.



Market Risk Management System

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

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

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

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

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

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

Operational Risk Management System

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

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

Processing risk management

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

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

Liquidity Risk Management System

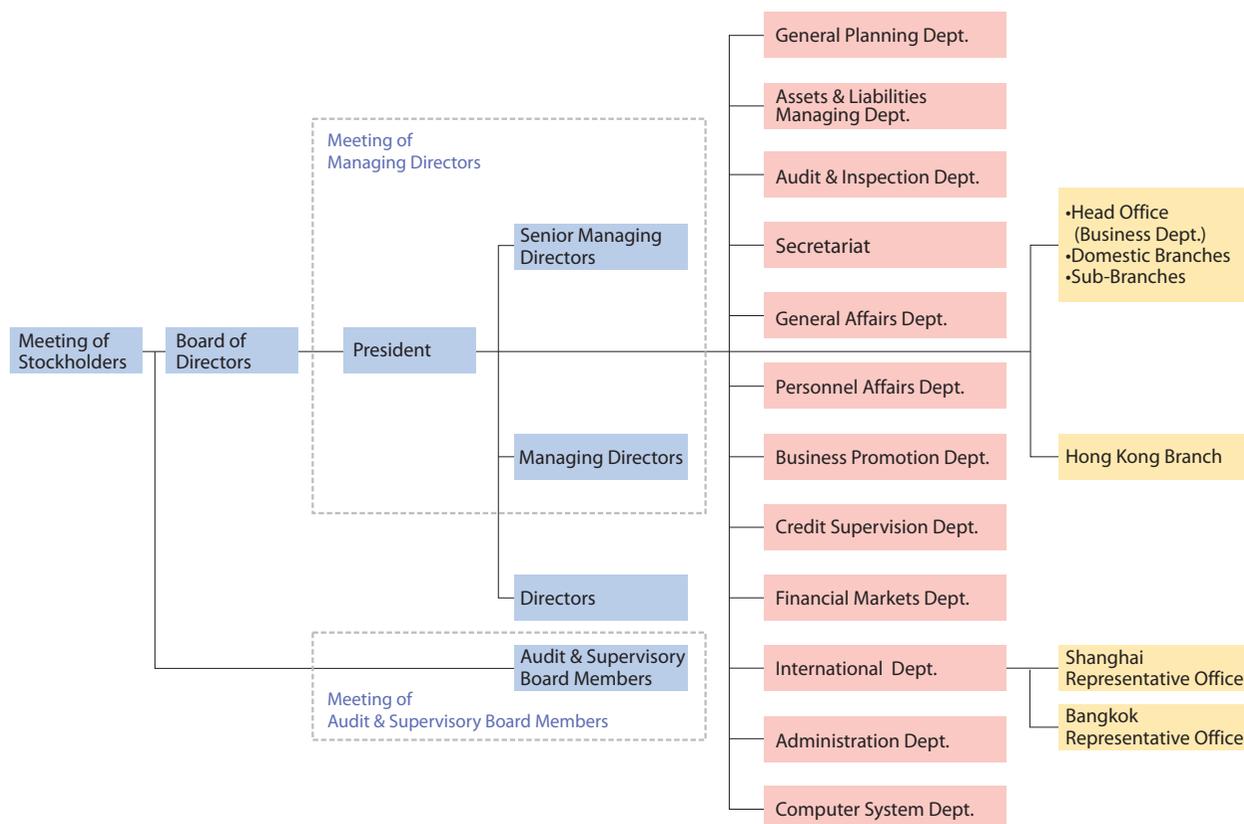
In managing the flows of funds, the Financial Markets Department monitors the financial environment, balance of liquid assets, expected cash outflows, and other fund-raising factors, and acts as appropriate. At the same time, the Assets & Liabilities Managing Department keeps track of day-to-day risk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

Reputational Risk Management System

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

Organization Chart

As of June 30, 2014



Consolidated Subsidiary

Company Name

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

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

Board of Directors

As of June 25, 2014

President

Yoshio Daido

Senior Managing Director

Ikuo Yoshida
 Shojiro Takahashi

Managing Directors

Hiroshi Oku
 Shinichi Kodama
 Etsuo Imai
 Kazuyoshi Hayashi

Directors

Hiroshi Iwasaki
 Kazuhiko Juniri
 Iwao Wakabayashi
 Masato Hasegawa
 Masaru Morimoto
 Kazuo Koyagi
 Motohiro Nishi
 Yasunaga Ono
 Takahiro Saito

(Outside Director)
 Shigeru Hikuma

Audit & Supervisory Board Members

Yukio Nishizawa
 Susumu Ota

(Outside Auditors)
 Satoshi Nishikawa
 Hajime Yasui

Financial Section

The Shiga Bank, Ltd. and Consolidated Subsidiaries

Consolidated Five-year Summary

	Millions of yen				
	2014	2013	2012	2011	2010
As of March 31					
Total assets	¥4,777,483	¥4,662,055	¥4,523,309	¥4,420,479	¥4,302,261
Investment securities	1,422,210	1,486,497	1,430,242	1,385,525	1,339,054
Loans and bills discounted	2,916,953	2,822,561	2,743,438	2,768,107	2,714,367
Deposits	4,163,311	4,090,014	3,985,459	3,891,407	3,781,025
Total equity	292,466	267,535	248,047	257,531	257,738
Years ended March 31					
Total income	88,519	88,872	91,082	93,324	98,269
Total expenses	69,072	74,991	72,998	81,532	88,490
Income before income taxes and minority interests	19,447	13,880	18,084	11,792	9,779
Net income	11,027	5,544	8,228	4,676	4,322
Per share data (in yen)					
Cash dividends	¥ 7.00	¥ 6.00	¥ 6.00	¥ 6.00	¥ 6.00
Net income	41.79	21.00	31.17	17.71	16.37
Net equity	1,091.45	998.62	926.27	886.58	889.50
Ratio					
Capital ratio	14.80%	14.14%	14.04%	13.01%	12.42%
ROE	3.99%	2.18%	3.43%	1.99%	2.00%

Financial review (Consolidated basis)

The Japanese economy entered a trend of moderate recovery in the reporting period as the depreciation in the value of the yen and a rise in stock prices proceeded as a result of government economic policies and monetary policies by the Bank of Japan, and a recovery in corporate earnings was observed.

Nevertheless, many concerns about the prospects for a fully-fledged economic recovery remain, with uncertainty about overseas economies, including economic trends in emerging and resource-producing countries and future developments of the European sovereign debt problem in addition to the steep rise in the prices of energy and raw materials.

Within Shiga Prefecture, last-minute demand ahead of the increase in the rate of consumption tax was observed in various

sectors, and the moderate economic recovery continued overall, with positive demand trends observed particularly in corporate production as well as personal consumption, housing investment, private capital expenditure and public investment. On the other hand, however, the impact of the reactionary decline following the increase in the rate of the consumption tax is also a concern.

In the financial sector, funding support for small and medium sized enterprises was maintained even after the expiration of the Act concerning Temporary Measures to Facilitate Financing for SMEs, etc. as were initiatives to support growth and management utilizing the consulting functions of financial institutions. Moreover, the government and financial institutions continued their efforts to improve the business environment for small and medium sized enterprises, which included continued monetary easing measures by the Bank of Japan.

Balance sheets

Deposits, including negotiable certificates of deposit, rose ¥72,545 million from the previous term-end to ¥4,257,084 million, of which ¥4,163,311 million were deposits only. The balance of loans and bills discounted increased ¥94,392 million to ¥2,916,953 million while investment securities declined ¥64,287 million to ¥1,422,210 million. Total assets at the fiscal year-end stood at ¥4,777,483 million, a year-on-year increase of ¥115,428 million. Total equity came to ¥292,466 million, an increase of ¥24,931 million from the previous term-end.

Statements of operations

Mainly as a result of a decline in interest income due to a prolonged fall in market interest rates, total income posted a year-on-year decline of ¥353 million to ¥88,519 million. Total expenses decreased by ¥5,919 million to ¥69,072 million, due to factors such as decreases in credit costs and valuation losses on investment in stocks.

As a result, the Bank posted net profits for the reporting period of ¥19,447 million, up ¥5,567 million from the previous fiscal year, and net income of ¥11,027 million, up ¥5,438 million over the previous fiscal year.

Because the Group has only one segment, banking, segment results are not presented.

Cash flows

Cash and cash equivalents at the reporting term-end amounted to ¥256,862 million, an increase of ¥184,063 million from the previous term-end.

Cash flows from operating activities

Net cash provided by operating activities during the term amounted to ¥96,812 million, an increase of ¥19,842 million from the previous term-end, due primarily to a decrease in call loans.

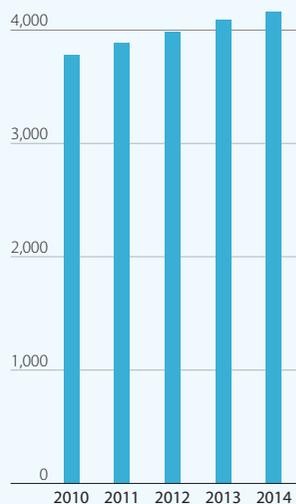
Cash flows from investing activities

Net cash provided by investing activities amounted to ¥98,842 million, an increase of ¥143,196 million from the previous term-end. This was mainly the result of a decrease in expenditure due to purchases of investment securities.

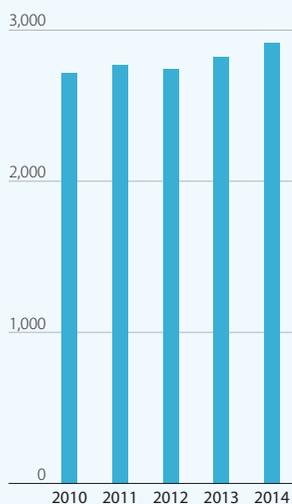
Cash flows from financing activities

Net cash used in financing activities amounted to ¥11,604 million, an increase of ¥10,004 million compared with the previous year. The increase was mainly attributable to an increase in expenditure due to repayment of subordinated loans.

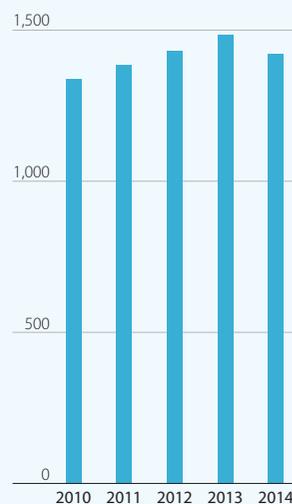
Deposits
(Billions of yen)



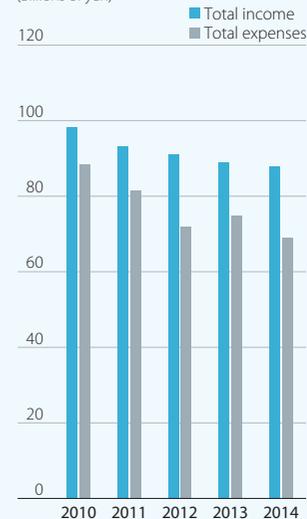
Loans and bills discounted
(Billions of yen)



Investment securities
(Billions of yen)



Total income and expenses
(Billions of yen)



Consolidated Balance Sheet

As of March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Assets			
Cash and due from banks (Note 3)	¥ 257,212	¥ 73,233	\$ 2,499,144
Call loans and bills bought (Note 29)	62,872	158,022	610,882
Debt purchased	10,206	9,659	99,164
Trading securities (Note 4).....	851	476	8,268
Money held in trust (Note 5).....	8,774	7,780	85,250
Investment securities (Notes 4, 12, 19 and 29)	1,422,210	1,486,497	13,818,596
Loans and bills discounted (Notes 7 and 29).....	2,916,953	2,822,561	28,341,945
Foreign exchange assets (Note 8).....	8,300	5,683	80,645
Other assets (Notes 9 and 12).....	42,665	49,980	414,545
Tangible fixed assets (Notes 10, 11, and 14).....	57,845	59,005	562,038
Intangible fixed assets.....	1,782	1,441	17,314
Deferred tax assets (Note 28).....	930	1,241	9,036
Customers' liabilities for acceptances and guarantees (Note 19).....	23,789	24,802	231,140
Allowance for possible loan losses.....	(36,912)	(38,331)	(358,647)
Total assets	4,777,483	4,662,055	46,419,383
Liabilities			
Deposits (Notes 12, 15 and 29).....	4,163,311	4,090,014	40,451,914
Negotiable certificates of deposit (Note 29)	93,773	94,524	911,125
Call money and bills sold.....	28,069	14,303	272,726
Payables under securities lending transactions (Note 12).....	19,224	10,135	186,785
Borrowed money (Notes 12, 16 and 29).....	69,255	80,424	672,901
Foreign exchange liabilities (Note 8)	130	114	1,263
Bonds (Notes 17 and 29).....	20,000	20,000	194,325
Other liabilities (Note 18).....	30,951	29,519	300,728
Liability for employees' retirement benefits (Note 27)	12,657	15,179	122,979
Liability for retirement benefits of directors and Audit & Supervisory Board Members.....	14	305	136
Liability for reimbursement of deposits.....	755	794	7,335
Allowance for repayment of excess interest.....	65	91	631
Reserve for other contingent losses.....	279	254	2,710
Deferred tax liabilities (Note 28).....	14,005	5,176	136,076
Deferred tax liabilities for land revaluation (Note 14).....	8,720	8,854	84,726
Negative goodwill	11	23	106
Acceptances and guarantees (Note 19).....	23,789	24,802	231,140
Total liabilities	4,485,017	4,394,520	43,577,701
Equity (Note 20)			
Common stock, authorized, 500,000,000 shares; issued, 265,450,406 shares as of March 31, 2014 and 2013.....	33,076	33,076	321,375
Capital surplus.....	23,969	23,969	232,889
Stock acquisition rights	30	—	291
Retained earnings.....	147,858	138,249	1,436,630
Treasury stock – at cost 1,602,119 shares and 1,568,495 shares as of March 31, 2014 and 2013, respectively.....	(977)	(959)	(9,492)
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities (Notes 4 and 6).....	71,996	58,488	699,533
Deferred gains (losses) on derivatives under hedge accounting	(60)	(171)	(582)
Land revaluation surplus (Note 14).....	10,700	10,864	103,964
Defined retirement benefit plans	1,417	—	13,767
Total.....	288,010	263,518	2,798,387
Minority interests.....	4,456	4,016	43,295
Total equity	292,466	267,535	2,841,682
Total liabilities and equity	¥4,777,483	¥4,662,055	\$46,419,383

See Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

Years ended March 31, 2014 and 2013

	Millions of yen											
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Accumulated Other Comprehensive Income				Total	Minority interests	Total equity
						Net unrealized gains on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Land revaluation surplus	Defined retirement benefit plans			
Balance as of April 1, 2012.....	¥33,076	¥23,969	¥—	¥133,975	¥(945)	¥43,200	¥ 0	¥11,177	¥ —	¥244,454	¥3,593	¥248,047
Changes during the year:												
Net income.....				5,544						5,544		5,544
Cash dividends, ¥6.00 per share.....				(1,583)						(1,583)		(1,583)
Purchase of treasury stock.....					(14)					(14)		(14)
Sales of treasury stock.....		(0)			1					1		1
Reversal of land revaluation surplus.....				312						312		312
Other changes.....						15,287	(171)	(312)	—	14,803	423	15,227
Net change in the year.....	—	(0)	—	4,273	(13)	15,287	(171)	(312)	—	19,063	423	19,487
Balance as of March 31, 2013.....	¥33,076	¥23,969	¥—	¥138,249	¥(959)	¥58,488	¥(171)	¥10,864	¥ —	¥263,518	¥4,016	¥267,535
Changes during the year:												
Net income.....				11,027						11,027		11,027
Cash dividends, ¥6.00 per share.....				(1,583)						(1,583)		(1,583)
Purchase of treasury stock.....					(20)					(20)		(20)
Sales of treasury stock.....		(0)			2					1		1
Reversal of land revaluation surplus.....				164						164		164
Other changes.....			30			13,507	110	(164)	1,417	14,901	439	15,341
Net change in the year.....	—	(0)	30	9,608	(18)	13,507	110	(164)	1,417	24,491	439	24,931
Balance as of March 31, 2014.....	¥33,076	¥23,969	¥30	¥147,858	¥(977)	¥71,996	¥ (60)	¥10,700	¥1,417	¥288,010	¥4,456	¥292,466

	Thousands of U.S. dollars											
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Accumulated Other Comprehensive Income				Total	Minority interests	Total equity
						Net unrealized gains on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Land revaluation surplus	Defined retirement benefit plans			
Balance as of March 31, 2013.....	\$321,375	\$232,889	\$ —	\$1,343,266	\$(9,317)	\$568,286	\$(1,661)	\$105,557	\$ —	\$2,560,415	\$39,020	\$2,599,446
Changes during the year:												
Net income.....				107,141						107,141		107,141
Cash dividends, \$0.06 per share.....				(15,380)						(15,380)		(15,380)
Purchase of treasury stock.....					(194)					(194)		(194)
Sales of treasury stock.....		(0)			19					9		9
Reversal of land revaluation surplus.....				1,593						1,593		1,593
Other changes.....			291			131,237	1,068	(1,593)	13,767	144,782	4,265	149,057
Net change in the year.....	—	(0)	291	93,354	(174)	131,237	1,068	(1,593)	13,767	237,961	4,265	242,236
Balance as of March 31, 2014.....	\$321,375	\$232,889	\$291	\$1,436,630	\$(9,492)	\$699,533	\$ (582)	\$103,964	\$13,767	\$2,798,387	\$43,295	\$2,841,682

See Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Operating activities:			
Income before income taxes and minority interests.....	¥ 19,447	¥ 13,880	\$ 188,952
Depreciation.....	2,555	3,338	24,825
Losses on impairment of long-lived assets.....	156	202	1,515
Amortization of negative goodwill.....	(11)	(11)	(106)
Increase (decrease) in allowance for possible loan losses.....	(1,419)	1,840	(13,787)
Decrease in allowance for possible losses on investment securities.....	—	(148)	—
Increase (decrease) in reserve for other contingent losses.....	24	(34)	233
Increase (decrease) in liability for retirement benefits.....	(2,521)	1,117	(24,494)
Increase (decrease) in liability for retirement benefits of directors and Audit & Supervisory Board Members.....	(290)	24	(2,817)
Increase (decrease) in liability for reimbursement of deposits.....	(38)	31	(369)
Decrease in allowance for repayment of excess interest.....	(26)	(60)	(252)
Interest income.....	(54,811)	(57,799)	(532,559)
Interest expense.....	4,228	4,561	41,080
Gains on sales and write-down of investment securities.....	(3,885)	(2,284)	(37,747)
Gains on money held in trust.....	(189)	(95)	(1,836)
Foreign exchange gains.....	(14)	(19)	(136)
Losses (gains) on disposals of fixed assets – net.....	(71)	275	(689)
Net increase in loans and bills discounted.....	(94,392)	(79,123)	(917,139)
Net increase in deposits.....	73,296	104,554	712,164
Net decrease in negotiable certificate of deposits.....	(751)	(10,000)	(7,296)
Net increase (decrease) in borrowed money (excluding subordinated loans).....	(1,168)	2,856	(11,348)
Net decrease (increase) in due from banks (excluding deposits in Bank of Japan).....	83	(120)	806
Net decrease in call loans and others.....	94,603	33,453	919,189
Net increase in call money and bills sold.....	13,766	14,303	133,754
Net increase in payables under securities lending transactions.....	9,089	10,135	88,311
Net increase in foreign exchange assets.....	(2,616)	(202)	(25,417)
Net increase in foreign exchange liabilities.....	16	32	155
Interest received (cash basis).....	56,253	57,613	546,570
Interest paid (cash basis).....	(4,333)	(5,852)	(42,100)
Other.....	(3,664)	(9,504)	(35,600)
Subtotal.....	103,313	82,961	1,003,818
Income taxes – paid.....	(6,501)	(5,991)	(63,165)
Net cash provided by operating activities.....	96,812	76,969	940,652
Investing activities:			
Purchases of securities.....	(508,303)	(812,194)	(4,938,816)
Proceeds from sales of securities.....	397,609	555,717	3,863,282
Proceeds from redemptions of securities.....	212,489	215,357	2,064,603
Increase in money held in trust.....	(1,000)	—	(9,716)
Purchases of tangible fixed assets.....	(1,897)	(2,970)	(18,431)
Proceeds from sales of tangible fixed assets.....	777	401	7,549
Purchases of intangible fixed assets.....	(832)	(665)	(8,083)
Net cash provided by (used in) investing activities.....	98,842	(44,354)	960,376
Financing activities:			
Repayment of subordinated loans.....	(10,000)	—	(97,162)
Dividends paid.....	(1,583)	(1,583)	(15,380)
Dividends paid to minority shareholders.....	(2)	(2)	(19)
Purchase of treasury stock.....	(20)	(14)	(194)
Proceeds from sales of treasury stock.....	1	1	9
Net cash used in financing activities.....	(11,604)	(1,599)	(112,747)
Foreign currency translation adjustments on cash and cash equivalents.....	13	18	126
Net increase in cash and cash equivalents.....	184,063	31,033	1,788,408
Cash and cash equivalents, beginning of year.....	72,798	41,764	707,326
Cash and cash equivalents, end of year (Note 3).....	¥ 256,862	¥ 72,798	\$ 2,495,744

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Years ended March 31, 2014 and 2013

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by THE SHIGA BANK, LTD. ("the Bank") and its subsidiaries (together "the Group") in accordance with the provisions set forth in the Companies Act of Japan, the Japanese Financial Instruments and Exchange Act, and the Japanese Banking Act and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

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

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

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥102.92 to U.S.\$1, the rate of exchange at March 31, 2014, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen amounts have been or could be readily converted, realized or settled in U.S. dollar amounts at this rate or any other rates.

2. Summary of significant accounting policies

(a) Principles of consolidation

The accompanying consolidated financial statements for the years ended March 31, 2014 and 2013 include the accounts of the Bank and 9 consolidated subsidiaries.

The consolidated subsidiaries' respective fiscal periods end March 31 for the year ended March 31, 2014.

The goodwill or negative goodwill is amortized evenly over a five year period. The Bank has three other non-consolidated subsidiaries in which investments are not accounted for by the equity method because their net income (the portion corresponding to the Bank's equity), retained earnings (as above) and accumulated other comprehensive income (as above) have no material impact on the Group's financial position or business performance.

All significant intercompany transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

(b) Cash equivalents

For the purpose of reporting cash flows, cash and cash equivalents are defined as cash and due from the Bank of Japan.

(c) Trading securities

Trading securities held by the Bank are stated at fair value at the fiscal year-end (cost of sales, in principle, is computed by the moving-average method).

(d) Investment securities

i. Marketable securities held for trading purposes are stated at fair value (cost of sales, in principle, is computed by the moving-average method).

Securities held to maturity are stated at amortized cost (straight-line method) using the moving-average method. Securities available-for-sale for which current value can be estimated are stated at fair value at the fiscal year-end. Securities whose fair value cannot be reliably determined are stated at cost using the moving-average method. Valuation gains/losses on securities available for sale are included in net assets, net of income taxes (cost of sales, in principle, is computed by the moving-average method).

ii. Marketable securities included in money held in trust by the Bank are treated as trust assets and are stated at fair value at the fiscal year-end.

iii. Beneficiary rights included in "debt purchased" are stated using the same methods described in (i) above.

(e) Derivatives and hedging activities

Under the Accounting Standards for Financial Instruments, derivatives are stated at fair value unless derivatives are used for hedging purposes.

i. Interest rate risk hedges

The Bank applies deferred hedge accounting to hedge transactions against interest rate risk arising from financial assets and liabilities. For the hedges that offset the fluctuations in the fair value of fixed interest rates classified as available-for-sale securities, interest rate swaps are assigned to hedged items collectively by bond type as the hedging instrument. The Bank designates the hedges so as to ensure that the important conditions related to the hedged items and hedging instruments are largely identical; therefore the hedges are considered to be highly effective, and the assessment of the effectiveness is based on the similarity of the conditions.

Furthermore, certain consolidated subsidiaries have adopted special treatment for interest rate swaps.

ii. Currency exchange risk hedges

Regarding the hedge accounting method applied to hedging transactions against currency exchange risk arising from assets and liabilities in foreign currencies, the Bank applies deferred hedge accounting stipulated in "Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25).

The Bank assesses the effectiveness of exchange swaps executed to reduce the risk of changes in currency exchange rates with fund swap transactions by verifying that there exist foreign currency positions of the hedging instruments corresponding to the foreign currency monetary claims and debts to be hedged.

Fund swap transactions are foreign exchange transactions that are contracted for the purpose of lending or borrowing funds in different currencies. These transactions consist of spot foreign exchange either bought or sold and forward foreign exchange either bought or sold.

(f) Bills discounted

Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No. 24, "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry." The Bank has rights to sell or pledge bank acceptances bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions.

The total face value at March 31, 2014 and 2013 were ¥17,033 million (\$165,497 thousand) and ¥20,090 million, respectively.

(g) Tangible fixed assets (except for lease assets)

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation for buildings and equipment of the Bank is computed using the declining-balance method at a rate principally based on the estimated useful lives of the assets. However, buildings purchased on or after April 1, 1998, excluding fittings and equipment, are depreciated using the straight-line method.

The range of useful lives is principally from 3 to 50 years for buildings and from 3 to 20 years for equipment.

Depreciation of tangible fixed assets owned by subsidiaries is computed principally using the declining-balance method over the estimated useful lives of the assets.

Under certain conditions such as exchanges of fixed assets of similar kinds and sales and purchases resulting from expropriation, Japanese tax acts permit companies to defer the profit arising from such transactions by

reducing the cost of the assets acquired or by providing a special reserve in the equity section. The Bank adopted the former treatment and reduced the cost of the assets acquired by ¥3,670 million (\$35,658 thousand) and ¥3,793 million at March 31, 2014 and 2013, respectively.

(h) Long-lived assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

Accumulated impairment losses are directly deducted from the respective fixed assets.

(i) Intangible fixed assets (except for lease assets)

Depreciation for intangible fixed assets is computed under the straight-line method. Development costs for internally used software are capitalized and depreciated using the straight-line method over the estimated useful lives of 5 years.

(j) Lease assets

Lease assets in "Tangible fixed assets" or "Intangible fixed assets" of the finance leases other than those that were deemed to transfer the ownership of the leased property to the lessee are computed under the straight-line method over the lease term with zero residual value unless residual value is guaranteed by the corresponding lease contracts.

(k) Allowance for possible loan losses

Allowance for possible loan losses of the Bank is provided as detailed below, pursuant to internal rules for write-offs and allowances.

For debtors who are legally bankrupt (bankrupt, under special liquidation, or subject to legal bankruptcy proceedings) or virtually bankrupt (in a similar situation), an allowance is provided based on the amount of claims, after the write-off stated below, net of amounts expected to be collected through disposal of collateral or execution of guarantees. For loans to debtors who are likely to go bankrupt, an allowance is provided for the amount considered to be necessary based on an overall solvency assessment performed for the amount of such loans, net of amounts deemed collectible through disposal of collateral or execution of guarantees. For other loans, an allowance is provided based on historical loan loss experience over a certain period of time.

All loans are assessed by the branches and the operating divisions based on the Bank's internal rules for self-assessment of assets. The Asset Assessment Division, which is independent from the branches and the operating divisions, subsequently conducts audits of their assessments, and an allowance is provided based on the audit results.

For collateralized or guaranteed claims to debtors who are legally bankrupt or virtually bankrupt, the amount deemed unrecoverable, that is the amount of claims exceeding the estimated value of collateral or guarantees, has been written off and amounted to ¥21,426 million (\$208,181 thousand), and ¥23,775 million as of March 31, 2014 and 2013, respectively.

Allowance for possible loan losses of the Bank's consolidated subsidiaries is provided based on historical loan loss experience in addition to amounts deemed necessary based on estimation of the collectibility of specific claims.

(l) Retirement and Pension Plans

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

The group applied the revised accounting standard and guidance for retirement benefit in fiscal 2014 as described in the following item (v).

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

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

At the general shareholders' meeting held in June 2013, the Bank resolved to abolish the retirement benefits to directors and Audit & Supervisory Board Members, and resolved lump sum payment for them, and introduce stock compensation-type stock options. As a result, liability for retirement for directors and Audit & Supervisory Board Members of the Bank was reversed and unpaid amount ¥177 million (\$1,719 thousand) as of March 31, 2014, is included in other liabilities (see 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)
Cash and cash equivalents	¥256,862	¥72,798	\$2,495,744

4. Investment securities

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

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Japanese government bonds.....	¥ 461,114	¥ 493,455	\$ 4,480,314
Japanese local government bonds	299,072	339,333	2,905,868
Japanese corporate bonds.....	425,469	464,045	4,133,977
Corporate stocks.....	146,176	114,874	1,420,287
Other securities.....	90,377	74,788	878,128
Total	¥1,422,210	¥1,486,497	\$13,818,596

Fair value and other information on securities at March 31, 2014 and 2013 were as follows:

Securities

(1) Trading securities

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
	Gain (loss) included in profit/ (loss) during the fiscal year		
Trading securities	¥(118)	¥1	\$ (1,146)

(2) Held-to-maturity securities

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

	Millions of yen		
	2014		
	Consolidated balance sheet amount	Fair value	Unrealized gains (losses)
Fair value exceeding consolidated balance sheet amount:			
Japanese government bonds	¥12,488	¥12,531	¥43
Fair value not exceeding consolidated balance sheet amount:			
Japanese government bonds	¥ 2,500	¥ 2,490	¥ (9)
Total	¥14,988	¥15,022	¥33
	Thousands of U.S. dollars		
	2014		
	Consolidated balance sheet amount	Fair value	Unrealized gains (losses)
Fair value exceeding consolidated balance sheet amount:			
Japanese government bonds	\$121,336	\$121,754	\$417
Fair value not exceeding consolidated balance sheet amount:			
Japanese government bonds	24,290	24,193	(87)
Total	\$145,627	\$145,958	\$320

No bonds classified as held-to-maturity securities that have fair value were held by the Group as of March 31, 2013.

(3) Available-for-sale securities

Available-for-sale securities as of March 31, 2014 and 2013 were as follows:

	Millions of yen		
	2014		
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)
Consolidated balance sheet amount exceeding cost:			
Stocks.....	¥ 140,655	¥ 57,534	¥ 83,120
Bonds:.....	1,100,140	1,079,841	20,298
Japanese government bonds...	423,168	416,614	6,553
Japanese local government bonds.....	282,578	275,026	7,552
Japanese corporate bonds.....	394,393	388,200	6,192
Others.....	54,530	53,912	618
Subtotal.....	¥1,295,326	¥1,191,288	¥104,038
Consolidated balance sheet amount not exceeding cost:			
Stocks.....	¥ 2,207	¥ 2,548	¥ (340)
Bonds:.....	70,526	70,600	(74)
Japanese government bonds...	22,957	22,977	(19)
Japanese local government bonds.....	16,493	16,519	(26)
Japanese corporate bonds.....	31,076	31,103	(27)
Others.....	35,921	36,176	(254)
Subtotal.....	108,656	109,325	(669)
Total	¥1,403,982	¥1,300,614	¥103,368
	Millions of yen		
	2013		
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)
Consolidated balance sheet amount exceeding cost:			
Stocks.....	¥ 109,718	¥ 58,455	¥51,263
Bonds:.....	1,244,739	1,212,706	32,033
Japanese government bonds...	449,736	440,315	9,421
Japanese local government bonds.....	338,804	326,865	11,938
Japanese corporate bonds.....	456,198	445,525	10,673
Others.....	48,062	47,536	526
Subtotal.....	¥1,402,521	¥1,318,697	¥83,823
Consolidated balance sheet amount not exceeding cost:			
Stocks.....	¥ 2,038	¥ 2,081	¥ (42)
Bonds:.....	52,095	52,379	(284)
Japanese government bonds...	43,719	43,975	(256)
Japanese local government bonds.....	529	529	(0)
Japanese corporate bonds.....	7,846	7,874	(27)
Others.....	27,343	28,084	(740)
Subtotal.....	81,476	82,544	(1,068)
Total	¥1,483,998	¥1,401,242	¥82,755

	Thousands of U.S. dollars		
	2014		
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)
Consolidated balance sheet amount exceeding cost:			
Stocks.....	\$ 1,366,643	\$ 559,016	\$ 807,617
Bonds:.....	10,689,273	10,492,042	197,221
Japanese government bonds.....	4,111,620	4,047,940	63,670
Japanese local government bonds.....	2,745,608	2,672,230	73,377
Japanese corporate bonds.....	3,832,034	3,771,861	60,163
Others.....	529,828	523,824	6,004
Subtotal.....	\$12,585,755	\$11,574,893	\$ 1,010,862
Consolidated balance sheet amount not exceeding cost:			
Stocks.....	\$ 21,443	\$ 24,757	\$ (3,303)
Bonds:.....	685,250	685,969	(719)
Japanese government bonds.....	223,056	223,251	(184)
Japanese local government bonds.....	160,250	160,503	(252)
Japanese corporate bonds.....	301,943	302,205	(262)
Others.....	349,018	351,496	(2,467)
Subtotal.....	1,055,732	1,062,232	(6,500)
Total.....	\$13,641,488	\$12,637,135	\$ 1,004,352

(4) Bonds classified as held-to-maturity were not sold in both fiscal 2014 and 2013.

(5) Available-for-sale securities sold

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

	Millions of yen		
	2013		
	Sales amount	Gains on sales	Losses on sales
Stocks.....	¥ 1,021	¥ 296	¥ —
Bonds:.....	554,514	4,417	147
Japanese government bonds.....	497,072	3,107	146
Japanese local government bonds.....	31,580	730	—
Japanese corporate bonds.....	25,861	579	0
Others.....	5,363	126	164
Total.....	¥560,898	¥4,841	¥311

	Thousands of U.S. dollars		
	2014		
	Sales amount	Gains on sales	Losses on sales
Stocks.....	\$ 6,529	\$ 2,147	\$ 19
Bonds:.....	3,428,293	52,876	7,306
Japanese government bonds.....	2,106,471	14,535	5,033
Japanese local government bonds.....	526,991	15,963	1,195
Japanese corporate bonds.....	794,821	22,376	1,068
Others.....	309,006	1,301	10,979
Total.....	\$3,743,839	\$56,344	\$ 18,324

(6) Impairment losses on securities

For available-for-sale securities with market quotations, in cases where the fair value has fallen substantially from the acquisition cost and there is believed to be little likelihood of a recovery in the acquisition cost level, said securities are shown on the balance sheets at fair value and the difference between the fair value and the acquisition cost is posted as a loss (hereinafter "impairment loss").

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

Impairment losses amounted to ¥2,125 million of which equities accounted for the same amount for the year ended March 31, 2013.

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

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

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

5. Money held in trust

(1) Money held in trust classified as trading

	Millions of yen			
	2014		2013	
	Consolidated balance sheet amount	Gains included in profits during the fiscal year	Consolidated balance sheet amount	Gains included in profits during the fiscal year
Money held in trust classified as trading.....	¥8,774	¥65	¥7,870	¥95

	Thousands of U.S. dollars	
	2014	
	Consolidated balance sheet amount	Gains included in profits during the fiscal year
Money held in trust classified as trading.....	\$85,250	\$631

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

6. Net unrealized gains/losses on available-for-sale securities

Available-for-sale securities were valued at market and net unrealized gains/losses on valuation were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Net unrealized gains on investment securities.....	¥103,368	¥82,755	\$ 1,004,352
Other money held in trust	—	—	—
Deferred tax liabilities	(31,228)	(24,172)	(303,420)
Minority interests.....	(144)	(93)	(1,399)
Net unrealized gains on available-for-sale securities.....	¥ 71,996	¥58,488	\$ 699,533

7. Loans and bills discounted

Loans and bills discounted at March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Bills discounted.....	¥ 16,842	¥ 19,856	\$ 163,641
Loans on bills	117,111	124,127	1,137,883
Loans on deeds	2,454,908	2,342,792	23,852,584
Overdrafts.....	328,091	335,784	3,187,825
Total	¥2,916,953	¥2,822,561	\$28,341,945

Loans in legal bankruptcy totaled ¥809 million (\$7,860 thousand) and ¥868 million as of March 31, 2014 and 2013, respectively. Nonaccrual loans totaled ¥56,543 million (\$549,387 thousand) and ¥64,033 million as of March 31, 2014 and 2013, respectively. Loans in legal bankruptcy are loans in which the interest accrual is discontinued (excluding the portion recognized as bad debts) based on management's judgement as to the collectibility of principal or interest resulting from the delay in payments of interest or principal for a considerable period of time and other factors. Nonaccrual loans are loans in which the interest accrual is discontinued, other than loans in legal bankruptcy and loans granting deferral of interest payment to the debtors in financial difficulties to assist them in their recovery.

Accruing loans contractually past due three months or more as to principal or interest payments totaled ¥309 million (\$3,002 thousand) and ¥475 million as of March 31, 2014 and 2013, respectively. Loans classified as loans in legal bankruptcy and past due loans are excluded.

Restructured loans totaled ¥27,990 million (\$271,958 thousand) and ¥25,259 million as of March 31, 2014 and 2013, respectively. Such restructured loans are loans on which creditors grant concessions (e.g., reduction of the stated interest rate, deferral of interest payments, extension of maturity dates, waiver of the face amount, or other concessive measures) to the debtors to assist them in recovering from financial difficulties and eventually being able to pay creditors. Loans classified as loans in legal bankruptcy, nonaccrual loans and accruing loans contractually past due three months or more are excluded.

8. Foreign exchanges

Foreign exchange assets and liabilities at March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Assets:			
Due from foreign correspondents.....	¥6,958	¥4,040	\$67,605
Foreign bills of exchange purchased.....	98	146	952
Foreign bills of exchange receivable.....	1,243	1,496	12,077
Total	¥8,300	¥5,683	\$80,645
Liabilities:			
Foreign bills of exchange sold ...	¥ 95	¥ 66	\$ 923
Accrued foreign bills of exchange	35	48	340
Total	¥ 130	¥ 114	\$ 1,263

9. Other assets

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

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Prepaid expenses	¥ 40	¥ 44	\$ 388
Accrued income.....	4,045	4,892	39,302
Derivatives	969	1,829	9,415
Other (Note 12).....	37,610	43,213	365,429
Total	¥42,665	¥49,980	\$414,545

10. Tangible fixed assets

Tangible fixed assets at March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Buildings.....	¥15,392	¥15,919	\$149,553
Land	39,347	39,578	382,306
Construction in progress	224	160	2,176
Other	2,881	3,346	27,992
Total	¥57,845	¥59,005	\$562,038

Accumulated depreciation on tangible fixed assets at March 31, 2014 and 2013 amounted to ¥46,006 million (\$447,007 thousand) and ¥45,374 million, respectively.

11. Long-lived assets

The Group recognized impairment losses for the year ended March 31, 2014 and 2013, as follows:

The Bank groups assets by branch, which is the minimum unit for management accounting. Subsidiaries group their assets by unit, which periodically manages profit and loss. The Bank wrote down the carrying amounts to the recoverable amounts and recognized impairment losses of ¥156 million (\$1,515 thousand) and ¥202 million for the years ended March 31, 2014 and 2013, respectively, since the carrying amounts of the assets held by the above branches and other exceeded the sum of the undiscounted future cash flows. The recoverable amounts of these assets were measured at their net realizable selling prices, which were determined by quotations from real estate appraisal information, less estimated costs to dispose.

Location	Description	Classification	Impairment losses		
			Millions of yen		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
Total			¥156	¥202	\$1,515

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

12. Assets pledged

Assets pledged as collateral and related liabilities at March 31, 2014 and 2013, were as follows:

	Millions of yen		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
Total	¥4,163,311	¥4,090,014	\$40,451,914

16. Borrowed money

At March 31, 2014 and 2013, the weighted-average interest rates applicable to borrowed money were 1.20% and 1.21%, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Subordinated loans.....	¥30,000	¥40,000	\$291,488
Borrowing from banks and other....	39,255	40,424	381,412
Total	¥69,255	¥80,424	\$672,901

Annual maturities of borrowed money at March 31, 2014 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2015	¥33,375	\$324,280
2016	2,299	22,337
2017	1,665	16,177
2018	1,108	10,765
2019	614	5,965
2020 and thereafter.....	30,192	293,354
Total	¥69,255	\$672,901

17. Bonds

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

	Millions of yen		Thousands of U.S. dollars	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
Total	¥30,951	¥29,519	\$300,728

Liability of retirement for directors and Audit & Supervisory Board Members of the Bank amounting ¥177 million (\$1,719 thousand) as of March 31, 2014 is included in "Other".

19. Acceptances and guarantees

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

The amounts "Acceptances and guarantees" and "Customers' liabilities for acceptances and guarantees" amounting to ¥6,251 million (\$60,736 thousand) and ¥6,736 million as of March 31, 2014 and 2013, respectively, were set off because those which were relevant to corporate bonds and the guaranteed bonds were held by the Bank itself.

20. Equity

(1) Capital stock and capital surplus

There were no changes in the number of common stock for the years ended March 31, 2014 and 2013.

(2) Companies Act and Banking Act of Japan

Through May 1, 2006, Japanese banks were subject to the Commercial Code of Japan (the "Code") and the Banking Act of Japan (the "Banking Act").

On and after May 1, 2006, Japanese companies are subject to a new companies act of Japan (the "Companies Act") which reformed and replaced the Code with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the years ending on or after May 1, 2006. The significant changes in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as: (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Bank cannot do so because it does not meet all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on

the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% (20% for banks pursuant to the Banking Act) of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the total of the aggregate amount of legal reserve and additional paid-in capital equals 25% (100% for banks pursuant to the Banking Act) of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

(3) Appropriations of retained earnings

The following appropriation of retained earnings at March 31, 2014 will be proposed at the Bank's general shareholders' meeting held on June 25, 2014.

	Millions of yen	Thousands of U.S. dollars
Cash dividends (dividend amount per share: ¥4 or \$0.039).....	¥1,055	\$10,250

21. Stock options

The stock options outstanding as of March 31, 2014, are as follows:

Description	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2013 Stock Option	16 directors	83,300 shares	August 20, 2013	¥1 (\$0.01)	From August 21, 2013 to August 20, 2043

The stock option activity is as follows:

	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
Total	¥17,240	¥15,019	\$167,508

23. Other income

Other income for the years ended March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Recovery of claims previously charged-off.....	¥1,360	¥1,628	\$13,214
Other	2,415	1,971	23,464
Total	¥3,775	¥3,599	\$36,678

24. Other operating expenses

Other operating expenses for the years ended March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Losses on sales of government bonds	¥ 2,000	¥ 450	\$ 19,432
Losses on financial derivatives	—	1,228	—
Other	9,150	8,197	88,904
Total	¥11,151	¥9,876	\$108,346

25. Other expenses

Other expenses for the years ended March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Provision of allowance for possible loan losses	¥2,246	¥ 5,742	\$21,822
Change-off of loans and bills discounted	761	1,093	7,394
Losses on impairment of long-lived assets (Note 11)	156	202	1,515
Losses on sales of investment in stocks	102	—	991
Valuation losses on investment in stocks	15	2,125	145
Other	729	916	7,083
Total	¥4,011	¥10,079	\$38,972

26. Leases

Lessee

The Group leases certain equipment. Total rental expense under finance leases for the years ended March 31, 2014 and 2013 was ¥1 million (\$9 thousand) and ¥1 million, respectively.

Finance lease transactions which commenced prior to April 1, 2008 are accounted for in accordance with the former accounting standard.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under financial leases, depreciation expense and interest expense under finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2014 and 2013 was as follows:

	Tangible fixed assets		
	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Acquisition cost	¥ 4	¥ 9	\$ 38
Accumulated depreciation	(4)	(7)	(38)
Net leased property	¥ 0	¥ 1	\$ 0

Obligations under finance leases at March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Due within one year	¥0	¥1	\$0
Due after one year	—	0	—
Total	¥0	¥1	\$0

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

Lease payments and depreciation expense under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Lease payments	¥1	¥1	\$9
Depreciation expense	1	1	9

Lessor

One subsidiary leases certain equipment and other assets.

As stated in Note 2 (r) ii, finance lease transactions other than those in which ownership is fully transferred to the lessee are accounted for in a similar manner to ordinary sales and transactions, effective from the year ended March 31, 2009.

Investments in leases included in other assets on the balance sheets as of March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Gross lease receivables	¥18,382	¥18,698	\$178,604
Unguaranteed residual values	761	717	7,394
Unearned interest income	(1,969)	(2,117)	(19,131)
Investments in leases	¥17,174	¥17,297	\$166,867

Maturities of lease receivables for finance leases that are deemed to transfer ownership of the leased property to the lessee are as of March 31, 2014, are as follows:

	Millions of yen	Thousands of U.S. dollars
2015	¥15	\$145
2016	14	136
2017	13	126
2018	12	116
2019	12	116
2020 and thereafter	50	485

Maturities of gross lease receivables related to investments in leases as of March 31, 2014, are as follows:

	Millions of yen	Thousands of U.S. dollars
2015	¥5,778	\$56,140
2016	4,688	45,549
2017	3,690	35,853
2018	2,427	23,581
2019	1,251	12,155
2020 and thereafter	545	5,295

With regard to finance lease transactions entered into prior to April 1, 2008, that are not deemed to transfer ownership of the property to the lessee, leased investment assets are recognized at the book value of leased assets as of March 31, 2008.

As a result, income before income taxes and minority interests for the years ended March 31, 2014 and 2013, increased by ¥71 million (\$689 thousand) and ¥263 million more than it would have been if the revised accounting standard was applied retroactively to all the finance lease transactions.

The minimum rental commitments under noncancelable operating leases as of March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Due within one year	¥15	¥16	\$145
Due after one year	32	41	310
Total	¥48	¥57	\$466

27. Retirement benefit plans

Year ended March 31, 2014

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

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

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

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of year	¥44,353	\$430,946
Current service cost	1,716	16,673
Interest cost	665	6,461
Actuarial (gains) losses	(1,747)	(16,974)
Benefits paid	(2,472)	(24,018)
Prior service cost	—	—
Balance at end of year	¥42,515	\$413,087

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

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of year	¥25,757	\$250,262
Expected return on plan assets	354	3,439
Actuarial gains (losses)	3,195	31,043
Contribution from the employer	1,775	17,246
Benefits paid	(1,136)	(11,037)
Balance at end of year	¥29,946	\$290,963

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

	Millions of yen	Thousands of U.S. dollars
Funded defined benefit obligation	¥ 42,515	\$ 413,087
Plan assets	(29,946)	(290,963)
Net liability (asset) arising from the balance sheet	¥ 12,568	\$ 122,114

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

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

	Millions of yen	Thousands of U.S. dollars
Service cost	¥1,716	\$16,673
Interest cost	665	6,461
Expected return on plan assets	(354)	(3,439)
Recognized actuarial (gains) losses	766	7,442
Amortization of prior service cost	(16)	(155)
Net periodic benefit costs	¥2,777	\$26,982

(5) Accumulated other comprehensive income on defined retirement benefit plans as of March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
Unrecognized prior service cost	¥ (5)	\$ (48)
Unrecognized actuarial (gains) losses	(2,187)	(21,249)
Total	¥(2,192)	\$ (21,298)

(6) Plan assets:

a. Components of plan assets

Bonds	26%
Stocks	49
Cash and cash equivalents	5
General accounts	20
Total	100%

(Note) Total plan assets included retirement benefits trust of 39%, mainly consisting of 5 stocks, which were set for a corporate pension plan and a lump-sum payment plan.

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

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

(7) Assumptions used for the year ended March 31, 2014, were set forth as follows:

Discount rate	1.50%
Expected rate of return on plan assets	
Plan assets (except for retirement benefits trust)	2.12%
Plan assets (retirement benefits trust)	0.00%

2. Defined benefit plan adopting the simplified method

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

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of year	¥ 84	\$816
Net periodic benefit costs	15	145
Benefits paid	(10)	(97)
Contribution to the plan	—	—
Balance at end of year	¥ 89	\$864

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

	Millions of yen	Thousands of U.S. dollars
Unfunded defined benefit obligation	¥89	\$864
Net liability (asset) arising from the balance sheet	¥89	\$864

	Millions of yen	Thousands of U.S. dollars
Liability for retirement benefits	¥89	\$864
Net liability (asset) arising from the balance sheet	¥89	\$864

(3) Net periodic benefit costs recognized in the simplified method for the year ended March 31, 2014, were ¥15 million (\$145 thousand).

3. Defined contribution plan

Not applicable.

Year ended March 31, 2013

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

The liability for retirement benefits as of March 31, 2013, consisted of the following:

	Millions of yen
	2013
Projected benefit obligation	¥(44,437)
Plan assets (fair value)	25,757
Unfunded projected benefit obligation	(18,680)
Unrecognized actuarial net loss	3,522
Unrecognized prior service cost	(21)
Liability for retirement benefits	¥(15,179)

The components of net periodic benefit costs for the year ended March 31, 2013, were as follows:

	Millions of yen
	2013
Service cost	¥1,740
Interest cost	660
Expected return on plan assets	(234)
Amortization of prior service cost	(16)
Recognized actuarial net loss	1,447
Net periodic retirement benefit costs	¥3,597

Assumptions used for the year ended March 31, 2013, were set forth as follows:

Discount rate	1.50%
Expected rate of return on plan assets	1.52%
Amortization period of prior service cost	10 years
Recognition period of actuarial gain/loss	10 years

28. Income taxes

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets:			
Allowance for possible loan losses	¥ 17,801	¥ 18,424	\$ 172,959
Liability for employees' retirement benefits	7,463	7,670	72,512
Accrued enterprise tax	290	306	2,817
Devaluation of stocks and other securities	6,878	6,946	66,828
Depreciation	1,783	1,719	17,324
Other	2,311	2,556	22,454
Less valuation allowance	(17,285)	(17,203)	(167,945)
Total	¥ 19,245	¥ 20,420	\$ 186,989
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	(31,228)	(24,172)	(303,420)
Reserve for advance depreciation of fixed assets	(203)	(182)	(1,972)
Reserve for special account of advanced depreciation of fixed assets	(112)	—	(1,088)
Defined retirement benefit plans	(775)	—	(7,530)
Total	(32,320)	(24,355)	(314,030)
Net deferred tax assets	¥(13,075)	¥ (3,935)	\$(127,040)

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2014 and 2013, is as follows:

	2014	2013
Normal effective statutory tax rate	37.7%	37.7%
Permanent differences – mainly dividends received	(2.1)	(2.9)
Increase in valuation allowance for deferred tax assets	0.4	20.7
Decrease in deferred tax assets due to changes in statutory tax rate	4.2	1.2
Other	1.2	0.6
Actual effective tax rate	41.4%	57.3%

New tax reform laws enacted in 2014 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2014, from approximately 37.75% to 35.38%. The effect of this change was a decrease in deferred tax assets in the consolidated balance sheet as of March 31, 2014 by ¥410 million (\$3,983 thousand) and an increase in income taxes—deferred in the consolidated statement of income for the year ended March 31, 2014, by ¥410 million (\$3,983 thousand).

29. Financial instruments and related disclosures

1. Overall situation concerning financial instruments

(1) Basic policy for financial instruments

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

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

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

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

The financial assets held by the Group are primarily loans to corporations and individuals within its business area and are subject to credit risk caused by the contractual default of its customers. The Group's domestic loan portfolio attempts to distribute risk by industry sector to eliminate its exposure to credit risk caused by changes in the business environment in certain industries.

The Group holds investment securities for the following purposes: to sell them to customers, for investment, and for policy investment. For the purpose of selling them to customers, the Group holds Japanese government bonds and Japanese local government bonds. For investment purposes, the Group holds bonds, especially Japanese government bonds, Japanese local government bonds, and highly-rated corporate bonds as well as investment trusts, while the Group holds corporate stocks as policy investment. These are subject to interest-rate volatility risk, market price volatility risk, and the credit risk of the issuers. Foreign currency-denominated bonds held as investments are managed so as to reduce foreign exchange risk. This is done by procuring foreign currency funds through currency swaps, repurchase transactions, or call transactions.

Borrowed money and corporate bonds are — under certain conditions, such as when the Group is unable to access the market — subject to risks that losses are incurred due to an inability to secure required funds or being forced to raise funds at significantly higher than normal interest rates. Moreover, some of the Group's borrowings are made at variable interest rates and are subject to risks of losses from increasing fund procurement costs associated with rising interest rates.

To respond to customer needs and hedge market risks for assets and liabilities, the Group uses derivative transactions, including interest rate swaps, currency swaps, currency options, and forward exchange contracts. For some of these transactions, the Group applies hedge accounting based on internal regulations that comply with the "Practical Guidelines for Financial Instruments" of the Japanese Institute of Certified Public Accountants and the Group's own hedging policies.

To obtain short swing profits, the Group transacts bond futures contracts, bond options, and stock price index futures trading after setting position limit and loss limits amounts.

These derivative transactions include the market risk of incurring potential losses from market fluctuations, such as fluctuations in interest rates and exchange rates, as well as the credit risk of incurring potential losses when the counterparty to the transaction defaults on a contract.

(3) Risk management for financial instruments

(i) Credit risk management

Recognizing credit risk as the most important risk to business management from the standpoint of its size and scope, the Group has established regulations and standards pertaining to such risk. It has also developed a borrower rating system based on a Foundation Internal Ratings-based-

approach and has built a credit risk management system appropriate to its needs.

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

With respect to individual credit management, the Group has instituted its "Basic Rules of Loan Business," in which it has clearly defined the way of thinking and a code of conduct to which all employees involved in the loan business should adhere. It has also established basic procedures to follow when making credit decisions or managing credit, along with putting in place a system that enables executives and employees to make credit decisions in accordance with the principles of public benefit, security, profitability, liquidity, and growth potential. More specifically, the Group has developed and is operating a credit management system that handles credit assessment, credit limits, credit information management, and internal ratings; sets guarantees and collateral; and deals with problem debts of companies (or corporate groups) or individual projects. This credit management system is being implemented in every bank branch and the Credit Supervision Department.

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

With respect to conducting market transactions for securities or other instruments, a limit is set semiannually at the Meeting of Managing Directors for bond issuer credit risk and counterparty risk for derivative and financial transactions, and the credit status and the market prices are managed on a daily basis. The Group has established a system in which reports about those risks are routinely given to the Meeting of Managing Directors.

(ii) Market risk management

The Group has compiled a set of Market Risk Management Rules with the goal of upgrading market risk management, strengthening internal controls, and ensuring sound management. To achieve stable profits, the Group institutes an ALM plan and risk management policy semiannually and is working to build an appropriate risk management system.

1) Interest-rate risk management

As interest-rate risk inevitably arises in banking business operations, the Group manages all assets and liabilities (including off-balance transactions), such as deposits, loans, and securities, in a comprehensive manner through ALM.

Along with the aforementioned Market Risk Management Rules, the Group has established standards for risk management methods and reporting procedures. The Group conducts monitoring through such models as Value at Risk (VaR) and the maturity ladder approach, and reports to the ALM Committee on a regular basis.

2) Exchange rate risk management

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

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

3) Price volatility risk management

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

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

When making investments, the Group calculates position amounts,

gains, and losses as well as VaR and Basis Point Value (BPV) based on the abovementioned policy and plan. The extent to which the Group complies with the established acceptable risk limit and other risk limits is monitored on a daily basis and is reported to management.

4) Derivative transaction management

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

5) Quantitative information regarding market risks

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

Interest-rate risks

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

The Group's interest-rate risk amounts stood at ¥3,862 million (\$37,524 thousand) as of March 31, 2014 and ¥2,690 million as of March 31, 2013.

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

Stock price volatility risks

The Group holds certain shares for policy investment purposes. The volatility risk amounts of the prices of such shares stood at ¥50,428 million (\$489,972 thousand) as of March 31, 2014, and ¥17,139 million as of March 31, 2013.

Back-testing

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

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

(iii) Liquidity risk management related to financing

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

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

2. Fair value of financial instruments

Fair value and the consolidated balance sheet amount of as of March 31, 2014 and 2013, are shown below. Immaterial accounts on the consolidated balance sheet are not included in the table below. Some instruments, such as unlisted stocks, whose fair value cannot be reliably determined, are not included in the table below (see Note 2).

	Millions of yen		
	2014		
	Consolidated balance sheet amount	Fair value	Difference
Call loans and bills bought.....	¥ 62,872	¥ 62,872	¥ —
Investment securities			
Trading securities.....	2,840	2,840	—
Held-to-maturity securities.....	14,988	15,022	33
Available-for-sale securities.....	1,401,067	1,401,067	—
Loans and bills discounted.....	2,916,953	—	—
Allowance for possible loan losses (*1).....	(35,897)	—	—
	2,881,056	2,905,478	24,421
Assets total.....	4,362,825	4,387,280	24,454
Deposits.....	4,163,311	4,163,973	662
Negotiable certificates of deposit.....	93,773	93,779	6
Borrowed money.....	69,255	71,433	2,177
Bonds.....	20,000	20,085	85
Liabilities total.....	4,346,340	4,349,271	2,931
Derivative transactions (*2)			
Deferred hedge accounting is not applied.....	39	39	—
Deferred hedge accounting is applied.....	(120)	(120)	—
Derivative transactions total.....	¥ (80)	¥ (80)	¥ —

	Millions of yen		
	2013		
	Consolidated balance sheet amount	Fair value	Difference
Call loans and bills bought.....	¥ 158,022	¥ 158,022	¥ —
Investment securities			
Trading securities.....	2,957	2,957	—
Available-for-sale securities.....	1,480,422	1,480,422	—
Loans and bills discounted.....	2,822,561	—	—
Allowance for possible loan losses (*1).....	(37,135)	—	—
	2,785,426	2,814,806	29,379
Assets total.....	4,426,829	4,456,208	29,379
Deposits.....	4,090,014	4,090,829	815
Negotiable certificates of deposit.....	94,524	94,533	9
Borrowed money.....	80,424	83,021	2,597
Bonds.....	20,000	20,291	291
Liabilities total.....	4,284,962	4,288,677	3,714
Derivative transactions (*2)			
Deferred hedge accounting is not applied.....	10	10	—
Deferred hedge accounting is applied.....	(325)	(325)	—
Derivative transactions total.....	¥ (314)	¥ (314)	¥ —

	Thousands of U.S. dollars		
	2014		
	Consolidated balance sheet amount	Fair value	Difference
Call loans and bills bought	\$ 610,882	\$ 610,882	\$ —
Investment securities			
Trading securities	27,594	27,594	—
Held-to-maturity securities	145,627	145,958	320
Available-for-sale securities.....	13,613,165	13,613,165	—
Loans and bills discounted.....	28,341,945	—	—
Allowance for possible loan losses (*1).....	(348,785)	—	—
	27,993,159	28,230,450	237,281
Assets total.....	42,390,448	42,628,060	237,602
Deposits.....	40,451,914	40,458,346	6,432
Negotiable certificates of deposit.....	911,125	911,183	58
Borrowed money.....	672,901	694,063	21,152
Bonds	194,325	195,151	825
Liabilities total.....	42,230,275	42,258,754	28,478
Derivative transactions (*2)			
Deferred hedge accounting is not applied	378	378	—
Deferred hedge accounting is applied.....	(1,165)	(1,165)	—
Derivative transactions total.....	\$ (777)	\$ (777)	\$ —

(*1) General allowance for loan losses and specific allowance for loan losses provided to "Loans and bills discounted" are separately presented in the above table.

(*2) Derivative transactions recorded in "Other assets" and "Other liabilities" are aggregated and shown herein. Assets and liabilities attributable to the derivative transactions are totally offset and the net liability position as a consequence of offsetting would be represented with brackets.

(Note 1) Valuation method of financial instruments

Assets

(1) Call loans and bills bought

Since contractual terms of these instruments are short (i.e., less than one year) and fair values of these instruments approximate book values, the Group deems the book values to be fair values.

(2) Investment securities

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

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

(3) Loans and bills discounted

As fair values of loans and bills discounted with short contractual terms (i.e., less than one year) approximate book values, the Group deems the book values to be fair values.

Regarding loans with long contract terms (i.e., 1 year or longer), those with floating interest rates reflect the market rate in the short term. Consequently, unless the credit conditions of borrowers have not significantly changed after the execution of the loans, the book value of the loans is presented as the fair value, as the fair value approximates the book value. With respect to fair values of loans with long contract terms with fixed interest rates, the Group uses the present value that is calculated by discounting the future cash flows of the principal based on contracts, using an interest rate obtained by adjusting interest rates available in the interbank market in accordance with categories of internal ratings and terms, taking into account the credit risk premium and the liquidity risk premium. Meanwhile, the fair value of certain loans (including consumer loans) is calculated by discounting the future cash flows of the principal based on contracts,

using an interest rate considered to be applicable in cases when similar loans are executed.

With respect to claims against legally bankrupt debtors, virtually bankrupt debtors and debtors who are likely to go bankrupt (potentially bankrupt debtors), since credit losses are calculated based on the present value of the expected future cash flows or the estimated amounts that the Group would be able to collect from collateral and guarantees, fair values approximate the consolidated balance sheet amount net of the currently expected credit loss amount, and the Group thus deems such amounts to be fair value.

Regarding loans, for those without a fixed maturity due to loan characteristics such as limiting loans to within the value of collaterals, the Group deems the book value to be the fair value, since the fair value is expected to approximate the book value based on the estimated repayment period, interest rate, and other conditions.

Liabilities

(1) Deposits and (2) Negotiable certificates of deposit

For demand deposits, the Group deems the payment amounts required on the consolidated balance sheet date (i.e., book values) to be the fair value.

The fair value of time deposits and negotiable certificates of deposit with short deposit terms (i.e., less than one year) approximate the book value, and the Group deems the book value to be the fair value. With respect to deposits with long deposit terms (i.e., one year or longer), the Group uses the present value calculated by discounting future cash flows of the principal based on contracts, using the interest rate that would apply to newly accepted deposits in accordance with the categories of deposit terms.

(3) Borrowed money

As the fair value of borrowed money with short contractual terms (i.e., less than one year) approximates the book value, the Group deems the book value to be the fair value.

Regarding borrowed money with long contractual terms (i.e., one year or longer), for floating rate borrowings, the book value is presented as the fair value, because the fair value approximates book value. This is because the floating rate borrowings reflect the market interest rate in a short period and that there has been no significant change in our credit conditions or in the credit conditions of our consolidated subsidiaries before or after the borrowings were made. With respect to fixed rate borrowings, the Group uses the present value calculated by discounting the future cash flows of the principal based on contracts, using an interest rate obtained by adjusting interest rates available in the interbank market in accordance with categories of terms, taking into account the Bank's credit risk premium.

Meanwhile, fair values of borrowings of consolidated subsidiaries are calculated by discounting the future cash flows of the principal based on contracts, using interest rates considered to be applicable in cases when the similar borrowings are made.

(4) Bonds

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

Derivatives

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

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

The following instruments are not included in "Available-for-sales securities" in the above table showing the fair value of financial instruments.

	Consolidated balance sheet amount		
	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Unlisted stocks (*1) (*2).....	¥3,314	¥3,118	¥32,199

(*1) Fair value of unlisted stocks is exempt from disclosure because they do not have a market price and their fair value cannot be reliably determined.

(*2) For the year ended March 31, 2014 and 2013, impairment losses for unlisted stocks amounted to ¥15 million (\$145 thousand) and ¥0 million, respectively.

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

	Millions of yen					
	2014					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Call loans and bills bought.....	¥ 62,872	¥ —	¥ —	¥ —	¥ —	¥ —
Investment securities.....	167,175	316,555	372,912	157,725	146,806	90,504
Held-to-maturity securities.....	—	—	—	—	15,000	—
Japanese government bonds.....	—	—	—	—	15,000	—
Available-for-sale securities.....	167,175	316,555	372,912	157,725	131,806	90,504
Japanese government bonds.....	43,000	99,706	168,800	63,000	61,000	3,000
Japanese local government bonds.....	39,278	73,439	79,399	69,028	30,301	—
Japanese corporate bonds.....	78,060	129,152	100,354	19,776	13,715	78,111
Others.....	6,835	14,257	24,358	5,920	26,789	9,392
Loans and bills discounted (*1).....	779,140	578,293	391,756	230,107	295,476	559,146
Total	¥1,009,188	¥894,849	¥764,669	¥387,833	¥442,282	¥649,650

	Millions of yen					
	2013					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Call loans and bills bought.....	¥ 158,022	¥ —	¥ —	¥ —	¥ —	¥ —
Investment securities (*2).....	171,283	286,928	346,593	180,053	240,013	110,749
Japanese government bonds.....	93,450	62,206	164,300	50,000	108,000	5,000
Japanese local government bonds.....	21,413	88,606	65,838	81,348	70,075	—
Japanese corporate bonds.....	39,140	125,281	100,265	45,884	47,828	94,719
Others.....	17,279	10,835	16,190	2,821	14,110	11,029
Loans and bills discounted (*1).....	784,546	537,801	402,254	234,235	250,112	522,974
Total	¥1,113,853	¥824,729	¥748,848	¥414,288	¥490,125	¥633,723

	Thousands of U.S. dollars					
	2014					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Call loans and bills bought.....	\$ 610,882	\$ —	\$ —	\$ —	\$ —	\$ —
Investment securities.....	1,624,319	3,075,738	3,623,319	1,532,500	1,426,408	879,362
Held-to-maturity securities.....	—	—	—	—	145,744	—
Japanese government bonds.....	—	—	—	—	145,744	—
Available-for-sale securities.....	1,624,319	3,075,738	3,623,319	1,532,500	1,280,664	879,362
Japanese government bonds.....	417,800	968,771	1,640,108	612,125	592,693	29,148
Japanese local government bonds.....	381,636	713,554	771,463	670,695	294,413	—
Japanese corporate bonds.....	758,453	1,254,877	975,068	192,149	133,258	758,948
Others.....	66,410	138,525	236,669	57,520	260,289	91,255
Loans and bills discounted (*1).....	7,570,345	5,618,859	3,806,412	2,235,785	2,870,928	5,432,821
Total	\$ 9,805,557	\$ 8,694,607	\$ 7,429,741	\$ 3,768,295	\$ 4,297,337	\$ 6,312,184

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

	Millions of yen					
	2013					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (*).....	¥3,554,977	¥510,192	¥24,843	¥ —	¥—	¥ —
Negotiable certificates of deposit.....	94,524	—	—	—	—	—
Borrowed money.....	35,225	3,813	1,385	20,000	—	20,000
Bonds.....	—	—	—	20,000	—	—
Total	3,684,727	¥514,006	¥26,229	¥40,000	¥—	¥20,000

	Thousands of U.S. dollars					
	2014					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (*).....	\$35,604,644	\$4,559,968	\$287,281	\$ —	\$—	\$ —
Negotiable certificates of deposit.....	911,125	—	—	—	—	—
Borrowed money.....	324,280	38,525	16,731	99,028	—	194,325
Bonds.....	—	—	—	194,325	—	—
Total	\$36,840,060	\$4,598,493	\$304,022	\$293,354	\$—	\$194,325

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

30. Fair value information on derivative transactions

Derivative transactions to which hedge accounting is not applied

The following is the fair value information for derivative transactions to which hedge accounting is not applied at March 31, 2014 and 2013.

The contractual value of swap agreements and the contract amounts of forward exchange contracts, option agreements and other derivatives do not necessarily measure the Bank's exposure to market risk.

(1) Interest-rate-related transactions are not performed.

(2) Currency-related transactions

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

	Millions of yen			
	2013			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the counter:				
Currency swap:.....	¥109,949	¥68,906	¥ 110	¥ 110
Forward exchange contracts:				
Sold	12,372	—	(661)	(661)
Bought	12,232	—	560	560
Currency options:				
Sold	22,953	8,139	(813)	170
Bought	22,953	8,139	813	68
Total	¥ —	¥ —	¥ 10	¥ 249

Thousands of U.S. dollars

	2014			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the counter:				
Currency swap:.....	\$701,535	\$521,599	\$ 738	\$ 738
Forward exchange contracts:				
Sold	145,695	—	(2,351)	(2,351)
Bought	123,630	—	1,991	1,991
Currency options:				
Sold	176,243	68,966	(4,168)	1,428
Bought	176,243	68,966	4,168	48
Total	\$ —	\$ —	\$ 378	\$ 1,875

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

2. Fair value is calculated using discounted cash flows.

(3) Stock-related transactions are not performed.

(4) Bond-related transactions are not performed.

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

(6) Credit derivative transactions are not performed.

Derivative transactions to which hedge accounting is applied

The following is the fair value information for derivative transactions to which hedge accounting is applied at March 31, 2014 and 2013.

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

(1) Interest-rate-related transactions

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

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
Total		—	—	¥(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
Total		—	—	\$(903)

- Notes: 1. Deferred hedge accounting is mainly applied in accordance with the JICPA Industry Audit Committee Report No. 24.
2. The fair values of the above derivatives are principally based on quoted market prices, such as those of Tokyo Financial Exchange Inc., or discounted values of future cash flows.
3. Because the interest rate swaps are accounted for with long-term debt as the hedged item, the fair value of the swaps is included in the fair value of the borrowed money in Note 29-2.

(2) Currency-related transactions

Millions of yen				
2014				
	Hedged items	Contractual value	Contractual value due after one year	Fair value
Forward exchange	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)
Total	13,557	15,338	131,723
Deferred gain on derivatives under hedge accounting:			
The amount arising during the period.....	98	(317)	952
Reclassification adjustments to profit or loss.....	72	52	699
Before adjustments to tax effect.....	171	(264)	1,661
The amount of tax effect.....	(60)	93	(582)
Total	110	(171)	1,068
Total other comprehensive income	¥13,668	¥15,167	\$132,802

32. Net income per share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2014 and 2013, is as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net Income	Weighted-average shares	EPS	
For the year ended March 31, 2014				
Basic EPS:				
Net income available to common shareholders.....	¥11,027	263,864	¥41.79	\$0.406
Effect of dilutive securities:				
Warrants		58		
Diluted EPS:				
Net income for computation.....	¥11,027	263,922	¥41.78	\$0.406
For the year ended March 31, 2013				
Basic EPS:				
Net income available to common shareholders.....	¥ 5,544	263,896	¥21.00	

Note: Diluted EPS is not presented since potential common stock did not exist for the year ended March 31, 2013.

33. Subsequent event

The Bank resolved to redeem the full amount of the unsecured subordinated bonds (note 17), which were issued on July 28, 2009, prior to maturity on July 28, 2014, at the Board of Directors' meeting held on April 21, 2014.

Description of advanced redemption bonds.....The Shiga Bank 1st unsecured subordinated bonds with advanced redemption clause

Amount of advanced redemption bonds¥20,000 million (\$194,325 thousand)

Advanced redemption price¥100 per ¥100 of face value

Scheduled date of advance redemptionJuly 28, 2014

Source and method of raising fundsThe 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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of The Shiga Bank, Ltd. and its consolidated subsidiaries as of March 31, 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Shiga Bank, Ltd. and its consolidated subsidiaries as of March 31, 2014, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 4, 2014

Composition of Capital Disclosure (Capital ratio of the fiscal year ended March 31, 2014, Basel III)

Capital ratio (consolidated)

(Appended Form 2 of Supplementary Provision of the Notification of Japanese Financial Services Agency No. 7, 2014)

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

Items	Millions of yen, %		
		Amounts excluded under transitional arrangements	Basel III Template No.
Total of items included in Additional Tier 1 capital: regulatory adjustments subject to transitional arrangements	3,938		
of which: shortfall of eligible provisions to expected losses	3,938		
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deduction	—		42
Additional Tier 1 capital: regulatory adjustments (E)	3,938		43
Additional Tier 1 capital			
Additional Tier 1 capital ((D) – (E)) (F)	—		44
Tier 1 capital (T1 = CET1 + AT1)			
Tier 1 capital (T1 = CET1 + AT1) ((C)+(F)) (G)	217,044		45
Tier 2 capital: instruments and provisions (4)			
Directly issued qualifying Tier 2 instruments plus related capital surplus of which: classified as equity under applicable accounting standards	—		
Subscription rights to Tier 2 instruments	—		
Directly issued qualifying Tier 2 instruments plus related capital surplus of which: classified as liabilities under applicable accounting standards	—		46
Qualifying Tier 2 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities	—		
Tier 2 instruments issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	435		48-49
Eligible Tier 2 capital instruments subject to transitional arrangements included in Tier 2: instruments and provisions	48,000		47+49
of which: instruments issued by bank and its special purpose vehicles	48,000		47
of which: instruments issued by subsidiaries	—		49
Total of general allowance for credit losses and eligible provisions included in Tier 2	184		50
of which: provision for general allowance for credit losses	184		50a
of which: eligible provisions	—		50b
Total of items included in Tier 2 capital: instruments and provisions subject to transitional arrangements	44,089		
of which: accumulated other comprehensive income	44,089		
Tier 2 capital: instruments and provisions (H)	92,709		51
Tier 2 capital: regulatory adjustments			
Investments in own Tier 2 instruments	—	—	52
Reciprocal cross-holdings in Tier 2 instruments	—	—	53
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	—	—	54
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation	—	—	55
Total of items included in Tier 2 capital: regulatory adjustments subject to transitional arrangements	3,938		
of which: shortfall of eligible provisions to expected losses	3,938		
Tier 2 capital: regulatory adjustments (I)	3,938		57
Tier 2 capital (T2)			
Tier 2 capital (T2) ((H)-(I)) (J)	88,770		58
Total capital (TC = T1 + T2)			
Total capital (TC = T1 + T2) ((G)+(J)) (K)	305,815		59
Risk weighted assets (5)			
Total of items included in risk weighted assets subject to transitional arrangements	1,426		
of which: intangibles other than mortgage servicing rights	1,426		
of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences	—		
of which: investments in own shares	0		
Risk weighted assets (L)	2,065,963		60
Capital ratio (consolidated)			
Common Equity Tier 1 capital ratio (consolidated) ((C)/(L))	10.50		61
Tier 1 capital ratio (consolidated) ((G)/(L))	10.50		62
Total capital ratio (consolidated) ((K)/(L))	14.80		63
Regulatory adjustments (6)			
Non-significant investments in the capital of other financials that are below the thresholds for deduction (before risk weighting)	19,491		72
Significant investments in the common stock of other financials that are below the thresholds for deduction (before risk weighting)	315		73
Intangible fixed assets relating to mortgage servicing rights that are below the thresholds for deduction (before risk weighting)	—		74
Deferred tax assets arising from temporary differences that are below the thresholds for deduction (before risk weighting)	1,003		75
Provisions included in Tier 2 capital: instruments and provisions (7)			
Provisions (general allowance for credit losses)	184		76
Cap on inclusion of provisions (general allowance for credit losses)	456		77
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap) (if the amount is negative, report as "nil")	—		78
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	11,450		79
Capital instruments subject to transitional arrangements (8)			
Current cap on AT1 instruments subject to phase out arrangements	—		82
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) (if the amount is negative, report as "nil")	—		83
Current cap on T2 instruments subject to transitional arrangements	48,000		84
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) (if the amount is negative, report as "nil")	2,000		85

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

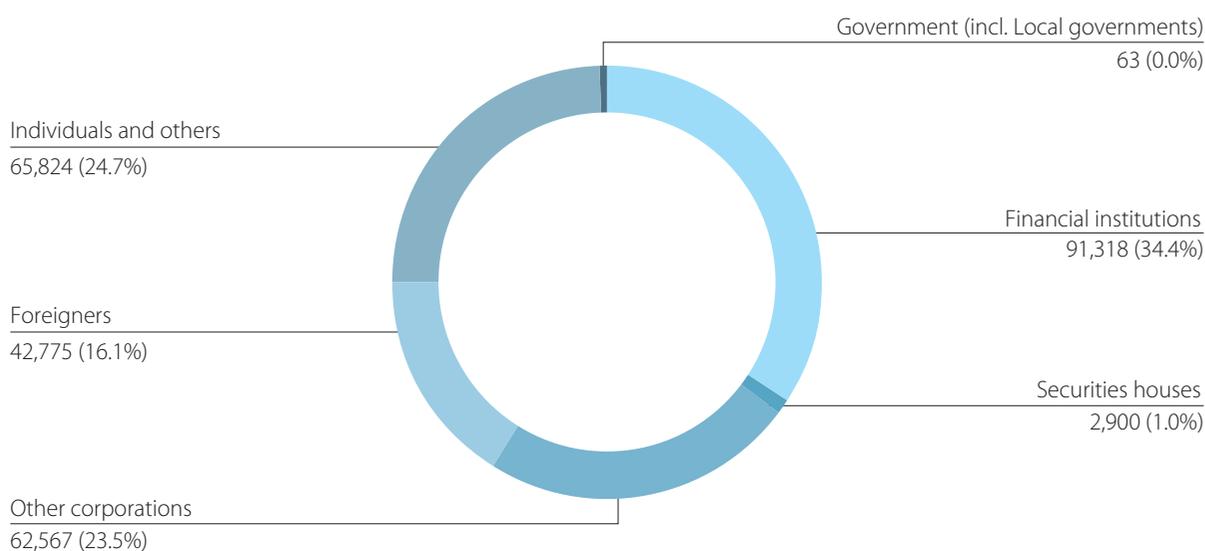
Stock Information

As of March 31, 2014

Major shareholders

	Number of shares held (Thousand shares)	As a percentage of total number of issued shares (%)
Japan Trustee Services Bank, Ltd.	14,073	5.30
NIPPONKOA Insurance Co., Ltd.	11,651	4.38
NORTHERN TRUST CO.(AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY	9,799	3.69
Nippon Life Insurance Company	9,244	3.48
Shiga Bank Employees' Shareholding Association	7,175	2.70
Meiji Yasuda Life Insurance Company	6,199	2.33
Northern Trust Co. AVFC Re U.S. Tax Exempted Pension Funds	5,842	2.20
Mizuho Bank, Ltd.	5,600	2.10
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,368	1.64
Sumitomo Mitsui Trust Bank, Limited	4,010	1.51
Total	77,963	29.37

Number of shares held by type of shareholder (Thousand shares)



Note: Figures in parentheses represent voting rights as a percentage of the total voting rights held by each shareholder segment.

SHIGA BANK

