

# ANNUAL REPORT 2018

Year Ended March 31, 2018



**SENSHU IKEDA HOLDINGS, INC.**

**THE SENSHU IKEDA  
BANK, LTD.**

**SENSHU IKEDA TOKAI TOKYO  
SECURITIES CO., LTD.**



# Sustained contribution to the regional communities

## Management Principle

Strive to become a financial group that “endear ourselves to the regional community by providing services tailored to customers’ needs, while valuing “broad networks of relationships” and “an enterprising spirit.”

## Management Policy

1. Create a “most trusted by customers” financial group which respects personal relationships and promotes honest and approachable banking.
2. Create a financial group with a commanding regional presence by researching and predicting trends to provide advanced, high-quality services.
3. Pursue transparent operations and live up to the trust of the shareholders, while maintaining a competitive edge through strong financial standing, high profitability and management efficiency.
4. Promote “coexistence with the region” by utilizing industrial, academic and management networks for business matching.
5. Focus on gaining the trust of the communities through compliance with laws and regulations and corporate activities that are considerate of the environment.
6. Provide a workplace for employees of the financial group which encourages employees to exercise talents and develop skills, with an emphasis on proactive self improvement, thereby contributing to the development of upstanding citizens.

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# Top Message

I sincerely thank you for your continued support and patronage of Senshu Ikeda Holdings Group.

Effective June 26, 2018, I, Atsushi Ukawa, assumed the position of President of both Senshu Ikeda Holdings and the Senshu Ikeda Bank.

I shall continue to endeavor to the best of my ability to meet the expectations of such office, and humbly ask for your support.

The business environment surrounding our Company is undergoing drastic changes such as the structural issues of a depopulation and unipolarization around the metropolitan area, growing uncertainties towards the overseas situation, the prolongation of negative interest rate policy in Japan, and the rapid progress of ICT technology.

In order to respond to such changes in the environment, we have finished the Third Medium-Term Business Plan ahead of schedule, and formulated the “Fourth Medium-Term Business Plan” that positions the next three years as a period for strengthening our business structure for the future.

Under the Fourth Medium-Term Business Plan, we aim to make a leaner earnings structure centered around core business profits through structural readjustments toward the next generation. Our officers and employees will make every effort to achieve this plan.

We will strive to become a financial group that endear ourselves to the regional community through sustained efforts to contribute to the regional communities. We look forward to serving you with the best services for many years to come.

Atsushi Ukawa

Representative Director, President and CEO

June, 2018

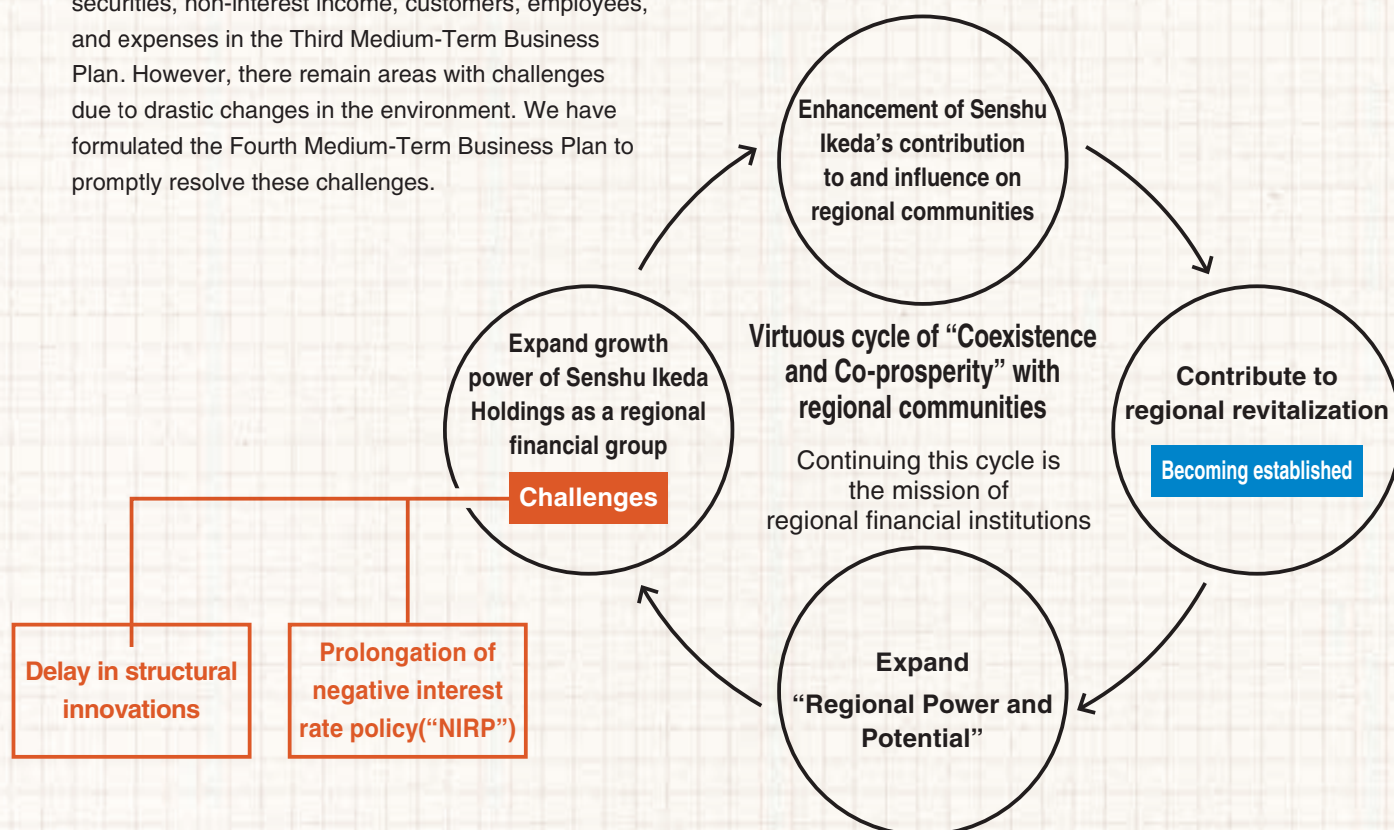




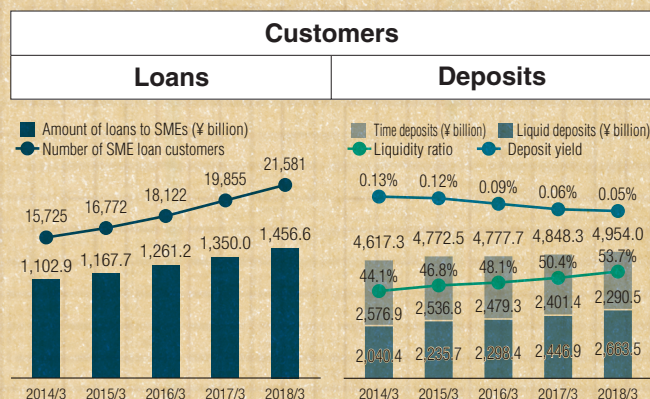
# Start of the Fourth Medium-Term Business Plan

## Review of the Third Medium-Term Business Plan

- Senshu Ikeda Holdings, Inc. had implemented structural innovations in the seven areas of loans, deposits, securities, non-interest income, customers, employees, and expenses in the Third Medium-Term Business Plan. However, there remain areas with challenges due to drastic changes in the environment. We have formulated the Fourth Medium-Term Business Plan to promptly resolve these challenges.



### Favorable areas



### Areas with challenges

#### Securities

- Control the ratio of revenue from securities
- Deliberate disposition of unrealized losses

#### Non-interest income

- Improvement in ratio of fees and commissions
- Increase ratio of fee revenue from assets under management business

#### Employees

- Personnel allocation through selection and concentration
- Improvements in efficiency of business management structure

#### Expenses

- Review of expenses aimed at shift to a leaner earnings structure
- Reduction in OHR



- ## Positioning of the Fourth Medium-Term Business Plan = Period for strengthening our business structure for the future





## Outline of the Fourth Medium-Term Business Plan

### ● Strengthen individual customers strategy (revision of assets under management promotion structure)

Establishment of sales structure  
in line with customers attributes

Existing personnel

**400** people

+

Reinforcement of  
sales personnel

**90** people

**25%**  
improvement  
in competitive  
capabilities

- Asset consultants (180 people) → Customers for asset management group
- Asset advisors (310 people) → Customers for asset building group

### ● Strengthening of corporate customers strategy (further pursuit of New Main Business Market)

**New Main Business Areas**

II

Core region in Kansai  
for corporate customers  
transactions

Concentration of corporate customers strategy

Reinforcement of  
sales personnel **+40** people

### ● Strengthen and newly establish corporate services revenue

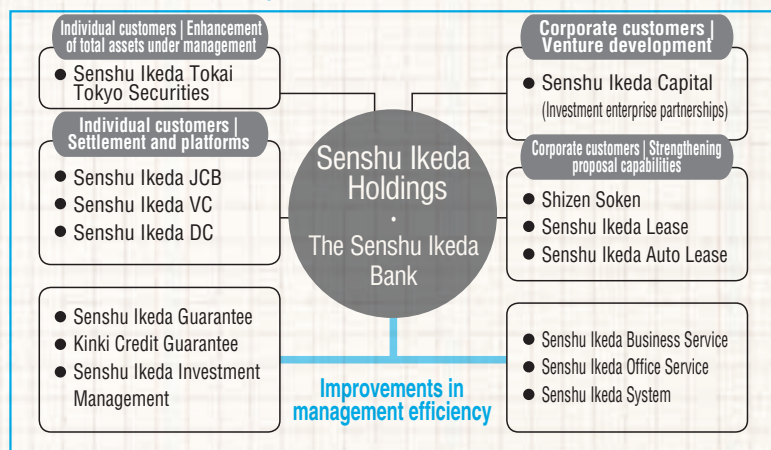
Loan business as  
introduction for profit

Loan customers grown through proposal capabilities  
working as a base for generating non-interest  
income, led by these proposal capabilities.

### ● Utilize strategic subsidiaries(Securities, Lease, Capital, Credit Card)

Strengthening of cooperation **+20** people

#### Full utilization of our Group's functions



## Basic policy 1

### Sustained contribution to the regional communities

Establishment of a virtuous cycle

#### 1 Further strengthening of proposal capabilities

- Approximately 90% of sales staff increase during the initial fiscal year
- Full utilization of the Group's functions

#### 2 Strengthening of business to support regional revitalization

- Contribution to the resolution of regional issues
- Win-win relationships with regional municipalities

#### 3 Proposals and consulting in accordance with life stages

- Corporate customers:  
Proposals of products and services in accordance with life stages of companies
- Individual customers:  
Focus on the older generation with discovering needs and making detailed proposals



## Basic policy 2

### Paradigm shift

Structural readjustments aimed at the next generation

#### 1 Personnel allocation

- Increase in sales personnel (150 people) through improvements in operational efficiency and organizational streamlining
- Increase in employees seconded to strategic subsidiaries

#### 2 Channel strategy

- Establishment of diverse channels in accordance with needs

#### 3 Operation

- Utilization of ICT in all operations

#### 4 Expenses (OHR)

- Expense reductions to improve core business profits

#### 5 Earnings structure

- Strengthening of revenue through services for customers
- Control securities investment

### Up until now

### Our vision

1

Sales personnel: Approximately 20% of total employees

**Further increase the ratio of sales personnel**

- Acceleration of center concentration of sales branch administration (administration and loans)
- Improvements in efficiency of headquarters employees and back-office operations at branches, and reduction of staff for these operations
- Increase sales personnel by 150 during the Medium-Term Management Plan

2

Expansion of full-banking service branches

**Offer diverse channels in accordance with customer needs**

- Introduction of block system at staffed branches
- Introduction of consulting plaza (tentative name)
- Revitalization of business operation on holidays
- Review of ATM network and establishment of monitor (TV) counter service
- Strengthening of non-face-to-face channel

3

Prioritization and continuation of existing procedures

**Thorough utilization of ICT in all operations**

- Practical deployment of ICT, implementation of FinTech and strengthening of non-face-to-face channel
- Improvements in operational efficiency through tablet devices, etc.
- Establishment of next-generation branches with streamlined procedures

4

High-cost structure due to an urban regional bank

**Expense reductions to improve core business profits**

- Cost reductions without exceptions → Establishment of the Cost Reduction Reform Committee directly supervised by the President
- Establishment of dedicated officers and dedicated staff
- Control hiring, utilize active seniors

5

High ratio of revenue from securities to revenue overall

**Strengthening of revenue through services for customers**

- Control securities investment
- Review risk appetite and increase capital allocation to SME credit risks

# For the Future ~Approach to ESG~

## Environment

- **Environmental preservation activities**
  - Conduct seminars about environment such as “energy-saving” and “energy creation” for corporate customers
  - Fund / loan for supporting eco-friendly companies etc.
- **Our efforts**
  - Eco-friendly arrangement of branch premises
  - Promote paperless

## Social ↓ Coexistence and Co-prosperity with the regional communities

- **Conduct business meetings about “revitalization of regional communities” continuously**
- **Cooperate with promotion of Osaka/ Kansai’s bid for the World Expo 2025**
- **Promote diversity**
  - Induct the first female executive officer
- **Efforts for work style reform**
  - Establishment of “Work Style Reform Committee”



## Governance

- **Increase the ratio of outside directors at the Board of Directors**
  - Ratio of outside directors  
33.3%→40%  
(June 2018~)
- **Abolish Senior Advisor**

## Participate in Kansai SDGs Platform

- Participate in Kansai SDGs Platform from its establishment to achieve Sustainable Development Goals (SDGs)





# FY2017 Financial Results

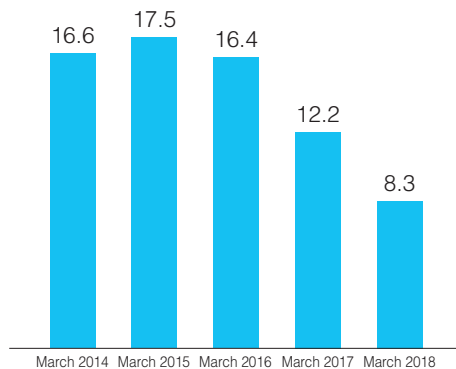
## Business Performance

### Senshu Ikeda Holdings Group

#### Profit attributable to owners of the parent

(Holding company consolidated)

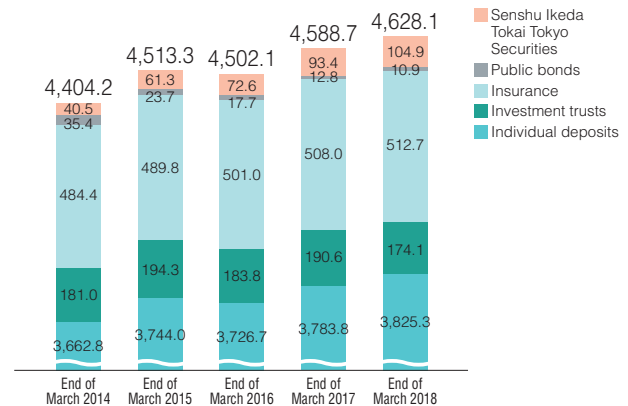
**¥8.3 billion** (- ¥3.9 billion year on year)  
(¥ billion)



#### Individual total assets under management

(Bank non-consolidated + Securities subsidiary)

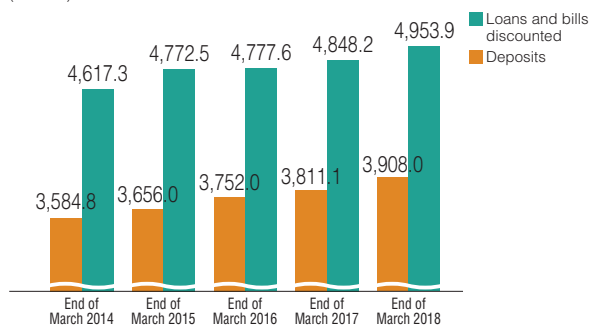
**¥4,628.1 billion** (+ ¥39.4 billion year on year)  
(¥ billion)



#### The Senshu Ikeda Bank

**Loans and bills discounted**  
**¥3,908.0 billion** (+ ¥96.9 billion year on year)

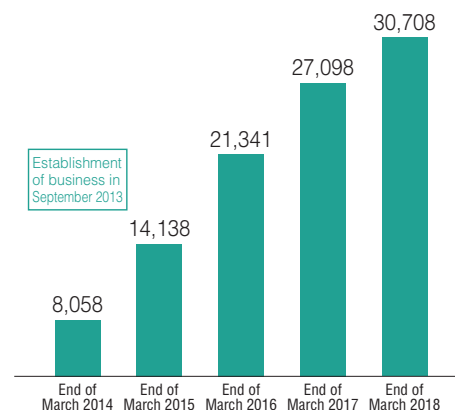
**Deposits**  
**¥4,953.9 billion** (+ ¥105.7 billion year on year)  
(¥ billion)



#### Senshu Ikeda Tokai Tokyo Securities

**Number of securities accounts**  
**30,708 accounts** (+3,610 accounts year on year)

(Accounts)



# Corporate Governance

The Company is a holding company with subsidiaries such as the Senshu Ikeda Bank, which upholds the Management Principle of striving to become a financial group that “endear ourselves to the regional community” by providing services tailored to customers’ needs, while valuing “broad networks of relationships” and “an enterprising spirit.” In order to ensure sustainable growth and the medium- to long-term enhancement of corporate value, the Company is engaged in initiatives to develop its corporate governance in line with the following basic principles.

- (1) We respect the rights of our shareholders and strive to ensure their equality.
- (2) We consider the interests of stakeholders and strive to ensure appropriate cooperation.
- (3) We disclose corporate information in an appropriate manner and strive to ensure the transparency of such information.
- (4) The Board of Directors and the Audit & Supervisory Board strive to enhance the effectiveness of their supervision and audits of the execution of duties in line with their fiduciary responsibilities for our shareholders.
- (5) We strive to engage in constructive dialogue with our shareholders in order to contribute to sustainable growth and the medium- to long-term enhancement of corporate value.

## Outline of Corporate Governance Structure

The Company has adopted a corporate governance structure for sustainable enhancement of its corporate value through reinforcing supervision of management by electing the outside directors and cooperating with the Audit & Supervisory Board.

Specifically, directors who are familiar with banking business - involving complex and sophisticated management decisions - supervise business execution of representative directors, while audit & supervisory board members audit business execution of directors through attendance to important meetings and inspection of critical documents. The Company reinforces its corporate governance structure through outside directors and outside audit & supervisory board members who possess well-seasoned characters and insights presenting meetings including the Board of Directors and expressing their opinions actively.

The Company has concluded a liability limitation agreement with outside directors and outside audit & supervisory board members to the effect that their liability for damages set forth in Article 423, Paragraph 1, of the Companies Act shall be the amount prescribed by Article 425, Paragraph 1 of said Act, in accordance with the relevant provisions of the Articles of Incorporation of the Company, as long as they perform their duties in good faith and without gross negligence.

### Corporate governance functions within the Company

#### ● The Board of Directors

The Board of Directors that comprises 10 directors (including 4 outside directors) is responsible for making decisions on critical management issues while receiving relevant reports from within the company, and supervising the business execution of directors and executive officers under the rules of the Board of Directors. The Board of Directors is held once a month in principle, attended also by audit & supervisory board members, to make decisions in due consideration of compliance and risk management.

#### ● Personnel Committee

The Personnel Committee has been established to deliberate matters including the selection of candidates for directors. The Committee comprises 5 directors including 1 internal director who serves as chairman and 4 outside directors. The Committee, as a voluntary advisory body to the Board of Directors, accepts the involvement and advice of independent outside directors, for the purpose of ensuring the objectivity and transparency of board functions and strengthening corporate governance.

#### ● Remuneration Committee

The Remuneration Committee has been established to deliberate matters including compensations for directors. The Committee comprises 5 directors including 1 internal director and 4 outside directors, one of whom is elected as chairman. The Committee, as a voluntary advisory body to the Board of Directors, accepts the involvement and advice of independent outside directors, for the purpose of ensuring the objectivity and transparency of board functions and strengthening corporate governance.

#### ● The Audit & Supervisory Board

The Company has adopted a audit & supervisory board member system. Under this system, the Company ensures transparency through appointing 3 outside audit & supervisory board members of the 5 audit &

supervisory board members in all. Each audit & supervisory board member audits business execution of directors through attendance to important meetings including the Board of Directors and the Management Committee, inspection of critical documents and other means, according to the auditing guidelines and audit schedule decided by the Audit & Supervisory Board. Outside audit & supervisory board members are qualified with high degree of integrity along with superior insight and capability, as well as expertise and hands-on experience in respective area of specialty, providing advice on management from diversified points of view.

#### ● Management Committee

With the purpose to make more adequate and prompt management decisions in the execution of company business, the Management Committee has been established under the Board of Directors, which makes decisions on critical management matters based on the authorities delegated from the Board of Directors while receiving relevant reports from within the company. The Management Committee is held once a week in principle inviting audit & supervisory board members, to make decisions in due consideration of compliance and risk management.

#### ● Internal control, management and auditing functions

For the purpose of internal control, management and auditing functions, the Company has established Corporate Planning and General Affairs Division, General Risk Management Division and Internal Audit Division.

The Corporate Planning and General Affairs Division is the department responsible for the coordination of internal control, for the purpose of Companies Act and Financial Instruments and Exchange Act. The General Risk Management Division is responsible for compliance management that serves as a linchpin for internal management. Measures for compliance are planned and their implementation status is managed under the compliance program approved by the Board of Directors. Furthermore, the General Risk Management Division, as an overall supervisory function of risk management, is responsible for regular review and reform of the risk management structure, referring to the financial inspection rating system by the Financial Services Agency.

On the other hand, the Internal Audit Division is responsible for internal audits of all departments within the Company, according to the annual audit plan approved by the Board of Directors every fiscal year, and for the integrated management of the overall internal audit work across the Group. The Internal Audit Division also audits the respective subsidiaries on its own or on a joint basis with the internal audit department of each subsidiary as appropriate, and provides specific instructions and advice to improve business operation at each subsidiary.

#### ● Accounting auditors

Mr. Hirokazu Tanaka and Mr. Tetsuro Tone are the certified public accountants that conducted the latest accounting audit of the Company, while accounting auditors that conduct audits of the Company for the purpose of Companies Act as well as for the purpose of Financial Instruments and Exchange Act, belong to Ernst & Young ShinNihon LLC. None of them have been engaged in the audit of the Company for longer than seven years on continuous basis, hence no statement in respect of the number of continuous years of service engaged in the audit of the Company.

Assistants for the accounting audit of the Company are 10 certified public accountants and 19 others.

### Basic approach to the internal control system and its status of development

The Company and the Group companies are developing a structure necessary to ensure the adequacy of operation based on the following concepts; create a “most trusted by customers” financial group which respects personal relationships and promotes honest and approachable banking.

#### (1) Structure to ensure that directors and employees of the Company and the Group companies execute business in compliance with laws and regulations as well as with the Articles of Incorporation

The Company and the Group companies focus on compliance with laws and regulations (hereinafter “compliance”) as one of the most critical management task. The Company and the Group also set out the code of ethics along with the code of conduct to ensure that directors and employees behave in compliance with laws and regulations as well as social norms, while setting out basic rules of compliance under which overall compliance policies and specific measures are discussed at the Compliance Committee.

To ensure the above compliance implementation, the Company and the Group companies appoint directors who are responsible for compliance. In addition, the General Risk Management Division coordinates compliance arrangement across the Company and the



Group companies, while conducting education and training for directors and employees by developing compliance program and compliance manual, and arranging compliance seminars.

Furthermore, the Group Compliance Hotline, a whistleblowing system has been set up and managed to allow directors and employees of the Company and the Group companies to directly provide information about questionable conduct in light of laws and regulations. The hotline system is structured to guarantee that the informants who provide such compliance-related information are protected from being treated in a disadvantageous manner.

Basic rules that directors and employees must abide by are set out for the prevention of insider trading.

Besides, the Company and the Group companies have taken uncompromising stance against anti-social forces and organizations that threaten the order and safety of the community, while making every effort to eliminate their involvement in any trading activities. The Company and the Group companies have also taken every measure to eliminate money laundering in consideration of the possibility that funds transferred via financial institutions could be used for criminal purposes including terrorism.

Moreover, the Company and the Group companies provide effective customer management including customer protection, with the purpose to reassure our customers of their security and to promote their convenience in an effort to implement a thorough 'customer first policy.'

**(2) Structure for the preservation and management of information concerning the directors' business execution**

The Company and the Group companies have prepared and kept documents such as minutes of important meetings including the Board of Directors and the Management Committee, as records of directors' execution of duties.

The Company and the Group companies have also prepared and kept documents and attachment sanctioned by directors as appropriate.

**(3) Arrangements including rules to manage the risk of potential losses of the Company and the Group companies**

With the purpose of ensuring the soundness of management and stable corporate earnings, the Company and the Group companies have set out basic rules of risk management. The Company and the Group companies have classified risks into credit risk, market risk, funding liquidity risk and operational risk, and defined the department responsible for the management of each category of risk, while establishing the Risk Management Committee to monitor the status of management of each such category.

Meanwhile, the Company and the Group have set out rules of risk management, with the purpose to minimize the financial loss along with loss of confidence resulting from the crisis event, and to ensure business continuity through prompt restoration of normal operational functions.

**(4) Structure to ensure efficient business execution by directors of the Company and the Group companies**

The Board of Directors sets out the management objectives of the Company and the Group companies with the purpose of enabling the directors and employees of the Company and the Group companies to efficiently execute their business. The Board of Directors also formulates the Group Management Plan and sets forth operational plans on an annual basis to bring said Plan into shape.

In addition, the Board of Directors establishes the Management Committee with the purpose of enabling directors to efficiently execute their business. The Management Committee discusses beforehand the agenda of the Board of Directors to facilitate the decision-making process at those meetings, while discussing the critical issues for resolution in implementing the basic management policies that have been resolved by the Board of Directors on the basis of such policies.

The Management Committee also defines the headquarters under the command of each director, along with the authority and responsibility involved, while developing and maintaining a structure for efficient business execution by utilizing IT.

**(5) Structure to ensure the adequacy of business operation at the Group, which comprises the Company and the Group companies**

The Company regards the respective Group companies as one group under the flag of Senshu Ikeda Holdings. Thus each member company of the Group runs its operation through developing an adequate internal management structure according to its scale and nature of operation under the adequate guidance of, and in coordination with the Company.

The Company, as a responsible entity for the administrative management of the entire Group, has established administrative

management rules targeting its subsidiaries. The Company has developed a structure in which it receives necessary reports concerning the business execution of directors and employees and other relevant matters from and consults on those issues with the respective Group companies.

**(6) Matters concerning employees who assist audit & supervisory board members in the performance of their duties, the independence of those employees from directors, and structure to ensure the effectiveness of the instructions to such employees**

In order to support audit & supervisory board members' business execution, the Company and the Group employ audit & supervisory board members' staffs as secretariat for the Audit & Supervisory Board. Such audit & supervisory board members' staff shall receive instructions from the audit & supervisory board members for their business execution, while their personnel changes and evaluations shall require an accord of the relevant audit & supervisory board members to ensure the staff's independence from directors.

Thus the Company and the Group companies ensure their independence from directors.

**(7) Structure to facilitate reporting from directors and employees to audit & supervisory board members and other arrangements to ensure that audit & supervisory board members are adequately informed, as well as the structure to ensure that no disadvantageous treatment is conducted because of having reported to audit & supervisory board members**

Directors and employees of the Company and the Group companies shall immediately report to audit & supervisory board members on matters that could have significant impact on the Company and the Group companies, or any other matters as necessary, in addition to matters legally required to be reported.

**(8) Other structure to ensure that audit & supervisory board members conduct effective audits**

Audit & supervisory board members hold meetings to exchange opinions with representative directors, internal audit division and accounting auditors.

Audit & supervisory board members attend important meetings such as the Board of Directors, the Management Committee, the Compliance Committee, the Risk Management Committee and the ALM Committee, in an effort to find out various problems they need to address in the execution of their duties.

Furthermore, audit & supervisory board members shall be permitted to request posteriori for redemption of the expenses that they deem necessary in executing their duties if such expenses were previously budgeted by them and have been disbursed for an emergency or temporarily.

## Status of Internal Audits and Audits by Audit & Supervisory Board Members

### ● Internal audits

The Company has established the Internal Audit Division that conducts internal audits based on the basic rules of intra-group audits, set out to provide objectives and guidelines of internal audits. The Company develops effective internal audit structure that has independence and expertise in order to ensure soundness and adequacy of operation. The Company also inspects and evaluates adequacy and effectiveness of the risk management and internal control practices, and makes recommendations as appropriate to the senior management of the Company on ways to improve and rectify questionable areas. Thus the Company's internal audit guidelines facilitate effective achievement of management objectives including the improvement of the Group's internal management structure and the enhancement of its enterprise value.

The Company's Internal Audit Division comprises 15 members of whom 12 serve concurrently in the Internal Audit Division of the banking subsidiary (as of March 31, 2018). The Internal Audit Division conducts internal audits on each division of the Company based on the internal audit plan approved by the Board of Directors each year. The Internal Audit Division also conducts internal audits on each Group company, as necessary, on its own or by cooperating and coordinating with internal

audit divisions of the subsidiaries, etc. and provides specific instructions and advice on the improvement of operations, in addition to managing and overseeing internal audit operations of the entire Group.

#### ● Audits by audit & supervisory board members

Each audit & supervisory board member audits the business execution of directors through attendance to important meetings such as the Board of Directors and the Management Committee, as well as inspection of critical documents, according to guidelines such as the "guidelines for audits by audit & supervisory board members" and the "guidelines for implementing audits of internal control system," generally subject to the auditing guidelines and audit plan decided by the Audit & Supervisory Board, as an independent body mandated by shareholders.

Audit & supervisory board members and accounting auditors are performing their audit duties efficiently and effectively through establishing close mutual cooperation by exchanging opinions about various auditing issues. In addition, working together with audit & supervisory board members of banking subsidiary, audit & supervisory board members and internal audit division are also performing their audit duties efficiently and effectively through establishing close mutual cooperation by audit & supervisory board members' attendance to internal audits and exchanging opinions about various auditing issues.

The Company has made every effort for efficient and effective implementation of all audits including internal divisions, audit & supervisory board members, and accounting auditors through close cooperation and communication between the departments and functions concerned. The Company has also made effort to audit efficiently and effectively through receiving various reports from the internal control division.

### Outside Directors and Outside Audit & Supervisory Board Members

The Company has 4 outside directors and 3 outside audit & supervisory board members. The Company has set forth the following standards for the independence of outside directors and outside audit & supervisory board members (hereinafter "outside officers") in order to objectively determine their independence and elects outside officers on the basis of these standards. All 7 outside officers, namely outside directors, Kazuo Hiramatsu, Minoru Furukawa, Takao Koyama and Tomokazu Yamazawa, and outside audit & supervisory board members, Toshiaki Sasaki, Seiji Morinobu and Kohei Nakanishi, satisfy the standards for the independence. They have been designated and notified to the Tokyo Stock Exchange as independent officers, as they satisfy the requirements of independence stipulated by the relevant stock exchange and pose no potential conflict of interests with general shareholders.

<Standard for judging the independence>

At the Senshu Ikeda Group, as a general rule, Outside Directors/Audit & Supervisory Board Members shall be those who do not fall under any of the following requirements, at present or recently.<sup>1</sup>

1. A person who deems the Group to be a major<sup>2</sup> business partner, or in the case of a company, an executing person thereof.
2. A person who the Group deems to be a major business partner, or in the case of a company, an executing person thereof.
3. A business consultant, an accounting specialist or a legal specialist who has received a large sum<sup>3</sup> of money and other properties other than Officers' remuneration from the Group (or a quasi-executing person who has belonged to the payee's group).
4. A person who the Company deems to be a major shareholder<sup>4</sup> of the Company, or in the case of a company, an executing person thereof.
5. A payee of a large sum of donation from the Group, or a quasi-executing person of the payee's group, in the case where the receiver of the monies, etc., is an entity.
6. A former executing person of any of the Group companies in the past.<sup>5</sup>
7. A relative<sup>6</sup> of a person (excluding those who are not significant) mentioned below:
  - A. A person who is mentioned in the aforesaid items 1 through 6.
  - B. Directors, Audit & Supervisory Board Members, Executive Officers and important employees of any of the Group companies.

Notes:

1. Definition of "recently": Refers to cases that might be regarded as almost "at present," for example, including the case where said person fell under any infringement requirement item since the content of a proposal for the selection as Outside Director or Outside Audit & Supervisory Board Member was determined.
2. Definition of "major": Refers to 2% or more of the consolidated net sales per annum (Consolidated ordinary income in case of the Company) for the nearest fiscal year, as a benchmark for judgment.
3. Definition of "a large sum": Refers to a three-year average amount of ¥10 million or more per annum for the past three years.
4. Definition of "major shareholder": Refers to a shareholder who held 10% or more of the total voting rights at the end of the nearest fiscal year.
5. Definition of "past": Refers to "within 10 years up to the present."
6. Definition of "relative": Refers to "within the second degree of kinship of a person."

There are ordinary banking transactions between the outside director Kazuo Hiramatsu and The Senshu Ikeda Bank. He also concurrently serves as a standing trustee of Kwansei Gakuin. The Senshu Ikeda Bank has ordinary banking transactions with Kwansei Gakuin. He also concurrently serves as an officer at ShinMaywa Industries, Ltd., The Senshu Ikeda Bank has ordinary banking transactions with ShinMaywa Industries, Ltd.

As an outside director of the Company, he performs his duties of supervising the business execution based on his extensive experience in educational corporations and in business.

There are ordinary banking transactions between the outside director Minoru Furukawa and The Senshu Ikeda Bank. He also concurrently serves as an officer at Hitachi Zosen Corporation, The Midori Kai Co., Ltd., Osaka International Convention Center Corp. and OKK Corporation. The Senshu Ikeda Bank has ordinary banking transactions with Hitachi Zosen Corporation, The Midori Kai Co., Ltd. and OKK Corporation; and has concludes a temporary staff dispatch contract with The Midori Kai Co., Ltd. ; and the Company has conference hall borrowing transaction with Osaka International Convention Center Corp.

As an outside director of the Company, he performs his duties of supervising the business execution based on his extensive experience in corporate management as a representative director of a listed company. He also concurrently serves as a non-executive director (non-full-time) at The Senshu Ikeda Bank.

There are ordinary banking transactions between the outside director Takao Koyama and The Senshu Ikeda Bank. He had served as an officer at Hitachi, Ltd. and Hitachi Solutions, Ltd. in previous time. The Senshu Ikeda Bank has ordinary banking transactions and commissions of system development and operation with Hitachi, Ltd. and Hitachi Solutions, Ltd.; and the Company has a capital relationship with Hitachi, Ltd.

As an outside director of the Company, he performs his duties of supervising the business execution based on his extensive experience in corporate management as a representative director. He also concurrently serves as a non-executive director (non-full-time) at The Senshu Ikeda Bank.

There are ordinary banking transactions between the outside director Tomokazu Yamazawa and The Senshu Ikeda Bank. He had served as an officer at Hankyu Hanshin Holdings, Inc. He also concurrently serves as an officer at Hankyu Hanshin Hotels Co., Ltd, Hanshin Expressway Company Limited and Charm Care Corporation. The Senshu Ikeda Bank has ordinary banking transactions with Hankyu Hanshin Holdings, Inc., Hankyu Hanshin Hotels Co., Ltd, Hanshin Expressway Company Limited and Charm Care Corporation. The Company has a capital relationship with Hankyu Hanshin Holdings, Inc.

As he has experience in corporate management as a representative director as well as his sufficiently high social credibility, the Company believes that he will be able to fulfill the role of outside director. He also concurrently serves as a non-executive director (non-full-time) at The Senshu Ikeda Bank.

There are ordinary banking transactions between the outside audit & supervisory board member Toshiaki Sasaki and The Senshu Ikeda Bank, and he holds 33,260 shares of common stock of the Company (as of March 31, 2018). He also concurrently serves as the President of Senshu Gakuen. The Senshu Ikeda Bank has ordinary banking transactions with Senshu Gakuen.

He performs his duties as an audit & supervisory board member based on his wealth of experience and broad insight earned over the years as an audit & supervisory board member in financial institutions.

There are ordinary banking transactions between the outside audit & supervisory board member Seiji Morinobu and The Senshu Ikeda Bank. He



also concurrently serves as an officer at KITAKEI CO., LTD. The Senshu Ikeda Bank has ordinary banking transactions with KITAKEI CO., LTD.

He performs his duties as an outside audit & supervisory board member in auditing the legality of the management execution from an objective and neutral position, based on his experience as an outside director, wide range of experience and insights as an attorney, and sufficiently high social credibility.

There are ordinary banking transactions between the outside audit & supervisory board member Kohei Nakanishi and The Senshu Ikeda Bank. He had served as an officer at Japan Bank for International Cooperation ("JBIC") in previous time. Although The Senshu Ikeda Bank has concluded a memorandum of understanding with JBIC for supporting Japanese firms with expanding overseas, no consideration arises from transaction under the memorandum.

He performs his duties as an outside audit & supervisory board member independently from an objective and neutral position, based on his wide range of experience and knowledge regarding international finance as well as experience on corporate management and knowledge, and insight into corporate governance through served as director of a bank and outside director of corporations, and sufficiently high social credibility.

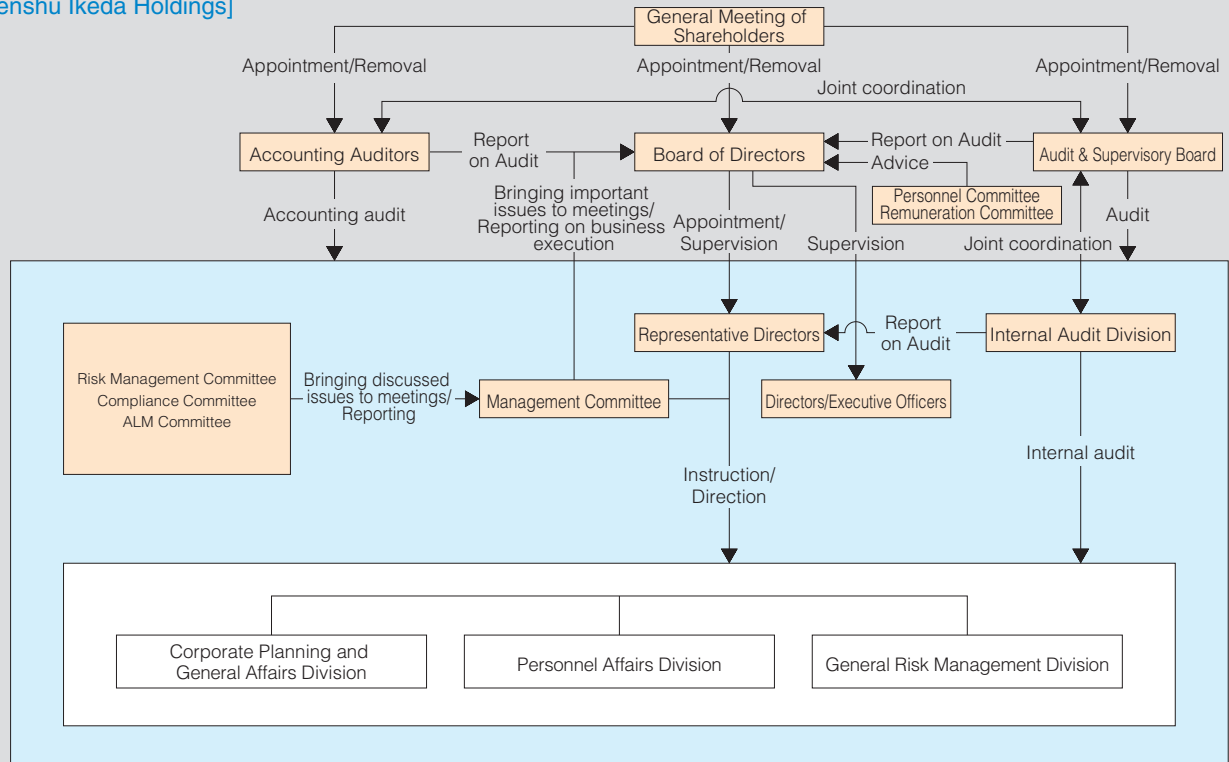
The Company has appointed 4 outside directors out of 10 directors while 3 outside audit & supervisory board members out of 5. Thus the Company has developed a structure sufficient to continuously enhance its enterprise value through such appointment of outside directors and outside audit & supervisory board members.

Outside directors receive reports about the status of audits by audit & supervisory board members, internal audits and accounting audits, as well as the status of internal control from the internal control division through Board of Directors. On the other hand, outside audit & supervisory board members receive reports from full-time audit & supervisory board members about the status of audits by audit & supervisory board members, internal audits and accounting audits, as well as the status of internal control from the internal control division. Both outside directors and outside audit & supervisory board members give recommendations and advice in return for these reports.

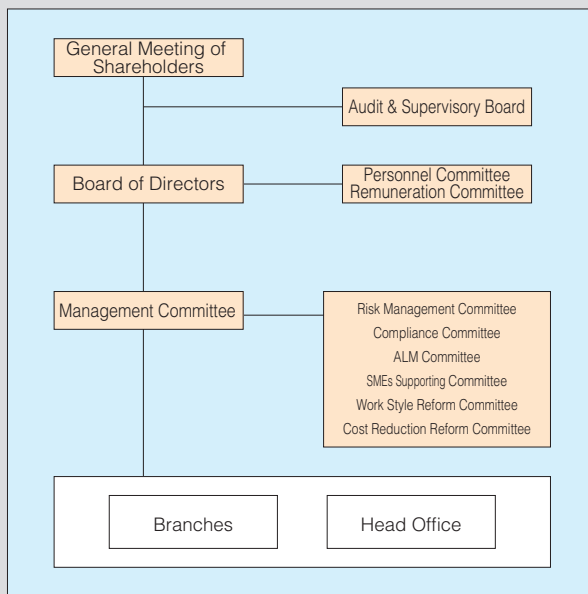
## Corporate governance structure of the Group

(As of the end of June, 2018)

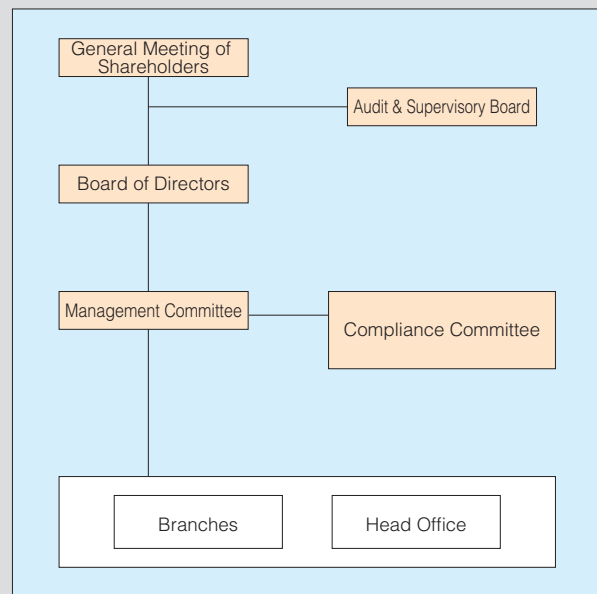
### [Senshu Ikeda Holdings]



### [The Senshu Ikeda Bank]



### [Senshu Ikeda Tokai Tokyo Securities]





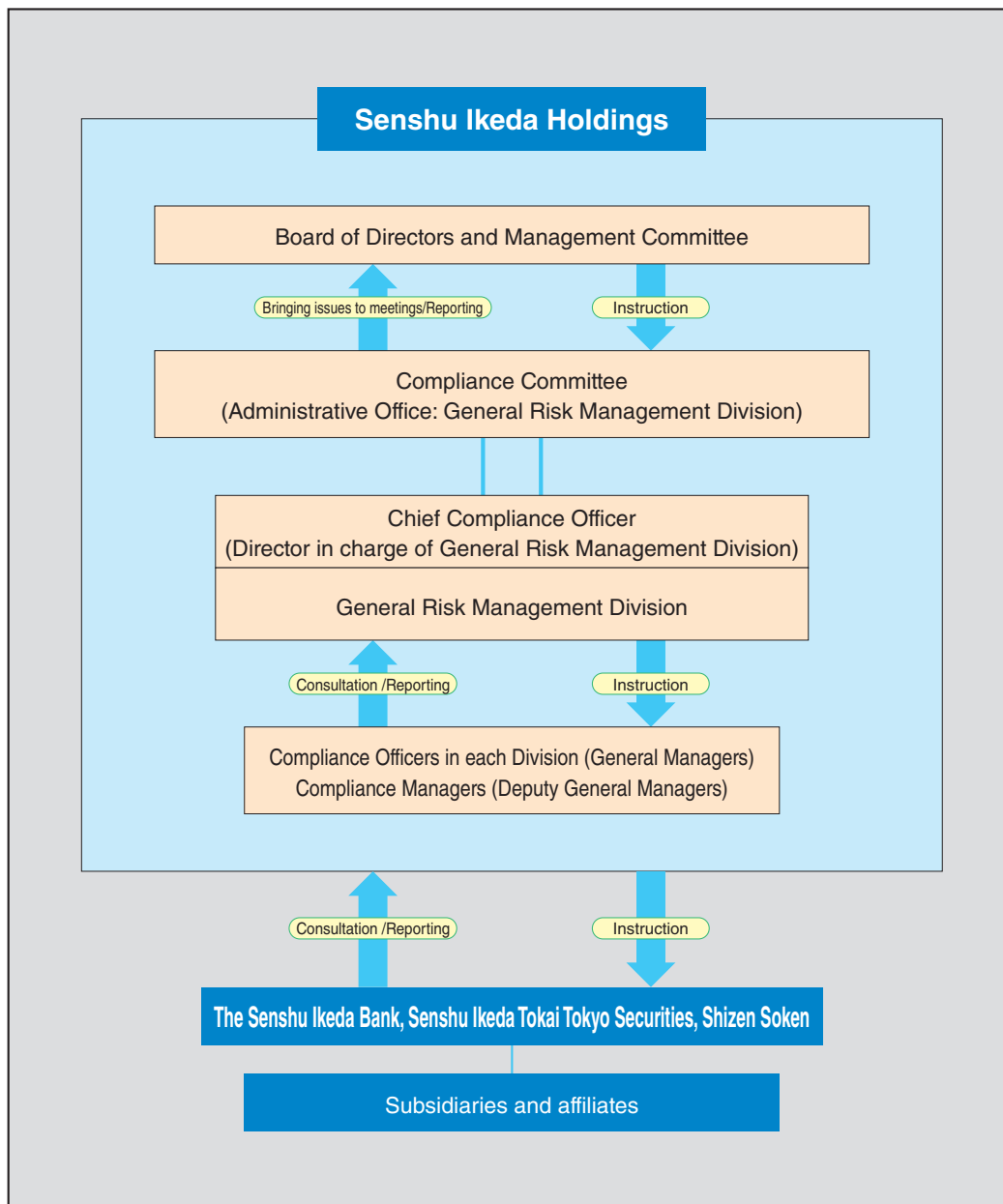
## Compliance Structure

The Company and the Group sets “compliance” as one of the most important management priorities. We are coping with it in order to fulfill our social responsibility and public duties, and to earn the trust of our customers and regional communities.

The Company has set up a “Compliance Committee” to deliberate important matters regarding group compliance. We have also formed the General Risk Management Division under the “Chief Compliance Officer” to manage matters regarding compliance unitarily.

The General Risk Management Division ensures compliance by creating, reviewing, and following up the “Compliance Program,” which is a practical plan for reinforcement of compliance, by creating, updating, and distributing the “Compliance Manual,” which stipulates basics regarding compliance, and by conducting compliance education activities through various training programs.

We assign “Compliance Officers” and “Compliance Managers” to each division and branch in order to implement and penetration of compliance. In addition, we



check the operations from compliance point of view and facilitate the conduction of training programs to ensure compliance.

We also set up and operate a hotline including external contact point in order to find compliance problems in early stages and take corrective actions.

Compliance has become an increasingly important issue for financial institutions. The Company and the Group are committed to strict observance of the Banking Act, Financial Instruments and Exchange Act, and related laws and regulations. We also work toward the elimination

of anti-social forces, and strive to strengthen an appropriate protection system for our customers.

We intend to enrich and enhance our compliance structure through improving various regulations and giving training to our employees continuously so that customers can deal with us “reliably.”

## Code of Ethics

The Group sets up Code of Ethics as follows that our directors and employees must abide by. The directors and employees will regard the observance of the Code of Ethics as a fundamental part of routine operations and will conduct fair and honest corporate activities, while complying with laws and rules strictly to implement the Group's management philosophy and policies.

### 1. Winning the trust from our customers

Taking its social responsibility and public duties into consideration, we will intend to become the most reliable financial group for the customers through conducting sound and appropriate operations, including information management and proper disclosure.

### 2. Implementing “customer first policy”

We will always consider any matters on customer first basis and will contribute to the development of the regional economy and community through providing high-quality financial services that are both original and innovative.

### 3. Strict compliance

We will strictly comply with all laws and rules, and will conduct fair and honest corporate activities that are consistent with social code.

### 4. Respecting human rights and the environment

We will respect personal relationship, characters and personalities of the others, and conduct environment-friendly corporate activities.

### 5. Eliminating anti-social forces

We will take an uncompromising stance against anti-social forces and organizations, and resolutely eliminate all undue intervention by such forces and organizations which threaten the order and safety of the community.

## Risk Management Structure

### ■ Basic Approach to Risk Management

While business opportunities for financial institutions multiply as a result of deregulation, sophistication and globalization of financial operations, and the significant development in ICT, the risks that financial institutions face are becoming more complicated and diverse qualitatively.

Moreover, it has been more important for financial institutions to monitor, assess and manage risks properly, and to respond to the changes quickly in the environment in order to earn the stable and continuous profits, while serving various needs of customers. Under such circumstances, the Group regards enhancing and strengthening risk-management structure as a high-priority management task in order to maintain and enhance the soundness of its business execution.

Specifically, the Group determines the structure and various rules regarding risk management and the departments in charge of each risk category at the Board of Director. The group has also set up the risk management division to oversee the departments regarding risk management. Furthermore, the Risk Management Committee and the ALM Committee, consisting principally of management personnel have been established, with the purpose to identify the risk situation within the Group as well as its subsidiaries, and to discuss the relevant agenda and countermeasures which shall subsequently be reported and further discussed at the Board of Directors. Thus the Group ensures effective risk management structure at management level.

Meanwhile, as action plans for risk management based on the Group strategies, basic risk management principles are set out annually and reviewed continually in order to deal with the risks newly emerging as a result of changes in environment for timely and adequate way.

With the purpose to objectively examine the adequacy and effectiveness of the risk management structure, the internal audit division which independent from the audited departments conducts an audit. Thus the Group ensures appropriate administrative processing and sound business operations through finding out and improving the matters on risk management.

### ■ Integrated Risk Management

#### ● Integrated risk management

Integrated risk management refers to the process to adequately manage the risks that financial institutions face. The Company evaluates the risks divided into

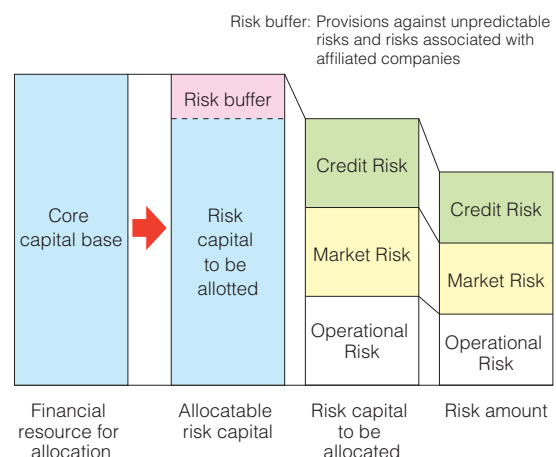
categories of credit risk, credit concentration risk outside the calculation of capital ratio, interest rate risk in banking accounts, market risk and operational risk, and compares them with its management strength (capital ratio).

The Group regards development and reinforcement of risk management structure as its crucial management task. Furthermore, the Group has developed an integrated risk management structure that the risk management division manages all risks in order to comprehensively identify and appreciate various risks associated with the Company's operations by as uniform as possible measurement, and to earn the stable revenue, realize appropriate capital composition and allot management resources properly.

#### ● Risk capital management system

The Group is running its operation based on the risk capital management system that controls all risks within certain proportion of capital base, under the integrated risk management structure.

Specifically, the Company allocates risk capital sourced from core capital base to credit risk, market risk and operational risk, based on the calculated risk amount in each category. The Company has also monitored risk amount continuously to ensure that it is kept within the tolerable limit from management point of view. Thus the Company ensures smooth operations and management soundness across the Group.





#### ● Calculation method for capital ratio regulation

In respect to risk asset calculation for the purpose of the capital ratio regulation, the Group applies the Foundation Internal Ratings-Based Approach for credit risk and the gross profit allocation method for operational risk.

#### ■ Credit Risk Management

Credit risk, as identified by the Group, is the risk of suffering losses as a result of a decline or loss of the value of assets due to reasons such as the deteriorating financial conditions of or default by the obligor.

The Group has set up “Credit Policy” in the banking subsidiary that clarifies its policy for extending credit, based on its management policy in order to maintain and enhance the soundness of its business execution.

Under this policy, the responsible division for the management of credit risk, the Risk Management Division at banking subsidiary, in accordance with the management methods stipulated in the Credit Management Regulations, administers finely-tuned responses to risks for the purpose of building up an optimum portfolio. Specifically, the division analyzes and manages the credit portfolio from various aspects including credit concentration risk, type of business, borrower classification and credit ratings.

As for the credit analysis and management of each loan at the banking subsidiary, the Group makes efforts to ensure the independence of the investigation division from the business promotion division. The Board of Directors and other appropriate body review each loan for large obligor as well as the credit policy. Thus the Group has focused on the development and improvement of its credit analysis system. Meanwhile, Loan Business Division established within the Loan Headquarters, is managing housing loans receivable.

The banking subsidiary has also established the Internal Audit Division, to manage auditing of the self-assessment of assets, in order to maintain and enhance the soundness of its asset base.

#### ■ Market Risk Management

Market risk, as identified by the Group, points to “market risk” and “market liquidity risk.” Market risk is the risk of suffering losses through changes in the prices of assets and liabilities held by the Group due to the fluctuations of market risk factors, such as interest rates, prices of

securities, foreign exchange rates and so on. Market liquidity risk is the risk of suffering losses arising from the inability to execute sufficient transactions under appropriate conditions, due to market confusion or an insufficient trading base. The Group has established the Risk Management Committee and the ALM Committee, consisting principally of management personnel, and discussed appropriate and timely measures to address the risks in order to earn the stable and continuous profit through managing its assets and liabilities in a comprehensive way.

#### ■ Funding Liquidity Risk Management

Funding liquidity risk, as identified by the Group, is the risk of suffering funding difficulties from being unable to raise necessary funds due to market conditions or deterioration in the Group’s financial condition, as well as the risk of suffering losses from being forced to raise funds at higher interest rates than usual.

The Group takes control of its funding situation through careful monitoring of the fund management and fundraising. The Group also ensures liquidation of its assets and diversifies the sources of fundraising. Thus the Group has taken every possible measure to manage funding liquidity risk.

#### ■ Operational Risk Management

Operational risk, as identified by the Group, is the risk of suffering losses from the inappropriate business activity of the Group - including its employees-, systems, or external premises.

The Group has set a rule for operational risk management and classified the risks into the six categories as follows; (1) administrative risk, (2) information asset (system) risk, (3) tangible fixed asset risk, (4) personnel risk, (5) legal risk, and (6) reputation risk.

Furthermore, the Group identifies and evaluates all risks associated with new products and services before they are actually developed and provided, for the purpose of adequate risk management. Besides, the Group manages customer information sufficiently and ensures management soundness when outsources certain business operation.

### ● Administrative risk management

Administrative risk, as identified by the Group, is the risk of suffering losses from administration, fraud, accidents and other risks that the Group's operations will not be carried out as intended.

The Group prescribes detailed rules on administrative procedures and strives to prevent accidents through doing the administration promptly and accurately, so that the customer can enter into transactions with the Group without any concern. Meanwhile, the Group makes every effort to eliminate administrative risk by measures such as review of the administrative procedure from identification of potential risks through the analysis of administrative processes.

### ● Information asset (system) risk management

Information asset (system) risk, as identified by the Group, is the risk of suffering losses due to loss, alteration, unauthorized use, leakage of information, as well as to system defects caused by natural disasters or breakdowns.

In consideration of the fact that its business operations are supported by various computer systems, the Group ensures the reliability and security of systems and has established back-up systems and structures in case of emergency.

The Group is also working to establish appropriate operation and management systems to prevent the leakage of information and unauthorized access to its systems through encoding of data and strengthening of access authority management.

### ● Tangible fixed asset risk

Tangible fixed asset risk, as identified by the Group, is the risk of suffering losses associated with damage of building and equipment or deterioration of working environment as a result of disasters or poor asset management.

The Group is preparing for disaster through conducting quake resistance tests and implementing countermeasures against power failures in order to ensure business continuity in the event of emergencies.

### ● Personnel risk

Personnel risk, as identified by the Group, is the risk of suffering losses associated with the delay of failing in succession of expertise within the Group, as a result of drain or loss of key staff, or degradation of morale.

The Group is striving to develop working environment to enable each employee to fully exert ability, while helping him or her to improve their skills.

### ● Legal risk management

Legal risk, as identified by the Group, is the risk of suffering losses from violations of laws and regulations, as well as inappropriate responses to changes in various systems.

The Group strives to prevent the occurrence of legal risk and to reduce the risk itself. To this end, the Group has established the General Risk Management Division to collect information concerning legal matters, and to manage legal risk identified from such information, as well as appropriately responds to the legal risk.

### ● Reputation risk management

Reputation risk, as identified by the Group, is the risk of suffering losses arising from deterioration of the Group's reputation due to circulation of unfounded rumors or due to inadequate responses of the Group concerning the facts.

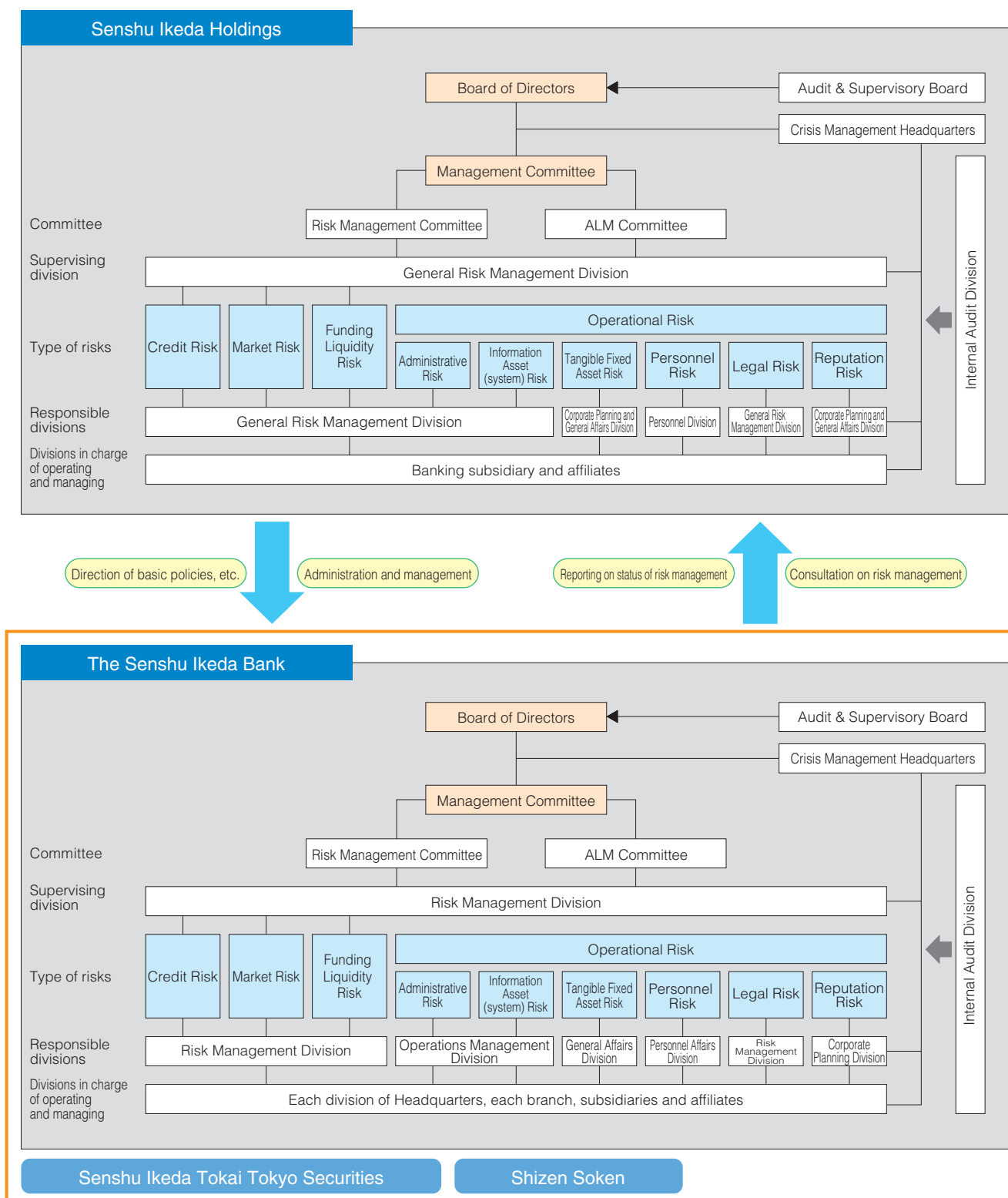
The Group works to avoid reputation risk by disclosing information proactively thorough increases the transparency of its management, taking into consideration the crucial influence on the management of the Group.

## ■ Crisis Management

The Group has established the "Crisis Management Rules," which set out the basic policies in responding to emergencies including large-scale disasters and system failures. In the event of large-scale crisis, the Group sets up a "Crisis Management Headquarters" take charge of company-wide response. Specific action programs are set out in a "Contingency Plan," with the purpose to ensure safety of customers and employees, as well as set up business continuity structure of the financial system.

## The risk management structure of the Group

(As of the end of June, 2018)





## Approach to Facilitation of Financing

The Senshu Ikeda Bank (hereinafter the “Bank”) is focused on providing adequate and sufficient financial intermediary function to customers in need of business loans or housing loans, as one of the crucial management priorities. The Bank has formulated basic policy for facilitation of financing (hereinafter the “Policy”) in order

to promote facilitation of financing to those in need particularly under the current tight economic environment.

The Bank intends to communicate with our customers and promote facilitation of financing positively.

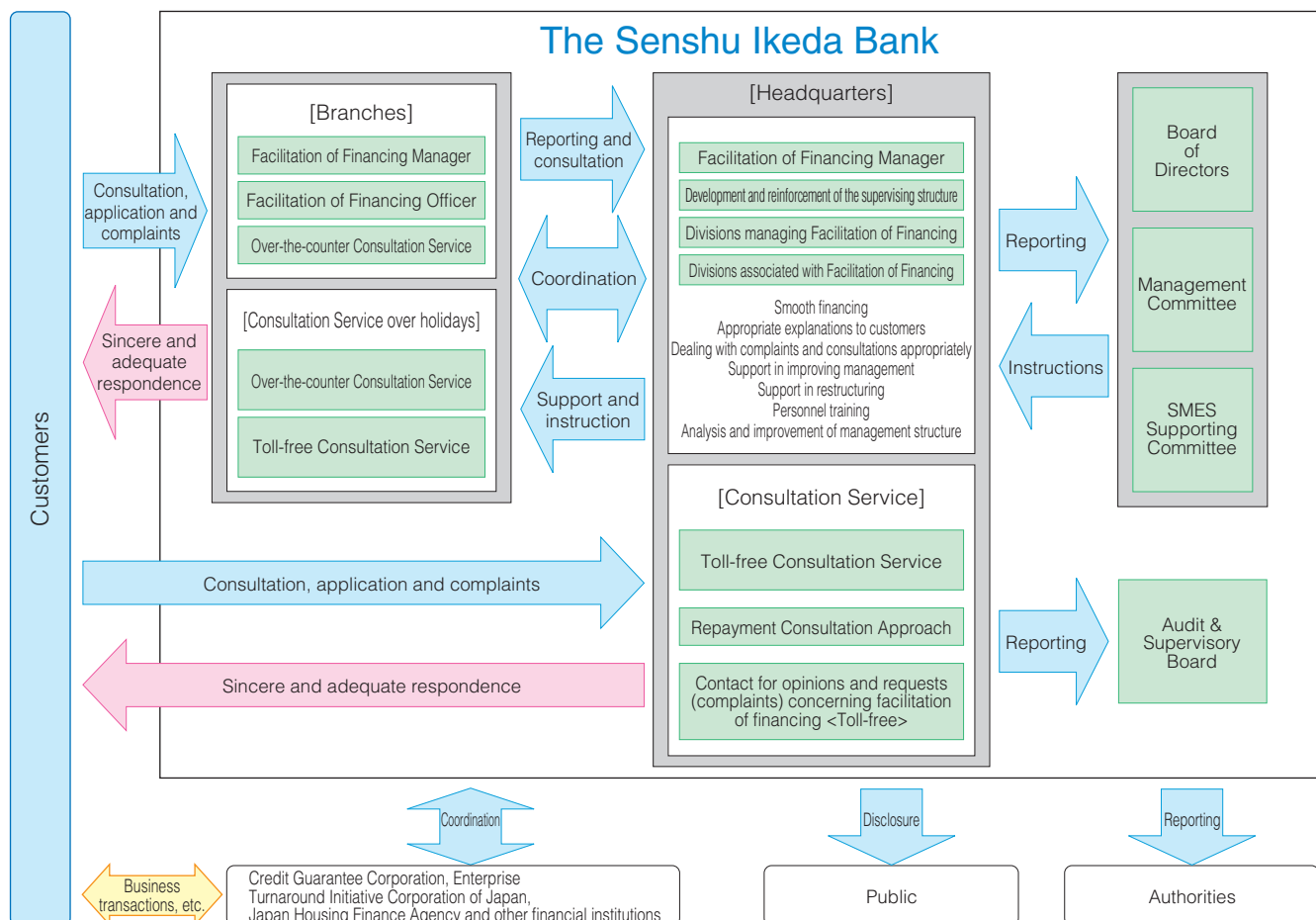
### ● Organizational structure

- (1) With the purpose to develop a management structure necessary to supply facilitation of financing (hereinafter “Facilitation of Financing Management”) under the Policy, the Bank appoints the Facilitation of Financing Manager to check whether Facilitation of Financing Management is effectively working.
- (2) The Facilitation of Financing Manager will engage in the development and reinforcement of the structure for Facilitation of Financing Management through checking the progress in respect of Facilitation of Financing Management.
- (3) The Bank appoints the director in charge of the Loan Headquarters to the Facilitation of Financing Manager. The Manager coordinates the overall business in respect of Facilitation of Financing Management such as instructions to the division responsible for

Facilitation of Financing Management, and drawing up of the rules governing facilitation of financing, with the purpose to ensure adequacy, sufficiency and effectiveness of Facilitation of Financing Management.

- (4) The Loan Division is responsible for Facilitation of Financing Management. The Loan Division engages in the adequate operation, examination and improvement of Facilitation of Financing Management under the command of the Facilitation of Financing Manager through gathering information necessary for Facilitation of Financing Management.

### System for accepting consultation of facilitation of financing



## ● Basic Policies

- (1) On receiving consultations or applications for new loans, or changes in loan terms from customers, the Bank intends to make sincere effort to conduct adequate and prompt credit screening through considering customers' recent financial results, assets and income as well as future potential and prospect. The Bank also deals with the applications for new loans, after changes in loan terms in a similar way as referred to above.
- (2) The Bank intends to make efforts to supply funds (including new credit granting) smoothly as well as to make changes in loan terms by monitoring the conditions of the customers carefully and fully coordinating with other related financial institutions including other business categories.
- (3) Additionally, keeping in mind the purpose of the provisions of Article 64 of the Act on Regional Economy Vitalization Corporation of Japan (Law No. 63, 2009) (\*), the Bank intends to appropriately and proactively engage in the vitalization of the regional economy and the facilitation of regional financing.  
(Note) The provision sets forth, "The Corporation and financial institutions, when providing support to business activities that contribute to the business rehabilitation of business operators and the vitalization of the regional economy, shall strive to mutually cooperate with each other in order to vitalize the regional economy and facilitate regional financing through the enhancement of overall economic capabilities of the region."
- (4) Consequently, the Bank intends to provide maximum support to the business improvement efforts of its customers not only through its role as a provider of financing but also through various customer services including business consultation and guidance.
- (5) Furthermore, keeping in mind the purpose of the "Guidelines on Proprietor Guarantees" (Study Group on Guidelines on Proprietor Guarantees, December 5, 2013; hereinafter "Guidelines on Proprietor Guarantees"), the Bank intends to further promote loans that are not dependent on proprietor guarantees, while at the same time making efforts to deal with its customers based on the concept of reasonable guarantee contracts as set forth in the "Guidelines on Proprietor Guarantees."
- (6) On receiving consultations or applications for new loans, or changes in loan terms from customers, the Bank intends to provide sufficient explanation in order to gain customers' understanding and satisfaction, on the basis of past trading records, customers' knowledge, experience and assets situation. If the Bank has to decline customers' application, we will explain the reason background of the decision as concretely and courteously as possible.
- (7) The Bank intends to improve capability of directors and employees about facilitation of financing by giving internal training, to enable them to make appropriate decisions based on good understanding of customers' situations.
- (8) The Bank intends to respond to any comments, requests, consultations and complaints from customers in respect of facilitation of financing promptly and sincerely.

## ● Policies for handling of application for loans from small and medium enterprises and sole proprietors

- (1) On receiving applications for changes in business terms such as loan terms from small and medium enterprises and sole proprietors, the Bank intends to accommodate such application and offer adequate changes in terms adequately as far as possible, taking into consideration of the specialty and the circumstance of customers' businesses.
- (2) The Bank intends to provide small and medium enterprises and sole proprietors with management consultation, guidance and other adequate assistance in support of their effort for management improvement, taking into consideration the operational circumstance of customers.
- (3) In the cases that customers borrow from other financial institutions as well as the Bank, we will, upon customers' approval, strive to make arrangements in coordination with the other financial institutions in order to help to reduce the burden of repayment.
- (4) On receiving request for the corporate rehabilitation procedure through Alternative Dispute Resolution (ADR) for corporate rehabilitation (\*) or Enterprise Turnaround Initiative Corporation of Japan, the Bank makes utmost effort to respond adequately to such request as far as possible, in full consideration of the prospect of improvement or rehabilitation of the business.  
(Note) This refers to certified dispute resolution procedure set out in Article 2, Paragraph 25 of the Law on Special Measures for Industrial Revitalization, in which a private third party organization formulates a rehabilitation plan, as coordinator of the interests of creditors.

## ● Policies for handling of application for housing loan

- (1) On receiving applications for new loans or changes in housing loan terms from housing loan customers, the Bank intends to accommodate such application and offer adequate new loans or changes in terms adequately as far as possible, taking into consideration of circumstances including customers' assets and income and transactions with other financial institutions.
- (2) In the cases that customers have transaction with other financial institutions as well as the Bank or with Japan Housing Finance Agency, we will, upon customers' approval, strive to make arrangements in coordination with the other financial institutions in order to help to reduce the burden of repayment.

## Corporate Information

### Corporate Data (As of the end of March 2018)

#### Senshu Ikeda Holdings, Inc.

Establishment: October 1, 2009  
 Location: 18-14 Chayamachi, Kita-ku, Osaka-City, Osaka 530-0013, Japan  
 Phone: 81-(0)6-4802-0181  
 URL: <http://www.senshuikeda-hd.co.jp>  
 Share Capital: ¥102.9 billion  
 Business Activities: Management and other related operations of banks and affiliates whose shares can be held in accordance with the Banking Act and other related operations, and businesses which bank holding company can operate in accordance with the Banking Act.  
 Number of Employees: 116  
 Stock Listing: Tokyo Stock Exchange

#### The Senshu Ikeda Bank, Ltd.

Establishment: September 1, 1951  
 Location: 18-14 Chayamachi, Kita-ku, Osaka-City, Osaka 530-0013, Japan  
 Phone: 81-(0)6-6375-1005  
 URL: <http://www.sihd-bk.jp>  
 Share Capital: ¥61.3 billion  
 Deposits: ¥4.9539 trillion  
 Loans: ¥3.9080 trillion  
 Number of Branches: 141  
 Number of Employees: 2,537  
 Credit Ratings: A-(Rating and Investment Information, Inc.)  
 A-(Japan Credit Rating Agency, Ltd.)

#### Asia and China Business Promotion Division (International Division)

Phone: 81-(0)6-6375-3484  
 Facsimile : 81-(0)6-6375-3492  
 SWIFT Address : BIKEJPJS

#### Financial Market Division:

Phone: 81-(0)6-6375-3879  
 Facsimile : 81-(0)6-6375-3998

#### Suzhou Representative Office:

399 East Baodai Road,  
 Wuzhong District, Suzhou,  
 Jiangsu, China  
 Phone: 86-(0)512-6585-1791  
 Facsimile : 86-(0)512-6585-2312

#### Senshu Ikeda Tokai Tokyo Securities Co., Ltd.

Establishment: January 30, 2013  
 Location: 18-14 Chayamachi, Kita-ku, Osaka-City, Osaka 530-0013, Japan  
 Phone: 81-(0)6-6485-0031  
 URL: <http://www.sittsec.co.jp>  
 Share Capital: ¥1.25 billion  
 Assets Under Management: ¥119.9 billion  
 Number of Branches: 4  
 Number of Employees: 109



## Major Shareholders (As of March 31, 2018)

### 1. Common stock

| Name  | Number of Shares Owned (Thousands) | Proportion of Total Shares (%) |
|---|------------------------------------|--------------------------------|
| Japan Trustee Services Bank, Ltd. (Trust Account)* <sup>1</sup>                       | 53,491                             | 19.04                          |
| The Master Trust Bank of Japan, Ltd. (Trust Account)* <sup>1</sup>                    | 8,781                              | 3.12                           |
| The Senshu Ikeda Bank Employees' Shareholders Association                             | 7,433                              | 2.64                           |
| Japan Trustee Services Bank, Ltd.(Trust Account 9G)* <sup>1</sup>                     | 7,335                              | 2.61                           |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd.* <sup>2</sup>                                  | 7,121                              | 2.53                           |
| DFA INTL SMALL CAP VALUE PORTOFOLIO<br>(Standing proxy: Citibank, N.A., Tokyo Branch) | 4,666                              | 1.66                           |
| GOVERNMENT OF NORWAY (Standing proxy: Citibank, N.A., Tokyo Branch)                   | 4,029                              | 1.43                           |
| Japan Trustee Services Bank, Ltd.(Trust Account 5G)* <sup>1</sup>                     | 4,001                              | 1.42                           |
| Japan Trustee Services Bank, Ltd.(Trust Account 4G)* <sup>1</sup>                     | 3,842                              | 1.36                           |
| ITAMI SANGYO CO., LTD.  | 3,692                              | 1.31                           |

\*1: These shares do not disclose the names of beneficiaries.

\*2: The Bank of Tokyo-Mitsubishi UFJ, Ltd., has changed its name to MUFG Bank, Ltd., as of April 1, 2018.

### 2. Third-class preferred stock

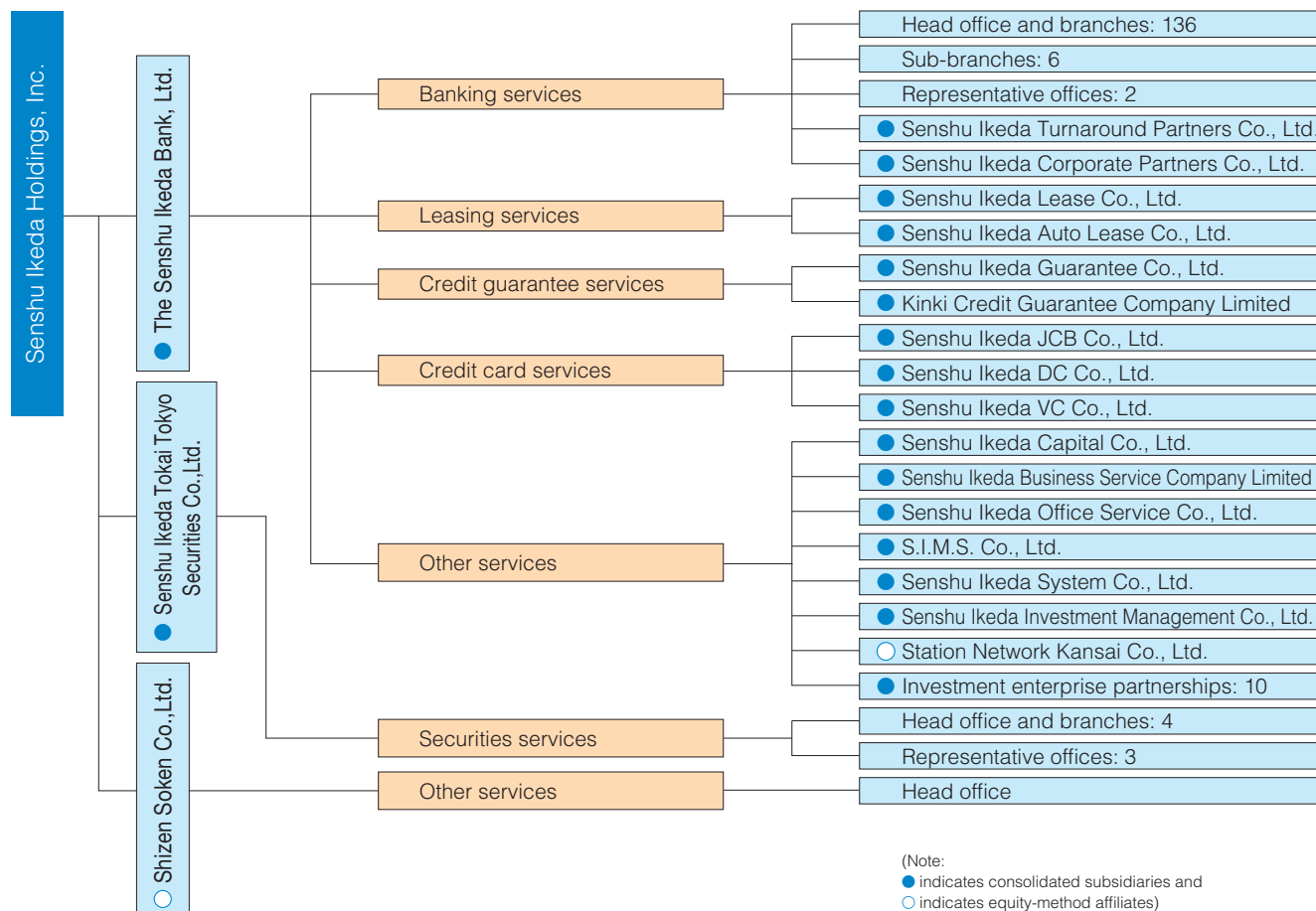
| Name                             | Number of Shares Owned (Thousands) | Proportion of Total Shares (%) |
|----------------------------------|------------------------------------|--------------------------------|
| Development Bank of Japan Inc.   | 1,500                              | 20.00                          |
| Aozora Bank, Ltd.                | 1,500                              | 20.00                          |
| DAIDO LIFE INSURANCE COMPANY     | 1,500                              | 20.00                          |
| ITAMI SANGYO CO., LTD.           | 500                                | 6.67                           |
| NEC Capital Solutions Limited    | 500                                | 6.67                           |
| IBJ Leasing Company, Limited     | 500                                | 6.67                           |
| SHIMA SEIKI MFG., LTD.           | 500                                | 6.67                           |
| Sky Co., LTD.                    | 250                                | 3.33                           |
| Nankai Electric Railway Co.,Ltd. | 250                                | 3.33                           |
| Nihon Kolmar Co.,Ltd.            | 250                                | 3.33                           |
| Fuyo General Lease Co.,Ltd.      | 250                                | 3.33                           |

### 3. First series of seventh-class preferred stock

| Name  | Number of Shares Owned (Thousands) | Proportion of Total Shares (%) |
|---|------------------------------------|--------------------------------|
| OC FINANCE CORPORATION                      | 5,000                              | 20.00                          |
| Daikin Industries, Ltd.                     | 5,000                              | 20.00                          |
| Aozora Bank, Ltd.                           | 3,000                              | 12.00                          |
| ITAMI SANGYO CO., LTD.                      | 2,000                              | 8.00                           |
| NICHIA STEEL WORKS, LTD.                    | 2,000                              | 8.00                           |
| Non-Destructive Inspection Company Limited. | 2,000                              | 8.00                           |
| NEC Capital Solutions Limited               | 1,000                              | 4.00                           |
| IBJ Leasing Company, Limited                | 1,000                              | 4.00                           |
| SHIMA SEIKI MFG., LTD.                      | 1,000                              | 4.00                           |
| Hankyu Hanshin Holdings, Inc.               | 1,000                              | 4.00                           |
| ROHTO Pharmaceutical Co., Ltd.              | 1,000                              | 4.00                           |
| Shionogi & Co., Ltd.                        | 500                                | 2.00                           |
| Nippon Paper Core Industrial Co., Ltd.      | 500                                | 2.00                           |

## Business Description of the Group

### ■ Organizational Chart of the Group (As of the end of June, 2018)



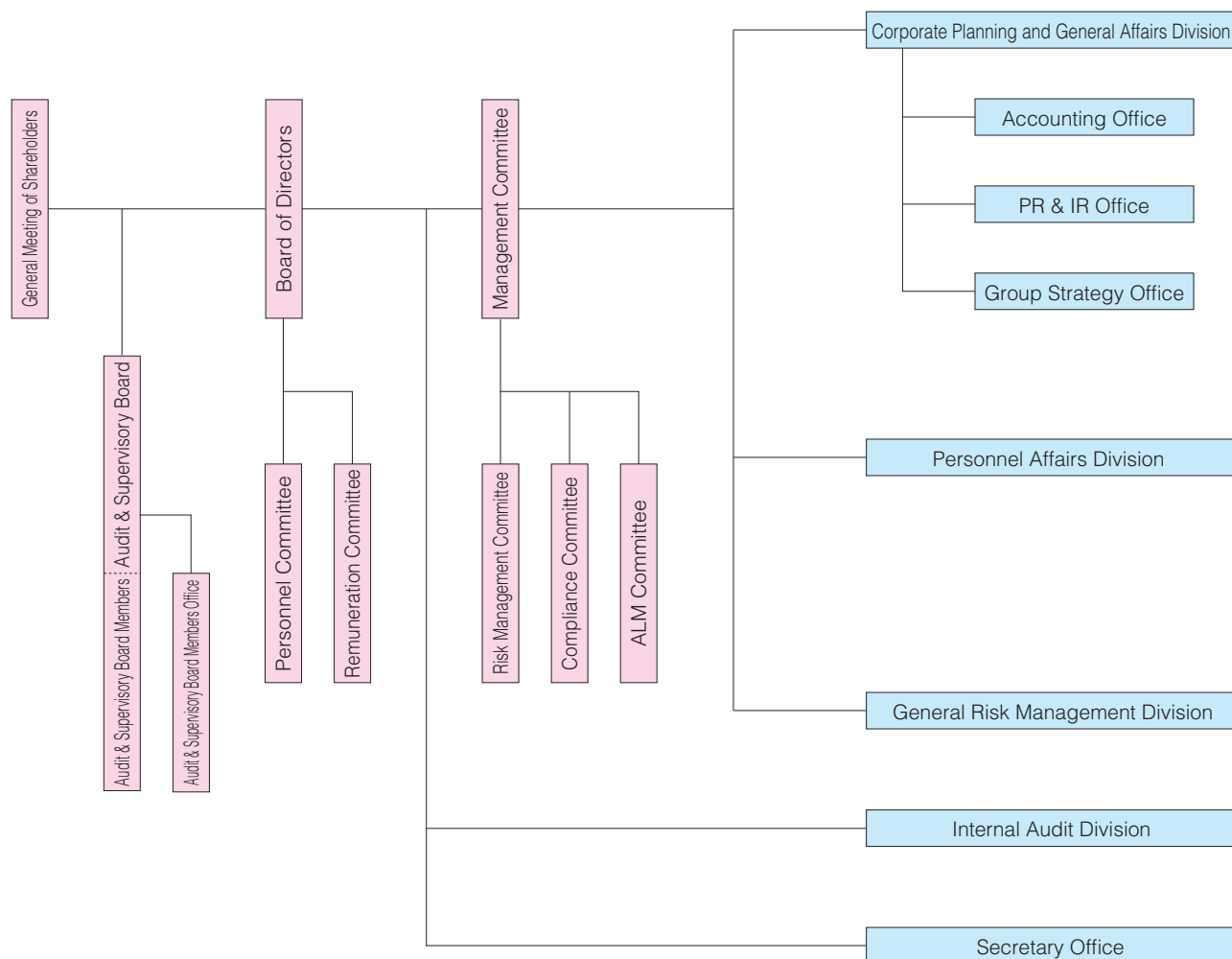
### ■ Subsidiaries and Affiliates (As of the end of June, 2018)

|              | Name  | Address                                   | Major Business  | Date of establishment | Share Capital (millions of Japanese yen) | Investment ratio (%) |                             |
|--------------|---|---|---|-----------------------|--|----------------------|-----------------------------|
|              |   |   |   |                       |  | The Company          | Subsidiaries and affiliates |
| Subsidiaries | The Senshu Ikeda Bank, Ltd.                   | 18-14, Chayamachi, Kita-ku, Osaka-city    | Banking services  | September 1, 1951     | 61,385                                   | 100.00               | —                           |
|              | Senshu Ikeda Tokai Tokyo Securities Co., Ltd. | 18-14, Chayamachi, Kita-ku, Osaka-city    | Securities services   | January 30, 2013      | 1,250                                    | 60.00                | —                           |
|              | Senshu Ikeda Turnaround Partners Co., Ltd.    | 18-14, Chayamachi, Kita-ku, Osaka-city    | Banking services (Business rehabilitation services)                   | January 4, 2013       | 100                                      | —                    | 100.00                      |
|              | Senshu Ikeda Corporate Partners Co., Ltd.     | 18-14, Chayamachi, Kita-ku, Osaka-city    | Banking services (Business rehabilitation services)                   | January 4, 2013       | 100                                      | —                    | 100.00                      |
|              | Senshu Ikeda Lease Co., Ltd.                  | 3-1-22, Toyosaki, Kita-ku, Osaka-city     | Leasing services  | April 1, 1986         | 50                                       | —                    | 100.00                      |
|              | Senshu Ikeda Auto Lease Co., Ltd.             | 4-5-36, Miyahara, Yodogawa-ku, Osaka-city | Leasing services  | July 10, 1996         | 80                                       | —                    | 95.00                       |
|              | Senshu Ikeda Guarantee Co., Ltd.              | 2-1-11, Jonan, Ikeda-city                 | Credit guarantee services   | July 20, 1973         | 180                                      | —                    | 100.00                      |
|              | Kinki Credit Guarantee Company Limited        | 2-1-1, Nishiki, Kaizuka-city              | Credit guarantee services   | April 1, 1975         | 100                                      | —                    | 100.00                      |
|              | Senshu Ikeda JCB Co., Ltd.                    | 3-2-1, Toyosaki, Kita-ku, Osaka-city      | Credit card services  | February 1, 1983      | 60                                       | —                    | 100.00                      |
|              | Senshu Ikeda DC Co., Ltd.                     | 3-2-1, Toyosaki, Kita-ku, Osaka-city      | Credit card services  | September 5, 1990     | 30                                       | —                    | 100.00                      |
|              | Senshu Ikeda VC Co., Ltd.                     | 3-2-1, Toyosaki, Kita-ku, Osaka-city      | Credit card services  | November 2, 1990      | 40                                       | —                    | 100.00                      |
|              | Senshu Ikeda Capital Co., Ltd.                | 18-14, Chayamachi, Kita-ku, Osaka-city    | Venture capital services  | March 6, 1989         | 90                                       | —                    | 100.00                      |
|              | Senshu Ikeda Business Service Company Limited | 18-14, Chayamachi, Kita-ku, Osaka-city    | Back-office administration  | April 1, 1983         | 30                                       | —                    | 100.00                      |
|              | Senshu Ikeda Office Service Co., Ltd.         | 2-1-11, Jonan, Ikeda-city                 | Entrusted business  | July 11, 1988         | 20                                       | —                    | 100.00                      |
|              | S.I.M.S. Co., Ltd.                            | 2-6-1, Jonan, Ikeda-city                  | Appraisal of real-estate collateral and real-estate research services | October 28, 1991      | 20                                       | —                    | 100.00                      |
|              | Senshu Ikeda System Co., Ltd.                 | 18-14, Chayamachi, Kita-ku, Osaka-city    | Computer software development and sale services                       | June 10, 1985         | 50                                       | —                    | 98.00                       |
|              | Senshu Ikeda Investment Management Co., Ltd.  | 3-1-22, Toyosaki, Kita-ku, Osaka-city     | Investment advisory and discretionary investment services             | April 1, 1987         | 120                                      | —                    | 100.00                      |
| Affiliates   | Shizen Soken Co., Ltd.                        | 2-1-11, Jonan, Ikeda-city                 | Information offering services   | November 1, 1996      | 80                                       | 15.00                | —                           |
|              | Station Network Kansai Co., Ltd.              | 1-4-8, Shibata, Kita-ku, Osaka-city       | Planning and operation of ATM at station                              | June 29, 2000         | 100                                      | —                    | 40.00                       |

# Organization and Board of Directors

## Senshu Ikeda Holdings

### ■ Organization (As of the end of June, 2018)



### ■ Board of Directors (As of June 26, 2018)

|  |               |          |               |                    |                   |  |                  |
|--|---------------|----------|---------------|--------------------|-------------------|--|------------------|
| Representative Director and Chairman       | Takayuki Ota  | Director | Motoshi Inoue | Director (Outside) | Kazuo Hiramatsu   | Audit & Supervisory Board Member (Full-time) | Shigeru Aoyagi   |
| Representative Director, President and CEO | Atsushi Ukawa | Director | Hiroo Maeno   | Director (Outside) | Minoru Furukawa   | Audit & Supervisory Board Member (Full-time) | Susumu Kawakami  |
|  |               | Director | Yasuki Hosomi | Director (Outside) | Takao Koyama      | Audit & Supervisory Board Member (Outside)   | Toshiaki Sasaki  |
|  |               | Director | Shinji Inoue  | Director (Outside) | Tomokazu Yamazawa | Audit & Supervisory Board Member (Outside)   | Seiji Morinobu   |
|  |               |          |               |                    |                   | Audit & Supervisory Board Member (Outside)   | Kouhei Nakanishi |

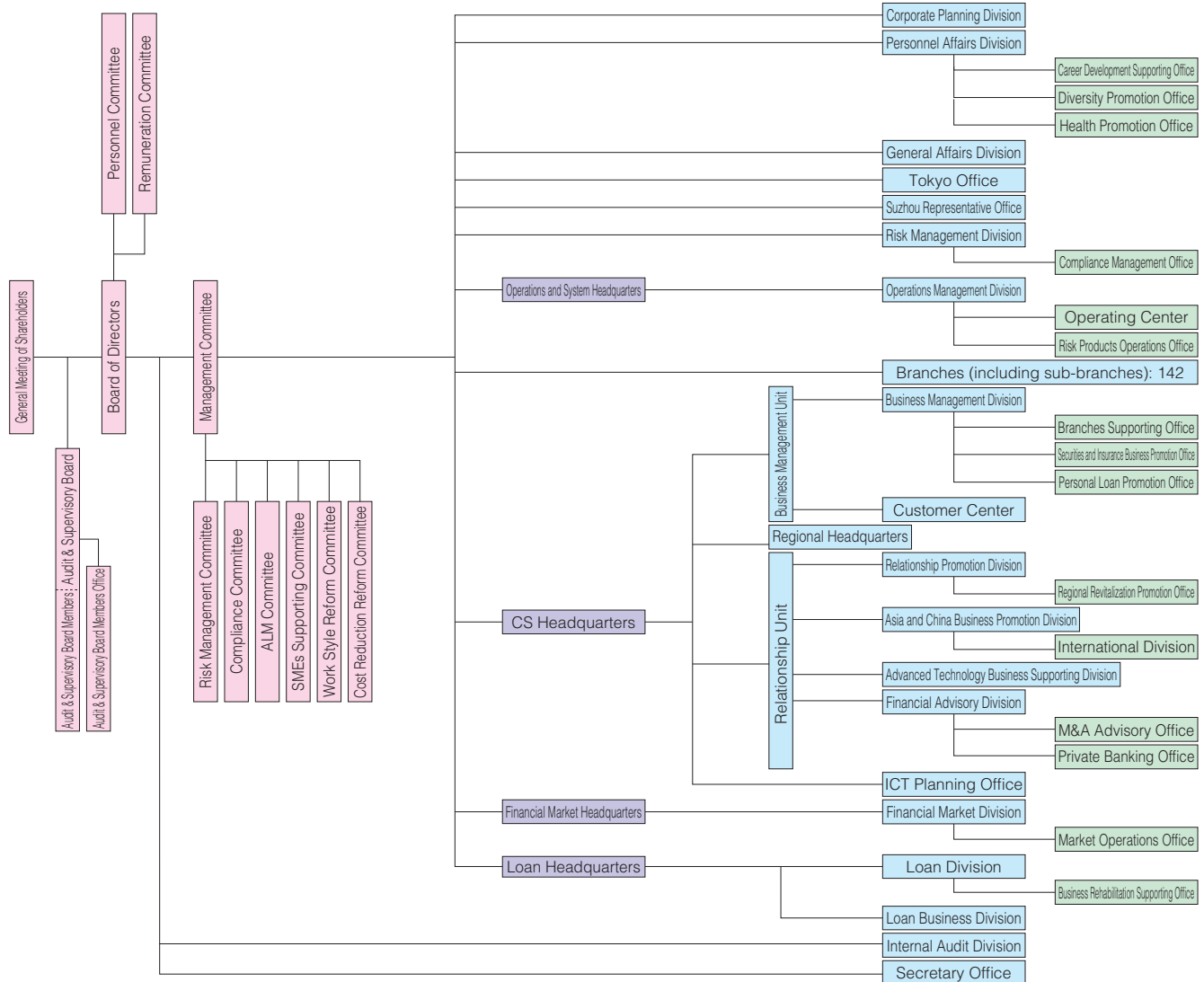
### ■ Executive Officers (As of June 26, 2018)

|                   |            |                   |              |                   |                    |
|-------------------|------------|-------------------|--------------|-------------------|--------------------|
| Executive Officer | Kou Tanaka | Executive Officer | Tsutomu Irie | Executive Officer | Takayoshi Fujiwara |
|-------------------|------------|-------------------|--------------|-------------------|--------------------|



## The Senshu Ikeda Bank

### ■ Organization (As of the end of June, 2018)



### ■ Board of Directors (As of June 26, 2018)

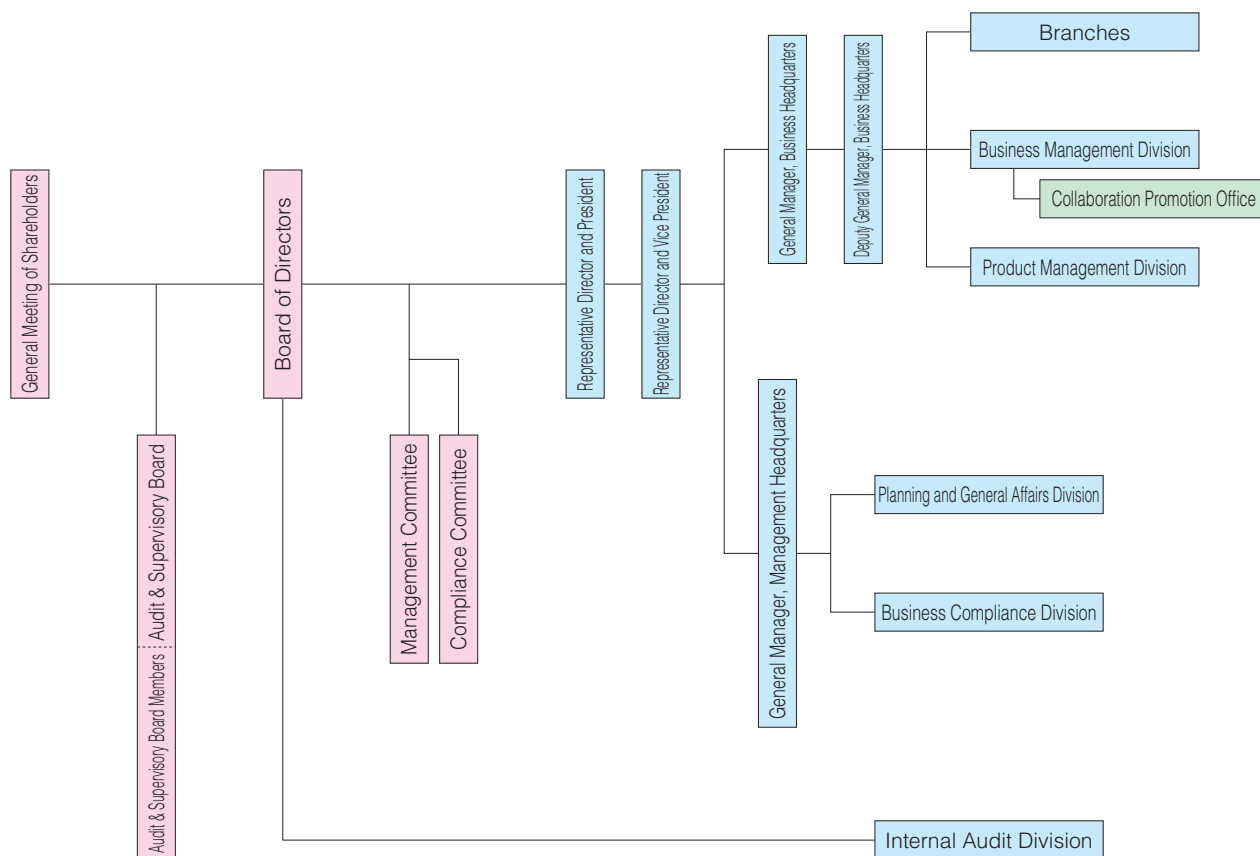
|  |               |                                       |               |  |                   |  |                    |
|--|---------------|---------------------------------------|---------------|--|-------------------|--|--------------------|
| Representative Director and Chairman         | Takayuki Ota  | Director & Managing Executive Officer | Hiroo Maeno   | Non-executive Director (Non-full-time) | Minoru Furukawa   | Audit & Supervisory Board Member (Full-time) | Masahiro Saito     |
| Representative Director, President and CEO   | Atsushi Ukawa | Director & Managing Executive Officer | Yasuki Hosomi | Non-executive Director (Non-full-time) | Takao Koyama      | Audit & Supervisory Board Member (Full-time) | Osamu Horiuchi     |
| Director & Senior Managing Executive Officer | Motoshi Inoue | Director & Managing Executive Officer | Shinji Inoue  | Non-executive Director (Non-full-time) | Tomokazu Yamazawa | Audit & Supervisory Board Member (Outside)   | Ken-ichi Yoshimoto |
|  |               |                                       |               |  |                   | Audit & Supervisory Board Member (Outside)   | Kenji Fukuda       |

### ■ Executive Officers (As of June 26, 2018)

|                            |                 |                            |                    |                   |                     |                   |                   |
|----------------------------|-----------------|----------------------------|--------------------|-------------------|---------------------|-------------------|-------------------|
| Managing Executive Officer | Koji Miyata     | Managing Executive Officer | Toshiyuki Wada     | Executive Officer | Tsutomu Irie        | Executive Officer | Tokikazu Hihara   |
| Managing Executive Officer | Muneharu Kurita | Executive Officer          | Tadashi Ichikawa   | Executive Officer | Susumu Yamagata     | Executive Officer | Kouichi Nakanishi |
| Managing Executive Officer | Akihito Okumura | Executive Officer          | Jun Matsumura      | Executive Officer | Yoshimasa Nishikawa | Executive Officer | Keisuke Misaki    |
| Managing Executive Officer | Kou Tanaka      | Executive Officer          | Hiromasa Hirai     | Executive Officer | Osamu Tsukagoshi    | Executive Officer | Kyoko Matsushita  |
|                            |                 | Executive Officer          | Hirohito Sakaguchi | Executive Officer | Takayoshi Fujiwara  |                   |                   |

## Senshu Ikeda Tokai Tokyo Securities

### ■ Organization (As of the end of June, 2018)



### ■ Board of Directors (As of June 26, 2018)

|  |                 |  |                  |
|--|-----------------|--|------------------|
| Representative Director and President      | Yasuo Kitamura  | Audit & Supervisory Board Member (Full-time) | Yoshiyuki Goto   |
| Representative Director and Vice President | Toshifumi Takai | Audit & Supervisory Board Member (Outside)   | Satoshi Kitagawa |
| Managing Director                          | Mamoru Kudo     | Audit & Supervisory Board Member (Outside)   | Kosuke Furukawa  |

### ■ Executive Officers (As of June 26, 2018)

|                   |                 |
|-------------------|-----------------|
| Executive Officer | Toshiyuki Inoue |
| Executive Officer | Wataru Kondo    |

# Consolidated Financial Information of Senshu Ikeda Holdings

## Consolidated Balance Sheets

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries  
As of 31st March, 2018 and 2017

|  | Millions of yen    |                    | Thousands of U.S. dollars (Note 1) |
|--|--------------------|--------------------|------------------------------------|
|  | 2018               | 2017               | 2018                               |
| <b>Assets</b>  |                    |                    |                                    |
| Cash and due from banks (Notes 27 and 33)                            | ¥ 713,371          | ¥ 675,966          | \$ 6,714,711                       |
| Call loans and bills bought (Note 33)                                | 3,783              | 172                | 35,608                             |
| Monetary claims bought (Note 33)                                     | 100                | 31                 | 941                                |
| Trading account securities (Notes 4 and 33)                          | 176                | 317                | 1,656                              |
| Money held in trust (Notes 6 and 33)                                 | 26,987             | 26,979             | 254,019                            |
| Securities (Notes 5, 7, 12, 20, 33 and 34)                           | 736,415            | 929,505            | 6,931,617                          |
| Loans and bills discounted (Notes 8, 12, 32, 33 and 34)              | 3,897,405          | 3,813,333          | 36,684,911                         |
| Foreign exchange assets (Notes 9 and 33)                             | 5,448              | 6,340              | 51,280                             |
| Other assets (Notes 10 and 12)                                       | 82,965             | 61,550             | 780,920                            |
| Tangible fixed assets (Note 11)                                      | 41,148             | 38,508             | 387,311                            |
| Intangible fixed assets  | 5,209              | 5,216              | 49,030                             |
| Net defined benefit assets (Note 18)                                 | 11,114             | 14,334             | 104,612                            |
| Deferred tax assets (Note 29)  | 7,427              | 9,526              | 69,907                             |
| Customers' liabilities for acceptances and guarantees                | 9,322              | 13,006             | 87,744                             |
| Reserve for possible loan losses                                     | (14,873)           | (21,883)           | (139,994)                          |
| <b>Total assets</b>  | <b>¥ 5,526,003</b> | <b>¥ 5,572,906</b> | <b>\$ 52,014,335</b>               |
| <b>Liabilities and net assets</b>                                    |                    |                    |                                    |
| <b>Liabilities</b>   |                    |                    |                                    |
| Deposits (Notes 12, 13 and 33)                                       | ¥ 4,902,103        | ¥ 4,799,493        | \$ 46,141,782                      |
| Negotiable certificates of deposit (Note 33)                         | 900                | —                  | 8,471                              |
| Call money and bills sold (Note 33)                                  | —                  | 14,809             | —                                  |
| Payables under repurchase agreements (Notes 12 and 33)               | —                  | 9,907              | —                                  |
| Payables under securities lending transactions (Notes 12 and 33)     | 165,002            | 249,762            | 1,553,106                          |
| Borrowed money (Notes 12, 14, 33 and 34)                             | 132,133            | 160,997            | 1,243,721                          |
| Foreign exchange liabilities (Notes 15 and 33)                       | 562                | 583                | 5,289                              |
| Corporate bonds and notes (Notes 16 and 33)                          | 20,000             | 20,000             | 188,253                            |
| Other liabilities (Notes 12 and 17)                                  | 43,314             | 51,996             | 407,699                            |
| Provision for employees' bonuses                                     | 1,876              | 1,798              | 17,658                             |
| Net defined benefit liability (Note 18)                              | 151                | 142                | 1,421                              |
| Accrued retirement benefits for directors and corporate auditors     | 33                 | 33                 | 310                                |
| Reserve for reimbursement of deposits                                | 512                | 486                | 4,819                              |
| Reserve for point services   | 246                | 226                | 2,315                              |
| Reserve for contingent losses  | 770                | 350                | 7,247                              |
| Reserve under special laws   | 2                  | 1                  | 18                                 |
| Deferred tax liabilities (Note 29)                                   | 135                | 92                 | 1,270                              |
| Acceptances and guarantees (Note 20)                                 | 9,322              | 13,006             | 87,744                             |
| <b>Total liabilities</b>   | <b>5,277,067</b>   | <b>5,323,688</b>   | <b>49,671,187</b>                  |
| <b>Net assets</b>  |                    |                    |                                    |
| Shareholders' equity (Note 21):                                      |                    |                    |                                    |
| Capital stock  | 102,999            | 102,999            | 969,493                            |
| Capital surplus  | 57,381             | 57,365             | 540,107                            |
| Retained earnings  | 78,153             | 75,244             | 735,626                            |
| Treasury stock   | (1,476)            | (2,097)            | (13,893)                           |
| <b>Total shareholders' equity</b>                                    | <b>237,057</b>     | <b>233,512</b>     | <b>2,231,334</b>                   |
| Accumulated other comprehensive income:                              |                    |                    |                                    |
| Net unrealized gain (loss) on available-for-sale securities (Note 7) | 6,981              | 7,793              | 65,709                             |
| Net unrealized gain (loss) on deferred hedges (Note 34)              | (115)              | (139)              | (1,082)                            |
| Remeasurements of defined benefit plans                              | 1,355              | 3,184              | 12,754                             |
| <b>Total accumulated other comprehensive income</b>                  | <b>8,222</b>       | <b>10,838</b>      | <b>77,390</b>                      |
| Stock subscription rights (Note 21)                                  | 122                | 105                | 1,148                              |
| Non-controlling interests  | 3,533              | 4,760              | 33,254                             |
| <b>Total net assets</b>  | <b>248,935</b>     | <b>249,217</b>     | <b>2,343,138</b>                   |
| <b>Total liabilities and net assets</b>                              | <b>¥ 5,526,003</b> | <b>¥ 5,572,906</b> | <b>\$ 52,014,335</b>               |

See accompanying notes to consolidated financial statements

## Consolidated Statements of Operations

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries  
For the years ended 31st March, 2018 and 2017

|   | Millions of yen |                 | Thousands of U.S.<br>dollars (Note 1) |
|---|-----------------|-----------------|---------------------------------------|
|   | 2018            | 2017            | 2018                                  |
| <b>Income</b>   |                 |                 |                                       |
| Interest income:  |                 |                 |                                       |
| Interest on loans and bills discounted (Note 32)        | ¥ 41,062        | ¥ 42,414        | \$ 386,502                            |
| Interest and dividends on securities                    | 9,640           | 14,015          | 90,737                                |
| Other interest income                                   | 519             | 447             | 4,885                                 |
| Fees and commissions                                    | 20,695          | 18,893          | 194,794                               |
| Other operating income (Note 22)                        | 5,618           | 11,466          | 52,880                                |
| Reversal of provision for possible loan losses          | 2,254           | –               | 21,216                                |
| Recoveries of written-off claims                        | 1,375           | 1,522           | 12,942                                |
| Gain on sales or disposal of fixed assets               | 80              | –               | 753                                   |
| Gain on return of retirement benefit trust              | 1,710           | –               | 16,095                                |
| Other income (Note 23)                                  | 30,444          | 14,305          | 286,558                               |
| <b>Total income</b>                                     | <b>113,403</b>  | <b>103,065</b>  | <b>1,067,422</b>                      |
| <b>Expenses</b>   |                 |                 |                                       |
| Interest expenses:                                      |                 |                 |                                       |
| Interest on deposits                                    | 2,528           | 3,226           | 23,795                                |
| Interest on borrowings and rediscounts                  | 480             | 673             | 4,518                                 |
| Other interest expenses                                 | 2,285           | 3,797           | 21,507                                |
| Fees and commissions                                    | 6,945           | 6,461           | 65,370                                |
| Other operating expenses (Note 24)                      | 20,015          | 3,879           | 188,394                               |
| General and administrative expenses                     | 51,453          | 51,955          | 484,309                               |
| Loss on sales or disposal of fixed assets               | 46              | 202             | 432                                   |
| Loss on impairment of fixed assets                      | 56              | 93              | 527                                   |
| Other expenses (Note 25)                                | 13,699          | 12,403          | 128,943                               |
| <b>Total expenses</b>                                   | <b>97,510</b>   | <b>82,693</b>   | <b>917,827</b>                        |
| Income before income taxes                              | 15,892          | 20,371          | 149,585                               |
| <b>Income taxes (Note 29)</b>                           |                 |                 |                                       |
| Current   | 966             | 2,458           | 9,092                                 |
| Deferred  | 6,235           | 4,043           | 58,687                                |
| <b>Total income taxes</b>                               | <b>7,201</b>    | <b>6,502</b>    | <b>67,780</b>                         |
| Profit  | 8,691           | 13,869          | 81,805                                |
| <b>Profit attributable to non-controlling interests</b> | <b>295</b>      | <b>1,658</b>    | <b>2,776</b>                          |
| <b>Profit attributable to owners of the parent</b>      | <b>¥ 8,395</b>  | <b>¥ 12,210</b> | <b>\$ 79,019</b>                      |

See accompanying notes to consolidated financial statements

## Consolidated Statements of Comprehensive Income

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries  
For the years ended 31st March, 2018 and 2017

|   | Millions of yen |                 | Thousands of U.S.<br>dollars (Note 1) |
|---|-----------------|-----------------|---------------------------------------|
|   | 2018            | 2017            | 2018                                  |
| Profit  | ¥ 8,691         | ¥ 13,869        | \$ 81,805                             |
| Other comprehensive income (Note 30)                        |                 |                 |                                       |
| Net unrealized gain (loss) on available-for-sale securities | (813)           | (13,960)        | (7,652)                               |
| Net unrealized gain (loss) on deferred hedges               | 23              | 5               | 216                                   |
| Remeasurements of defined benefit plans                     | (1,829)         | 1,257           | (17,215)                              |
| <b>Total other comprehensive income</b>                     | <b>(2,618)</b>  | <b>(12,698)</b> | <b>(24,642)</b>                       |
| Comprehensive income  | ¥ 6,072         | ¥ 1,170         | \$ 57,153                             |
| Total comprehensive income attributable to:                 |                 |                 |                                       |
| Owners of the parent  | 5,779           | (487)           | 54,395                                |
| Non-controlling interests                                   | 293             | 1,657           | 2,757                                 |



## Consolidated Statement of Changes in Net Assets

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries  
Year Ended March 31, 2018

|  | Millions of Yen |                 |                   |                |                            |   |   |   |                           |                           |                  |
|--|-----------------|-----------------|-------------------|----------------|----------------------------|---|---|---|---------------------------|---------------------------|------------------|
|  | Capital stock   | Capital surplus | Retained earnings | Treasury stock | Total shareholder's equity | Accumulated other comprehensive income                      |   |   |                           |                           | Total net assets |
|  |                 |                 |                   |                |                            | Net unrealized gain (loss) on available-for-sale securities | Net unrealized gain (loss) on deferred hedges | Remeasurements of defined benefit plans | Stock subscription rights | Non-controlling interests |                  |
| <b>BALANCE, APRIL 1, 2016</b>                        | <b>102,999</b>  | <b>57,361</b>   | <b>68,521</b>     | <b>(2,678)</b> | <b>226,203</b>             | <b>21,753</b>   | <b>(144)</b>                                  | <b>1,927</b>                            | <b>91</b>                 | <b>8,172</b>              | <b>258,005</b>   |
| Increase by merger                                   |                 | 8               |                   |                | 8                          |   |   |   |                           |                           | 8                |
| Cash dividends                                       |                 |                 | (5,486)           |                | (5,486)                    |   |   |   |                           |                           | (5,486)          |
| Profit attributable to owners of the parent          |                 |                 | 12,210            |                | 12,210                     |   |   |   |                           |                           | 12,210           |
| Acquisition of treasury stock                        |                 |                 |                   | (1)            | (1)                        |   |   |   |                           |                           | (1)              |
| Disposal of treasury stock                           |                 | (4)             |                   | 581            | 577                        |   |   |   |                           |                           | 577              |
| Net changes in items other than shareholders' equity |                 |                 |                   |                |                            | (13,959)  | 5   | 1,257                                   | 13                        | (3,412)                   | (16,095)         |
| Total changes during the period                      | –               | 4               | 6,723             | 580            | 7,308                      | (13,959)  | 5   | 1,257                                   | 13                        | (3,412)                   | (8,787)          |
| <b>BALANCE, MARCH 31, 2017</b>                       | <b>102,999</b>  | <b>57,365</b>   | <b>75,244</b>     | <b>(2,097)</b> | <b>233,512</b>             | <b>7,793</b>  | <b>(139)</b>                                  | <b>3,184</b>                            | <b>105</b>                | <b>4,760</b>              | <b>249,217</b>   |
| Purchase of shares of consolidated subsidiaries      |                 | 20              |                   |                | 20                         |   |   |   |                           |                           | 20               |
| Cash dividends                                       |                 |                 | (5,487)           |                | (5,487)                    |   |   |   |                           |                           | (5,487)          |
| Profit attributable to owners of the parent          |                 |                 | 8,395             |                | 8,395                      |   |   |   |                           |                           | 8,395            |
| Acquisition of treasury stock                        |                 |                 |                   | (0)            | (0)                        |   |   |   |                           |                           | (0)              |
| Disposal of treasury stock                           |                 | (4)             |                   | 621            | 617                        |   |   |   |                           |                           | 617              |
| Net changes in items other than shareholders' equity |                 |                 |                   |                |                            | (811)   | 23  | (1,829)                                 | 16                        | (1,227)                   | (3,827)          |
| Total changes during the period                      | –               | 15              | 2,908             | 621            | 3,545                      | (811)   | 23  | (1,829)                                 | 16                        | (1,227)                   | (282)            |
| <b>BALANCE, MARCH 31, 2018</b>                       | <b>102,999</b>  | <b>57,381</b>   | <b>78,153</b>     | <b>(1,476)</b> | <b>237,057</b>             | <b>6,981</b>  | <b>(115)</b>                                  | <b>1,355</b>                            | <b>122</b>                | <b>3,533</b>              | <b>248,935</b>   |

|  | Thousands of U.S. Dollars (Note 1) |                 |                   |                 |                            |   |   |   |                           |                           |                  |
|--|------------------------------------|-----------------|-------------------|-----------------|----------------------------|---|---|---|---------------------------|---------------------------|------------------|
|  | Capital stock                      | Capital surplus | Retained earnings | Treasury stock  | Total shareholder's equity | Accumulated other comprehensive income                      |   |   |                           |                           | Total net assets |
|  |                                    |                 |                   |                 |                            | Net unrealized gain (loss) on available-for-sale securities | Net unrealized gain (loss) on deferred hedges | Remeasurements of defined benefit plans | Stock subscription rights | Non-controlling interests |                  |
| <b>BALANCE, APRIL 1, 2017</b>                        | <b>969,493</b>                     | <b>539,956</b>  | <b>708,245</b>    | <b>(19,738)</b> | <b>2,197,966</b>           | <b>73,352</b>   | <b>(1,308)</b>                                | <b>29,969</b>                           | <b>988</b>                | <b>44,804</b>             | <b>2,345,792</b> |
| Purchase of shares of consolidated subsidiaries      |                                    | 188             |                   |                 | 188                        |   |   |   |                           |                           | 188              |
| Cash dividends                                       |                                    |                 | (51,647)          |                 | (51,647)                   |   |   |   |                           |                           | (51,647)         |
| Profit attributable to owners of the parent          |                                    |                 | 79,019            |                 | 79,019                     |   |   |   |                           |                           | 79,019           |
| Acquisition of treasury stock                        |                                    |                 |                   | (0)             | (0)                        |   |   |   |                           |                           | (0)              |
| Disposal of treasury stock                           |                                    | (37)            |                   | 5,845           | 5,807                      |   |   |   |                           |                           | 5,807            |
| Net changes in items other than shareholders' equity |                                    |                 |                   |                 |                            | (7,633)   | 216   | (17,215)                                | 150                       | (11,549)                  | (36,022)         |
| Total changes during the period                      | –                                  | 141             | 27,371            | 5,845           | 33,367                     | (7,633)   | 216   | (17,215)                                | 150                       | (11,549)                  | (2,654)          |
| <b>BALANCE, MARCH 31, 2018</b>                       | <b>969,493</b>                     | <b>540,107</b>  | <b>735,626</b>    | <b>(13,893)</b> | <b>2,231,334</b>           | <b>65,709</b>   | <b>(1,082)</b>                                | <b>12,754</b>                           | <b>1,148</b>              | <b>33,254</b>             | <b>2,343,138</b> |

See notes to consolidated financial statements

## Consolidated Statements of Cash Flows

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries  
For the years ended 31st March, 2018 and 2017

|   | Millions of yen |           | Thousands of U.S.<br>dollars (Note 1) |
|---|-----------------|-----------|---------------------------------------|
|   | 2018            | 2017      | 2018                                  |
| <b>Cash flows from operating activities</b>   |                 |           |                                       |
| Income before income taxes  | ¥ 15,892        | ¥ 20,371  | \$ 149,585                            |
| Depreciation  | 5,267           | 5,179     | 49,576                                |
| Loss on impairment of fixed assets  | 56              | 93        | 527                                   |
| Amortization of goodwill  | 217             | 190       | 2,042                                 |
| (Earnings) losses from investments under the equity method                              | (27)            | (34)      | (254)                                 |
| Increase (decrease) in reserve for possible loan losses                                 | (7,012)         | (8,600)   | (66,001)                              |
| Increase (decrease) in accrued bonuses  | 72              | 10        | 677                                   |
| Gain on return of retirement benefit trust  | (1,710)         | –         | (16,095)                              |
| Decrease (increase) in net defined benefit asset  | (974)           | 147       | (9,167)                               |
| Increase (decrease) in net defined benefit liability                                    | 6               | (4)       | 56                                    |
| Increase (decrease) in accrued retirement benefits for directors and corporate auditors | –               | (5)       | –                                     |
| Increase (decrease) in reserve for reimbursement of deposits                            | 25              | 29        | 235                                   |
| Increase (decrease) in reserve for point services                                       | 19              | 3         | 178                                   |
| Increase (decrease) in reserve for contingent losses                                    | 419             | 7         | 3,943                                 |
| Interest income   | (51,223)        | (56,876)  | (482,144)                             |
| Interest expenses   | 5,294           | 7,697     | 49,830                                |
| (Gain) loss on securities   | (4,793)         | (10,542)  | (45,114)                              |
| (Gain) loss on money held in trust  | 864             | (190)     | 8,132                                 |
| (Gain) loss on foreign exchange   | 94              | 2,731     | 884                                   |
| (Gain) loss on sales or disposal of fixed assets, net                                   | (49)            | 178       | (461)                                 |
| Net (increase) decrease in loans and bills discounted                                   | (88,078)        | (48,151)  | (829,047)                             |
| Net increase (decrease) in deposits   | 102,676         | 69,417    | 966,453                               |
| Net increase (decrease) in negotiable certificates of deposit                           | 900             | (3,800)   | 8,471                                 |
| Net increase (decrease) in borrowed money (excluding subordinated borrowings)           | (22,603)        | 84,780    | (212,754)                             |
| Net (increase) decrease in due from banks (excluding due from the Bank of Japan)        | (679)           | (397)     | (6,391)                               |
| Net (increase) decrease in trading account securities                                   | 141             | (95)      | 1,327                                 |
| Net (increase) decrease in call loans and bills bought                                  | (3,680)         | 750       | (34,638)                              |
| Net (increase) decrease in call money and bills sold and others                         | (24,716)        | 24,716    | (232,643)                             |
| Net increase (decrease) in payables under securities lending transactions               | (84,759)        | 38,253    | (797,806)                             |
| Net (increase) decrease in foreign exchange (assets)                                    | 892             | 110       | 8,396                                 |
| Net increase (decrease) in foreign exchange (liabilities)                               | (21)            | 153       | (197)                                 |
| Interest received   | 52,360          | 56,890    | 492,846                               |
| Interest paid   | (5,730)         | (7,940)   | (53,934)                              |
| Other   | (22,963)        | (3,580)   | (216,142)                             |
| Subtotal  | (133,823)       | 171,493   | (1,259,629)                           |
| Income taxes paid   | (2,592)         | 41        | (24,397)                              |
| <b>Net cash provided by (used in) operating activities</b>                              | ¥ (136,416)     | ¥ 171,535 | \$ (1,284,036)                        |

## Consolidated Statements of Cash Flows

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries  
For the years ended 31st March, 2018 and 2017

|  | Millions of yen  |                  | Thousands of U.S. dollars (Note 1) |
|--|------------------|------------------|------------------------------------|
|  | 2018             | 2017             | 2018                               |
| <b>Cash flows from investing activities</b>  |                  |                  |                                    |
| Purchases of securities  | ¥ (413,251)      | ¥ (713,962)      | \$ (3,889,787)                     |
| Proceeds from sales of securities  | 399,351          | 604,194          | 3,758,951                          |
| Proceeds from maturity of securities   | 203,189          | 207,951          | 1,912,547                          |
| Increase in money held in trust  | —                | (228)            | —                                  |
| Decrease in money held in trust  | —                | 420              | —                                  |
| Purchases of tangible fixed assets   | (3,010)          | (2,762)          | (28,332)                           |
| Purchases of intangible fixed assets   | (1,518)          | (1,452)          | (14,288)                           |
| Proceeds from sales of tangible fixed assets   | 520              | 0                | 4,894                              |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 27) | (75)             | —                | (705)                              |
| <b>Net cash provided by (used in) investing activities</b>                                 | <b>185,204</b>   | <b>94,160</b>    | <b>1,743,260</b>                   |
| <b>Cash flows from financing activities</b>  |                  |                  |                                    |
| Decrease in subordinated borrowings  | (7,000)          | (10,000)         | (65,888)                           |
| Decrease in subordinated bonds and bonds with stock subscription rights                    | —                | (35,000)         | —                                  |
| Cash dividends paid  | (5,487)          | (5,486)          | (51,647)                           |
| Cash dividends paid for non-controlling shareholders                                       | (116)            | (312)            | (1,091)                            |
| Purchases of treasury stock  | (0)              | (1)              | (0)                                |
| Proceeds from disposition of treasury stock  | 617              | 577              | 5,807                              |
| <b>Net cash provided by (used in) financing activities</b>                                 | <b>(11,986)</b>  | <b>(50,222)</b>  | <b>(112,820)</b>                   |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>                        | <b>0</b>         | <b>(197)</b>     | <b>0</b>                           |
| <b>Net increase (decrease) in cash and cash equivalents</b>                                | <b>36,801</b>    | <b>215,274</b>   | <b>346,394</b>                     |
| <b>Cash and cash equivalents at beginning of period</b>                                    | <b>669,243</b>   | <b>453,968</b>   | <b>6,299,350</b>                   |
| <b>Cash and cash equivalents at end of period (Note 27)</b>                                | <b>¥ 706,045</b> | <b>¥ 669,243</b> | <b>\$ 6,645,754</b>                |

See accompanying notes to consolidated financial statements

## Notes to Consolidated Financial Statements

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries  
For the Years Ended 31st March, 2018 and 2017

### 1. Basis of Presentation

Senshu Ikeda Holdings, Inc. (the "Company") is a holding company and conducts its operations through its subsidiaries and affiliates. The Company and its subsidiaries (collectively, the "Group") maintain their books of account in accordance with the provisions set forth in the Companies Act of Japan (the "Act") and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan. Certain accounts have been reclassified for the convenience of readers outside Japan.

In preparing the accompanying consolidated financial statements, Japanese yen amounts are presented in millions of yen by rounding down figures below one million. As a result, the totals in yen in the accompanying consolidated financial statements do not necessarily agree with the sums of the individual amounts.

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥106.24 = U.S.\$1.00, the exchange rate prevailing on 31st March, 2018. This translation should not be construed as a representation that yen can be converted into U.S. dollars at the above or any other rate.

### 2. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and the 27 (28 in 2017) significant subsidiaries which it controls directly or indirectly. Affiliates over which the Company exercises significant influence in terms of their operating and financial policies have been included in the accompanying consolidated financial statements on an equity basis.

#### Change in the scope of consolidation

Senshu Ikeda Auto Lease Co., Ltd. has been included in the scope of consolidation from the fiscal year ended 31st March, 2018, as a result of purchase of shares.

Ikegin Capital Yumejikomi Fund PCI Investment Enterprise Limited Partnership and Ikegin Capital Yumejikomi Fund No.3 Investment Enterprise Limited Partnership, both of which were consolidated subsidiaries of the Company in the previous fiscal year, were excluded from the scope of consolidation due to completion of their liquidation procedures.

The company has applied the equity method to its investments in 2 affiliates for the years ended 31st March, 2018 and 2017, respectively.

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

The difference between the cost and the underlying equity in the net assets of the consolidated subsidiaries measured at fair value at their respective dates of acquisition is presented as "goodwill" or "negative goodwill". Goodwill is amortized by the straight-line method over a period of 5 years.

The balance sheet date of 9 subsidiaries is 31st December. Appropriate adjustments have been made for significant intervening transactions occurring during the period from 31st December to 31st March.

### 3. Significant Accounting Policies

#### (1) Trading account securities

Trading account securities are stated at fair value as of the balance sheet date. Cost of trading account securities sold is determined using the moving average method.

#### (2) Securities

Non-trading securities are classified into three categories: held-to-maturity debt securities, equity securities of an unconsolidated subsidiary and available-for-sale securities. Held-to-maturity debt securities are carried at amortized cost, and the cost being determined by the moving average method. Equity securities of an unconsolidated subsidiary are stated at cost determined by the moving-average method. Equity securities and investment trusts classified as available-for-sale securities whose fair values are available are stated at fair value determined by the monthly average market price during one month preceding the balance sheet date and other securities are stated at fair value determined based on the quoted market price and other information at the balance sheet date. Cost of sales of these available-for-sale securities is determined using the moving average method. Other securities, whose fair value is extremely difficult to determine, are stated at cost determined by the moving-average method. Unrealized gain or loss on available-for-sale securities is included in net assets, net of income taxes.

#### (3) Investment securities held in money trusts

Investment securities that are part of trust assets in independently managed money trusts with the primary purpose to manage securities are stated at the fair value as of the balance sheet date.



**(4) Derivatives**

Derivatives are stated at fair value.

**(5) Tangible fixed assets**

Depreciation of tangible fixed assets of the Group, except for leased assets, is calculated principally by the straight-line method. The principal useful lives are as follows:

|           |               |
|-----------|---------------|
| Buildings | 3 to 50 years |
| Other     | 2 to 20 years |

**(6) Intangible fixed assets**

Intangible fixed assets are amortized by the straight-line method. Amortization of the cost of software intended for internal use is calculated by the straight-line method based on a useful life (5 years) determined by the Company and its consolidated subsidiaries.

**(7) Reserve for possible loan losses**

A reserve for possible loan losses is provided by consolidated subsidiaries engaged in the banking business (the "banking subsidiaries") in accordance with the prescribed standards. For claims on borrowers who have declared bankruptcy or have commenced special liquidation proceedings or similar legal proceedings ("bankrupt borrowers"), or borrowers who are not legally or formally insolvent but are regarded as substantially in the same situation ("effectively bankrupt borrowers"), a reserve is provided based on the book value of the claims, after the write-off stated below, net of the expected amount recoverable from collateral and guarantees.

For claims on borrowers who are not currently bankrupt but are likely to become bankrupt ("potentially bankrupt borrowers"), a reserve is provided at the amount deemed necessary based on the overall solvency assessment of the borrowers and the amount of the claims, net of the expected amount recoverable from collateral and guarantees.

For other claims, a reserve is provided based on the historical loan-loss ratio.

The Group conducts self-assessments of asset quality at its loan offices. The assessments are audited by the independent credit audit section in accordance with the Group's policy and guidelines for the self-assessment of asset quality. Based on the results of these assessments, an appropriate reserve is provided for the resulting losses and for write-offs of doubtful assets.

For consolidated subsidiaries other than the banking subsidiaries, a specific reserve for possible loan losses at the total amount of loans deemed to be uncollectible based on a solvency analysis of each loan, in addition to a general reserve at an amount calculated based on historical experience, is provided.

For collateralized or guaranteed claims on bankrupt borrowers and effectively bankrupt borrowers, the amount of the claims exceeding the estimated value of collateral and guarantees is deemed to be uncollectible and is written off against the total amount of the outstanding claims. These write-offs amounted to ¥31,347 million (\$295,058 thousand) and ¥37,285 million for the years ended 31st March, 2018 and 2017, respectively.

**(8) Provision for employees' bonuses**

Provision for employees' bonuses is calculated based on an estimated payment amount, which is attributable to the fiscal year.

**(9) Accrued retirement benefits for directors and corporate auditors**

Accrued retirement benefits for directors and corporate auditors are provided at an amount that would be required if all directors and corporate auditors retired at the balance sheet date.

**(10) Reserve for reimbursements of deposits**

Reserve for reimbursements of deposits is provided at an estimate of the future payments to be made for reimbursement claims on deposits which were derecognized and credited from liability to income based on the Group's historical experience.

**(11) Reserve for point services**

Reserve for point services, which is provided to meet future use of credits granted to customers, is recorded in the amount deemed necessary based on the estimated future use of unused credits.

**(12) Reserve for contingent losses**

Reserve for contingent losses is provided at an estimate of the future loss on contingencies other than those covered by other reserves or provisions.

**(13) Reserve under special laws**

Reserve under special laws consist of the financial instruments transaction liability reserve of ¥2 million (\$18 thousand) as of March 31, 2018, posted by Senshu Ikeda Tokai Tokyo Securities Co., Ltd., which were calculated according to the specifications of Article 46-5 of the Financial Instruments and Exchange Act and Article 175 of the Cabinet Office Ordinance Related to the Financial Instruments Business, to prepare for losses originating from incidents relating to the purchase and sale of securities or other transactions.

**(14) Accounting treatment for retirement benefits**

In the calculation of retirement benefit obligation, the Company applies the benefit formula basis in attributing expected retirement benefits to periods until the end of the fiscal year under review.

Prior service cost is amortized by the straight-line method over a period of 11 years, which is within the average

estimated remaining years of service of the eligible employees.

Actuarial gain or loss is amortized commencing the year following the year in which the gain or loss is recognized by the straight-line method principally over a period of 11 to 12 years, which is within the average estimated remaining years of service of the eligible employees.

Some of the consolidated subsidiaries calculate their net defined benefit liability and retirement benefit expenses by adopting the simplified method, assuming the amount of year-end retirement benefit payable due to voluntary terminations as retirement benefit obligation.

**(15) Foreign currency transactions**

Assets and liabilities of consolidated subsidiaries denominated in foreign currencies are translated into Japanese yen at the exchange rates in effect at the balance sheet date.

**(16) Leases**

Leased assets under finance lease arrangements which do not transfer ownership of the leased assets to the lessee are depreciated over the respective lease contract periods using the straight-line method with residual values defined in the lease contracts, otherwise the residual values is zero.

As lessee:

Finance leases which commenced prior to 1st April, 2008, except for those substantially requiring the transfer of ownership of the leased assets to the lessee, are accounted for as operating leases.

As lessor:

Finance lease income and related cost are recognized when lease payment is received. Finance leases which do not transfer ownership of the leased assets to the lessee and commenced prior to 1st April, 2008 are deemed to have been entered into contracts at the amount of the cost less accumulated depreciation at 31st March, 2008.

**(17) Hedge accounting**

Interest rate risk hedging

With respect to hedge accounting for the interest rate risk arising from financial assets and liabilities of the banking subsidiaries, the Group applies deferral hedge accounting or fair value hedge accounting, under which gains or losses on derivatives are deferred until maturity of the hedged transactions, as stipulated in the Japanese Institute of Certified Public Accountants (JICPA) Industry Audit Committee Report No. 24, 13th February, 2002.

Foreign exchange rate risk hedging

With respect to hedge accounting for derivative transactions used to hedge the risk of financial assets and liabilities denominated in foreign currencies of the banking subsidiaries, the Group applies deferral hedge accounting, under which gains or losses on derivatives are deferred until maturity of the hedged transactions, as stipulated in the JICPA Industry Audit Committee Report No. 25, 29th July, 2002. The Group assesses the effectiveness of its currency swaps and foreign exchange swaps transactions, etc. entered into in order to hedge the risk of fluctuation in foreign exchange rates by comparing the foreign-currency amount of each underlying hedged item with the corresponding foreign-currency amount of the respective hedging instruments.

**(18) Cash flows**

In preparing the consolidated statement of cash flows, cash and deposits with the Bank of Japan are considered to be cash and cash equivalents.

**(19) Consumption taxes**

Transactions are principally stated exclusive of national and municipal consumption taxes.

**(20) Consolidated tax payment system**

The Company and certain of its consolidated subsidiaries have adopted the consolidated tax payment system in accordance with the Corporation Tax Act (Act No. 34, 1965).

**(21) Additional Information**

The consolidated subsidiary has established a retirement benefit trust to ensure the soundness of financing the pension plans. However, the subsidiary has received a partial return of the retirement benefit trust, because pension assets were funded in excess of the retirement benefit obligations, and such conditions are expected to continue.

Accordingly, the subsidiary recorded gain on return of retirement benefit trust in an amount of ¥1,710 million (\$16,095) under "Income" for the year ended March 31, 2018.

The Company conducts transactions in which it delivers Company shares to the Employees Shareholders Association through a trust.

The Trust-type Employees Shareholding Incentive Plan introduced in December 2015

**(1) Overview of the transaction**

The Company has introduced the "Trust-type Employees' Shareholding Incentive Plan (hereinafter "the Plan")" in order to provide incentive to increase the medium- to long-term corporate value of the Company for the employees of the Senshu Ikeda Bank.

The Plan is an incentive plan in which all employees enrolled in the "Senshu Ikeda Bank Employees'

Shareholders Association (hereinafter "Shareholders Association") are eligible. Under the Plan, the Company establishes a "Senshu Ikeda Bank Employees' Shareholders Association Exclusive Trust Account (hereinafter "Employees' Shareholder Trust") at a trust bank, and the Employees' Shareholder Trust purchases in advance a certain number of the Company's shares equivalent to the number of shares the Shareholders Association is expected to purchase over the next five years.

Subsequently, the Employees' Shareholder Trust is to continuously sell the Company's shares to the Shareholders Association, and if any gains on sale of shares have accumulated within the Employees' Shareholder Trust at the termination of the trust, the amount equivalent to such gains on sale of shares are to be distributed to those who meet the requirements for eligible beneficiaries as residual assets.

Meanwhile, as the Company is to provide a guarantee on the loan for the Employees' Shareholder Trust to acquire the Company's shares, should the price of the Company's shares falls and should losses on sale of shares accumulate within the Employees' Shareholder Trust, and if remaining debt exists equivalent to the losses on sale of shares at the time of termination of the Employees' Shareholder Trust, the Company is to repay such remaining debt pursuant to the guarantee agreement.

- (2) The Company's own shares held in trust  
The Company's own shares held in trust are recorded as treasury stock under the category of Net assets at their book value in the Employees' Shareholder Trust (excluding the amount of ancillary expenses). The book value and number of shares of such treasury stock for the fiscal year ended 31st March, 2018 and 2017 were ¥1,380 million (\$12,989 thousand) and 2,924 thousand shares, and ¥1,931 million and 4,198 thousand shares, respectively.
- (3) Book value of borrowings recorded from application of the gross method  
¥1,341 million (\$12,622 thousand) for the fiscal year ended 31st March, 2018, and ¥1,942 million for the fiscal year ended 31st March, 2017, respectively.

#### 4. Trading account securities

Valuation gain or loss on trading account securities included in income before income taxes and non-controlling interests were ¥(0) million (\$0 thousand) and ¥0 million for the years ended 31st March, 2018 and 2017, respectively.

#### 5. Securities

Securities at 31st March, 2018 and 2017 consisted of the following:

|                        | Millions of yen |           | Thousands of U.S. dollars |
|------------------------|-----------------|-----------|---------------------------|
|                        | 2018            | 2017      | 2018                      |
| Stocks                 | ¥ 52,544        | ¥ 72,932  | \$ 494,578                |
| Bonds:                 |                 |           |                           |
| Government bonds       | 72,135          | 62,050    | 678,981                   |
| Local government bonds | 39,462          | 32,269    | 371,442                   |
| Corporate bonds        | 245,237         | 237,678   | 2,308,330                 |
| Other                  | 327,034         | 524,574   | 3,078,256                 |
| Total                  | ¥ 736,415       | ¥ 929,505 | \$ 6,931,617              |

Stocks in the above table include investments in affiliates of ¥82 million (\$771 thousand) and ¥55 million at 31st March, 2018 and 2017, respectively.

Held-to-maturity debt securities with fair value at 31st March, 2018 and 2017 were as follows:

|                  | Millions of yen  |                |            |
|------------------|------------------|----------------|------------|
|                  | 31st March, 2018 | Carrying value | Fair value |
| Government bonds | ¥ -              | ¥ -            | ¥ -        |
| Corporate bonds  | -                | -              | -          |
| Other            | 11,000           | 11,000         | 11,068     |
| Total            | ¥ 11,000         | ¥ 11,000       | ¥ 11,068   |

|                  | Millions of yen  |            |                 |                 |
|------------------|------------------|------------|-----------------|-----------------|
|                  | 31st March, 2018 | Difference | Unrealized gain | Unrealized loss |
| Government bonds | ¥ -              | ¥ -        | ¥ -             | ¥ -             |
| Corporate bonds  | -                | -          | -               | -               |
| Other            | 68               | 68         | 68              | -               |
| Total            | ¥ 68             | ¥ 68       | ¥ 68            | ¥ -             |

|                  | Millions of yen  |                |            |
|------------------|------------------|----------------|------------|
|                  | 31st March, 2017 | Carrying value | Fair value |
| Government bonds | ¥ 24,998         | ¥ 24,998       | ¥ 25,062   |
| Corporate bonds  | 2,800            | 2,800          | 2,801      |
| Other            | 22,000           | 22,000         | 22,206     |
| Total            | ¥ 49,799         | ¥ 49,799       | ¥ 50,070   |

|                  | Millions of yen  |            |                 |                 |
|------------------|------------------|------------|-----------------|-----------------|
|                  | 31st March, 2017 | Difference | Unrealized gain | Unrealized loss |
| Government bonds | ¥ 63             | ¥ 63       | ¥ 63            | ¥ -             |
| Corporate bonds  | 0                | 0          | 0               | -               |
| Other            | 206              | 206        | 206             | -               |
| Total            | ¥ 271            | ¥ 271      | ¥ 271           | ¥ -             |

| Thousands of U.S. dollars |                |            |
|---------------------------|----------------|------------|
| 31st March, 2018          | Carrying value | Fair value |
| Government bonds          | \$ -           | \$ -       |
| Corporate bonds           | -              | -          |
| Other                     | 103,539        | 104,179    |
| Total                     | \$ 103,539     | \$ 104,179 |

| Thousands of U.S. dollars |            |                 |                 |
|---------------------------|------------|-----------------|-----------------|
| 31st March, 2018          | Difference | Unrealized gain | Unrealized loss |
| Government bonds          | \$ -       | \$ -            | \$ -            |
| Corporate bonds           | -          | -               | -               |
| Other                     | 640        | 640             | -               |
| Total                     | \$ 640     | \$ 640          | \$ -            |

There were no held-to-maturity debt securities sold during the years ended 31st March, 2018 and 2017.

Available-for-sale securities with fair value at 31st March, 2018 and 2017 were as follows:

| Millions of yen        |                |                  |
|------------------------|----------------|------------------|
| 31st March, 2018       | Carrying value | Acquisition cost |
| Equity securities      | ¥ 46,071       | ¥ 23,485         |
| Bonds:                 |                |                  |
| Government bonds       | 72,135         | 71,990           |
| Local government bonds | 39,462         | 39,407           |
| Corporate bonds        | 245,237        | 245,112          |
| Subtotal               | 356,836        | 356,510          |
| Other                  | 312,991        | 324,814          |
| Total                  | ¥ 715,899      | ¥ 704,810        |

| Millions of yen        |            |                 |                 |
|------------------------|------------|-----------------|-----------------|
| 31st March, 2018       | Difference | Unrealized gain | Unrealized loss |
| Equity securities      | ¥ 22,585   | ¥ 22,998        | ¥ (412)         |
| Bonds:                 |            |                 |                 |
| Government bonds       | 145        | 145             | -               |
| Local government bonds | 55         | 100             | (45)            |
| Corporate bonds        | 124        | 265             | (141)           |
| Subtotal               | 325        | 512             | (186)           |
| Other                  | (11,823)   | 2,036           | (13,860)        |
| Total                  | ¥ 11,088   | ¥ 25,547        | ¥ (14,458)      |

| Millions of yen        |                |                  |
|------------------------|----------------|------------------|
| 31st March, 2017       | Carrying value | Acquisition cost |
| Equity securities      | ¥ 66,697       | ¥ 30,496         |
| Bonds:                 |                |                  |
| Government bonds       | 37,051         | 37,013           |
| Local government bonds | 32,269         | 32,128           |
| Corporate bonds        | 234,877        | 234,313          |
| Subtotal               | 304,198        | 303,454          |
| Other                  | 498,930        | 520,735          |
| Total                  | ¥ 869,826      | ¥ 854,685        |

| Millions of yen        |            |                 |                 |
|------------------------|------------|-----------------|-----------------|
| 31st March, 2017       | Difference | Unrealized gain | Unrealized loss |
| Equity securities      | ¥ 36,201   | ¥ 36,374        | ¥ (172)         |
| Bonds:                 |            |                 |                 |
| Government bonds       | 38         | 38              | -               |
| Local government bonds | 140        | 151             | (10)            |
| Corporate bonds        | 564        | 769             | (205)           |
| Subtotal               | 743        | 960             | (216)           |
| Other                  | (21,804)   | 3,283           | (25,088)        |
| Total                  | ¥ 15,140   | ¥ 40,618        | ¥ (25,477)      |

| Thousands of U.S. dollars |                |                  |
|---------------------------|----------------|------------------|
| 31st March, 2018          | Carrying value | Acquisition cost |
| Equity securities         | \$ 433,650     | \$ 221,056       |
| Bonds:                    |                |                  |
| Government bonds          | 678,981        | 677,616          |
| Local government bonds    | 371,442        | 370,924          |
| Corporate bonds           | 2,308,330      | 2,307,153        |
| Subtotal                  | 3,358,772      | 3,355,704        |
| Other                     | 2,946,074      | 3,057,360        |
| Total                     | \$ 6,738,507   | \$ 6,634,130     |

| Thousands of U.S. dollars |            |                 |                 |
|---------------------------|------------|-----------------|-----------------|
| 31st March, 2018          | Difference | Unrealized gain | Unrealized loss |
| Equity securities         | \$ 212,584 | \$ 216,472      | \$ (3,878)      |
| Bonds:                    |            |                 |                 |
| Government bonds          | 1,364      | 1,364           | -               |
| Local government bonds    | 517        | 941             | (423)           |
| Corporate bonds           | 1,167      | 2,494           | (1,327)         |
| Subtotal                  | 3,059      | 4,819           | (1,750)         |
| Other                     | (111,285)  | 19,164          | (130,459)       |
| Total                     | \$ 104,367 | \$ 240,464      | \$ (136,088)    |

Available-for-sale securities sold during the years ended 31st March, 2018 and 2017 were as follows:



| Millions of yen        |                        |          |            |
|------------------------|------------------------|----------|------------|
| 2018                   | Proceeds<br>from sales | Gain     | Loss       |
| Equity securities      | ¥ 28,824               | ¥ 18,436 | ¥ -        |
| Bonds:                 |                        |          |            |
| Government bonds       | -                      | -        | -          |
| Local government bonds | -                      | -        | -          |
| Corporate bonds        | 40,797                 | 507      | (26)       |
| Subtotal               | 40,797                 | 507      | (26)       |
| Other                  | 331,737                | 1,230    | (14,683)   |
| Total                  | ¥ 401,358              | ¥ 20,173 | ¥ (14,709) |

| Millions of yen        |                        |          |           |
|------------------------|------------------------|----------|-----------|
| 2017                   | Proceeds<br>from sales | Gain     | Loss      |
| Equity securities      | ¥ 9,658                | ¥ 5,409  | ¥ (20)    |
| Bonds:                 |                        |          |           |
| Government bonds       | -                      | -        | -         |
| Local government bonds | -                      | -        | -         |
| Corporate bonds        | 26,601                 | 840      | (0)       |
| Subtotal               | 26,601                 | 840      | (0)       |
| Other                  | 556,656                | 5,386    | (2,699)   |
| Total                  | ¥ 592,916              | ¥ 11,636 | ¥ (2,719) |

| Thousands of U.S. dollars |                        |            |              |
|---------------------------|------------------------|------------|--------------|
| 2018                      | Proceeds<br>from sales | Gain       | Loss         |
| Equity securities         | \$ 271,310             | \$ 173,531 | \$ -         |
| Bonds:                    |                        |            |              |
| Government bonds          | -                      | -          | -            |
| Local government bonds    | -                      | -          | -            |
| Corporate bonds           | 384,007                | 4,772      | (244)        |
| Subtotal                  | 384,007                | 4,772      | (244)        |
| Other                     | 3,122,524              | 11,577     | (138,205)    |
| Total                     | \$ 3,777,842           | \$ 189,881 | \$ (138,450) |

#### Impairment losses on securities

Available-for-sale securities whose fair value significantly declined from the acquisition cost are valued at fair value and losses on devaluation of those securities are recognized in the consolidated statement of operations unless the value is considered recoverable.

Losses on devaluation of securities for the years ended 31st March, 2017 was ¥7 million, which consisted of ¥7 million on equity securities for the year ended 31st March, 2017.

Determining whether the fair value is "significantly declined" is based on the fair value declining by more than 50% or the criteria considering the trend of the fair value during a certain past period and credit risks of the issuers when the fair value declined between 30% and 50% of the acquisition cost.

## 6. Money Held in Trust

Money held in trust at 31st March, 2018 and 2017 consisted of the following:

#### Money held in trust for trading purposes

|   | Millions of yen |          | Thousands of<br>U.S. dollars |
|---|-----------------|----------|------------------------------|
|   | 2018            | 2017     | 2018                         |
| Carrying value  | ¥ 26,987        | ¥ 26,979 | \$ 254,019                   |
| Valuation gain (loss) included in consolidated statements of income | 1               | 20       | 9                            |

There were no money held in trust owned for other purposes at 31st March, 2018 and 2017.

## 7. Net Unrealized Gain (Loss) on Available-for-Sale Securities

Net unrealized gain (loss) on available-for-sale securities at 31st March, 2018 and 2017 consisted of the following:

|   | Millions of yen |          | Thousands of<br>U.S. dollars |
|---|-----------------|----------|------------------------------|
|   | 2018            | 2017     | 2018                         |
| Differences between acquisition cost and fair value:                      |                 |          |                              |
| Available-for-sale securities   | ¥ 11,088        | ¥ 15,140 | \$ 104,367                   |
| Deferred tax liabilities  | (4,106)         | (7,344)  | (38,648)                     |
| Differences between acquisition cost and fair value, net of taxes         | 6,981           | 7,795    | 65,709                       |
| Amounts corresponding to non-controlling interests                        | (0)             | (2)      | (0)                          |
| Net unrealized gain (loss) on available-for-sale securities, net of taxes | ¥ 6,981         | ¥ 7,793  | \$ 65,709                    |

## 8. Loans and Bills Discounted and Risk Monitored Loans

#### Loans and bills discounted:

Loans and bills discounted at 31st March, 2018 and 2017 consisted of the following:

|                  | Millions of yen |             | Thousands of<br>U.S. dollars |
|------------------|-----------------|-------------|------------------------------|
|                  | 2018            | 2017        | 2018                         |
| Bills discounted | ¥ 19,725        | ¥ 18,557    | \$ 185,664                   |
| Loans on bills   | 53,909          | 64,653      | 507,426                      |
| Loans on deeds   | 3,583,104       | 3,491,176   | 33,726,506                   |
| Overdrafts       | 240,666         | 238,945     | 2,265,304                    |
| Total            | ¥ 3,897,405     | ¥ 3,813,333 | \$ 36,684,911                |

Discounting of bills is accounted for as finance transactions rather than as purchasing of bills in accordance with the JICPA Industry Audit Committee Report No. 24. The Group has the right to sell or pledge such bills without any restrictions. These include bankers acceptances bought, commercial bills discounted, documentary bills and foreign exchange bills. The total face value of such outstanding bills at 31st March, 2018 and 2017 totaled ¥20,109 million (\$189,278 thousand) and ¥18,837 million, respectively. At 31st March, 2018 and 2017, loans and bills discounted included the portion of loans extended to original borrowers based on loan participation agreements, as permitted by the JICPA Accounting Committee Report No. 3, 28th November, 2014, in the amount of ¥17,970 million (\$169,145 thousand) and ¥17,175 million, respectively.

Contracts for overdraft facilities and loan commitments are contracts under which the Group lends money to customers up to their prescribed limits at the customers' request as long as there are no violations of any of the conditions in the contracts. The aggregate unutilized balances within the limits of these contracts totaled ¥754,050 million (\$7,097,609 thousand) and ¥732,992 million at 31st March, 2018 and 2017, respectively, including the contracts whose contractual periods were either less than one year or revocable at any time, in the amount of ¥740,863 million (\$6,973,484 thousand) and ¥719,805 million, respectively.

Since many of these commitments expire without being fully utilized, the unutilized amounts do not necessarily represent future cash commitments. Most of these contracts include provisions which stipulate that the consolidated subsidiaries can reject customers' requests or decrease the contract limits for an appropriate reason, (for example, a change in financial situation or a deterioration in customers' creditworthiness).

At the inception of the contracts, the Group obtains collateral in the form of real estate, securities, and so forth, if deemed necessary. Subsequently, the Group, based on its internal rules, performs periodic reviews of the customers' business results and may take necessary measures such as reconsidering the terms of the contracts and/or requiring additional collateral or guarantees.

#### Risk monitored loans:

Risk monitored loans which were included in loans and bills discounted at 31st March, 2018 and 2017 consisted of the following:

|                                     | Millions of yen |          | Thousands of U.S. dollars |
|-------------------------------------|-----------------|----------|---------------------------|
|                                     | 2018            | 2017     | 2018                      |
| Loans to bankrupt borrowers         | ¥ 1,380         | ¥ 1,621  | \$ 12,989                 |
| Delinquent loans                    | 32,715          | 43,099   | 307,934                   |
| Loans past due for 3 months or more | —               | —        | —                         |
| Restructured loans                  | 7,209           | 10,755   | 67,855                    |
| Total                               | ¥ 41,306        | ¥ 55,476 | \$ 388,798                |

Loans to bankrupt borrowers represent non-accrual loans to borrowers who are legally bankrupt as defined in Articles 96-1-3 and 96-1-4 of the Order for Enforcement of the Corporation Tax Act (the "Tax Act") (Article 97 of the 1965 Cabinet Order).

Delinquent loans represent non-accrual loans other than (i) loans to bankrupt borrowers and (ii) loans on which interest payments have been suspended in order to assist or facilitate the restructuring of borrowers who are experiencing financial difficulties.

Loans past due for 3 months or more represent loans on which the payment of principal and/or interest has not been received for three months or more from the due date, and which are not classified as "loans to bankrupt borrowers" or "delinquent loans."

Restructured loans are loans which have been restructured to support the rehabilitation of borrowers who are encountering financial difficulties, with the intention of ensuring the recovery of the loans by providing more flexible repayment terms for the borrowers (such as reducing the rate of interest or suspending the payment of principal/interest, etc.) or loans which are not classified in any of the above categories.

The amounts presented in the table above are stated before the provision of specific loan loss reserves.

## 9. Foreign Exchange Assets

Foreign exchange assets at 31st March, 2018 and 2017 consisted of the following:

|                                      | Millions of yen |         | Thousands of U.S. dollars |
|--------------------------------------|-----------------|---------|---------------------------|
|                                      | 2018            | 2017    | 2018                      |
| Due from foreign correspondent banks | ¥ 4,335         | ¥ 5,419 | \$ 40,803                 |
| Foreign bills of exchange bought     | 366             | 262     | 3,445                     |
| Foreign bills of exchange receivable | 747             | 658     | 7,031                     |
| Total                                | ¥ 5,448         | ¥ 6,340 | \$ 51,280                 |

## 10. Other Assets

Other assets at 31st March, 2018 and 2017 consisted of the following:

|                             | Millions of yen |          | Thousands of U.S. dollars |
|-----------------------------|-----------------|----------|---------------------------|
|                             | 2018            | 2017     | 2018                      |
| Investment in leased assets | ¥ 16,804        | ¥ 15,293 | \$ 158,170                |
| Other receivables           | 20,681          | 15,421   | 194,663                   |
| Accrued income              | 5,399           | 6,183    | 50,818                    |
| Prepaid expenses            | 640             | 485      | 6,024                     |
| Other                       | 39,439          | 24,166   | 371,225                   |
| Total                       | ¥ 82,965        | ¥ 61,550 | \$ 780,920                |

## 11. Tangible Fixed Assets

At 31st March, 2018 and 2017, accumulated depreciation of tangible fixed assets were ¥51,994 million (\$489,401 thousand) and ¥45,498 million, respectively.

Under the Tax Act, capital gains arising from the exchange or replacement of assets under certain conditions are permitted to be deducted from the cost of tangible fixed assets in order to obtain certain tax benefits. The amount deducted from the cost of tangible fixed assets at 31st March, 2018 and 2017 were ¥375 million (\$3,529 thousand) and ¥375 million, respectively.

## 12. Assets Pledged

Assets pledged as collateral at 31st March, 2018 and 2017 consisted of the following:

|                            | Millions of yen |           | Thousands of U.S. dollars |
|----------------------------|-----------------|-----------|---------------------------|
|                            | 2018            | 2017      | 2018                      |
| Securities                 | ¥ 341,539       | ¥ 423,257 | \$ 3,214,787              |
| Loans and bills discounted | –               | 61,764    | –                         |
| Other assets               | 992             | 875       | 9,337                     |

The liabilities secured by the above pledged assets at 31st March, 2018 and 2017 consisted of the following:

|  | Millions of yen |          | Thousands of U.S. dollars |
|--|-----------------|----------|---------------------------|
|  | 2018            | 2017     | 2018                      |
| Deposits                                       | ¥ 3,786         | ¥ 13,401 | \$ 35,636                 |
| Payables under repurchase agreements           | –               | 9,907    | –                         |
| Payables under securities lending transactions | 165,002         | 249,762  | 1,553,106                 |
| Borrowed money                                 | 100,795         | 114,148  | 948,748                   |
| Other liabilities                              | 682             | 232      | 6,419                     |

In addition to the pledged assets listed above, certain other securities were pledged as collateral for domestic exchange transactions or as margins on futures contracts. These amounted to ¥9,030 million (\$84,996 thousand) and ¥20,503 million at 31st March, 2018 and 2017, respectively.

At 31st March, 2018 and 2017, margins on futures contracts in the amounts of ¥3,867 million (\$36,398 thousand) and ¥4,130 million, guarantee deposits of ¥4,667 million (\$43,928 thousand) and ¥4,811 million, deposits for futures transactions of ¥503 million (\$4,734 thousand) and ¥503 million, collateral money deposited for financial instruments of ¥515 million (\$4,847 thousand) and ¥10 million and margins for Central Counter Party of ¥19,555 million (\$184,064 thousand) and ¥4,797 million were included in "Other assets", respectively.

## 13. Deposits

Deposits at 31st March, 2018 and 2017 consisted of the following:

|                    | Millions of yen |             | Thousands of U.S. dollars |
|--------------------|-----------------|-------------|---------------------------|
|                    | 2018            | 2017        | 2018                      |
| Current deposits   | ¥ 193,672       | ¥ 180,211   | \$ 1,822,966              |
| Ordinary deposits  | 2,356,699       | 2,148,341   | 22,182,784                |
| Savings deposits   | 23,869          | 24,340      | 224,670                   |
| Deposits at notice | 9,433           | 8,863       | 88,789                    |
| Time deposits      | 2,281,109       | 2,394,347   | 21,471,282                |
| Other deposits     | 37,319          | 43,388      | 351,270                   |
| Total              | ¥ 4,902,103     | ¥ 4,799,493 | \$ 46,141,782             |

## 14. Borrowed Money

Borrowed money at 31st March, 2018 and 2017 consisted of borrowings from the Bank of Japan and certain other financial institutions.

Subordinated borrowings of ¥7,000 million were included in borrowed money at 31st March, 2017.

The average interest rate applicable to borrowed money at 31st March, 2018 and 2017 were 0.34% and 0.36%, respectively.

The aggregate annual maturities of borrowed money subsequent to 31st March, 2018 were summarized as follows:

| Year ending 31st March, | Millions of yen | Thousands of U.S. dollars |
|-------------------------|-----------------|---------------------------|
| 2019                    | ¥ 26,476        | \$ 249,209                |
| 2020                    | 5,439           | 51,195                    |
| 2021                    | 99,181          | 933,556                   |
| 2022                    | 761             | 7,163                     |
| 2023                    | 274             | 2,579                     |
| Total                   | ¥ 132,133       | \$ 1,243,721              |

## 15. Foreign Exchange Liabilities

Foreign exchange liabilities at 31st March, 2018 and 2017 consisted of the following:

|                                   | Millions of yen |       | Thousands of U.S. dollars |
|-----------------------------------|-----------------|-------|---------------------------|
|                                   | 2018            | 2017  | 2018                      |
| Foreign bills sold                | ¥ 538           | ¥ 545 | \$ 5,064                  |
| Foreign bills of exchange payable | 23              | 38    | 216                       |
| Total                             | ¥ 562           | ¥ 583 | \$ 5,289                  |

## 16. Corporate Bonds and Notes

Short-term and long-term bonds payable at 31st March, 2018 and 2017 consisted of the following:

| Issuer                      | Description            | Issued          | Millions of yen |
|-----------------------------|------------------------|-----------------|-----------------|
|                             |                        |                 | 2018            |
| The Senshu Ikeda Bank, Ltd. | 5th subordinated bonds | 25th Sep., 2013 | ¥ 10,000        |
|                             | 6th subordinated bonds | 27th Dec., 2013 | 10,000          |
| Total                       |                        |                 | ¥ 20,000        |

| Issuer                      | Millions of yen | Thousands of U.S. dollars | Interest rates (%) | Secured/unsecured | Due             |
|-----------------------------|-----------------|---------------------------|--------------------|-------------------|-----------------|
|                             | 2017            | 2018                      |                    |                   |                 |
| The Senshu Ikeda Bank, Ltd. | ¥ 10,000        | \$ 94,126                 | 1.40               | Unsecured         | 25th Sep., 2023 |
|                             | 10,000          | 94,126                    | 1.35               | Unsecured         | 27th Dec., 2023 |
| Total                       | ¥ 20,000        | \$ 188,253                |                    |                   |                 |

The aggregate annual maturities of short-term and long-term bonds payable subsequent to 31st March, 2018 were summarized as follows:

| Year ending 31st March, | Millions of yen | Thousands of U.S. dollars |
|-------------------------|-----------------|---------------------------|
| 2019                    | ¥ -             | \$ -                      |
| 2020                    | -               | -                         |
| 2021                    | -               | -                         |
| 2022                    | -               | -                         |
| 2023                    | -               | -                         |
| 2024 and thereafter     | 20,000          | 188,253                   |
| Total                   | ¥ 20,000        | \$ 188,253                |

## 17. Other Liabilities

Other liabilities at 31st March, 2018 and 2017 consisted of the following:

|                      | Millions of yen |          | Thousands of U.S. dollars |
|----------------------|-----------------|----------|---------------------------|
|                      | 2018            | 2017     | 2018                      |
| Accrued expenses     | ¥ 3,270         | ¥ 3,735  | \$ 30,779                 |
| Unearned income      | 15,818          | 15,929   | 148,889                   |
| Accrued income taxes | 1,024           | 1,760    | 9,638                     |
| Other                | 23,200          | 30,570   | 218,373                   |
| Total                | ¥ 43,314        | ¥ 51,996 | \$ 407,699                |

The amounts of lease obligations included in "Other" were ¥6 million (\$56 thousand) and ¥19 million at 31st March, 2018 and 2017, respectively. The average interest rates on lease obligations at 31st March, 2018 with maturity dates on or before and subsequent to 31st March, 2019 were 3.00%. The average interest rates on lease obligations at 31st March, 2017 with maturity dates on or before and subsequent to 31st March, 2018 were 1.96% and 2.01%, respectively.

The aggregate annual maturities of lease obligations subsequent to 31st March, 2018 were summarized as follows:

| Year ending 31st March, | Millions of yen | Thousands of U.S. dollars |
|-------------------------|-----------------|---------------------------|
| 2019                    | ¥ 0             | \$ 0                      |
| 2020                    | 1               | 9                         |
| 2021                    | 1               | 9                         |
| 2022                    | 0               | 0                         |
| 2023                    | 1               | 9                         |
| 2024 and thereafter     | 1               | 9                         |
| Total                   | ¥ 6             | \$ 56                     |

## 18. Retirement Benefit Plans

Outline of the retirement benefit plan adopted by the Company

The consolidated subsidiaries have adopted funded defined benefit plans to cover the payment of retirement benefits to employees.

As for the defined benefit pension plans (funded) of the consolidated subsidiaries, lump-sum benefits or pensions are provided depending on the service years, etc. Retirement benefit trust is established for the defined benefit pension plan.



As for lump-sum payment plans of the consolidated subsidiaries (which are unfunded plans, but after the establishment of retirement benefit trust scheme, have become funded plans), lump-sum payments are made as retirement benefits depending on the service years, etc. Certain consolidated subsidiaries have adopted lump-sum payment plans (all unfunded) as defined benefit plans, where net defined benefit liability and retirement benefit expenses are calculated by the simplified method.

(1) Reconciliation of the beginning balance to the ending balance of retirement benefit obligation

|  | Millions of yen |          | Thousands of U.S. dollars |
|--|-----------------|----------|---------------------------|
|  | 2018            | 2017     | 2018                      |
| Retirement benefit obligation at beginning of the year | ¥ 35,723        | ¥ 34,517 | \$ 336,248                |
| Service cost   | 1,086           | 1,015    | 10,222                    |
| Interest cost  | 140             | 129      | 1,317                     |
| Actuarial gain or loss incurred during the year        | 3,077           | 1,393    | 28,962                    |
| Payment of retirement benefits                         | (1,508)         | (1,344)  | (14,194)                  |
| Other  | 14              | 12       | 131                       |
| Retirement benefit obligation at end of the year       | ¥ 38,534        | ¥ 35,723 | \$ 362,707                |

(2) Reconciliation of the beginning balance to the ending balance of pension plan assets

|   | Millions of yen |          | Thousands of U.S. dollars |
|---|-----------------|----------|---------------------------|
|   | 2018            | 2017     | 2018                      |
| Pension plan assets at beginning of the year    | ¥ 49,915        | ¥ 46,795 | \$ 469,832                |
| Expected return on plan assets                  | 975             | 904      | 9,177                     |
| Actuarial gain or loss incurred during the year | 1,585           | 3,459    | 14,919                    |
| Contributions from employer                     | 872             | –        | 8,207                     |
| Payment of retirement benefits                  | (1,149)         | (1,243)  | (10,815)                  |
| Return of retirement benefit trust              | (2,702)         | –        | (25,432)                  |
| Pension plan assets at end of the year          | ¥ 49,497        | ¥ 49,915 | \$ 465,897                |

(3) Reconciliation of the ending balance of retirement benefit obligation and pension plan assets to the consolidated balance sheet amounts of net defined benefit liability and asset

|  | Millions of yen |            | Thousands of U.S. dollars |
|--|-----------------|------------|---------------------------|
|  | 2018            | 2017       | 2018                      |
| Funded retirement benefit obligation                             | ¥ 38,382        | ¥ 35,580   | \$ 361,276                |
| Pension plan assets  | (49,497)        | (49,915)   | (465,897)                 |
|  | (11,114)        | (14,334)   | (104,612)                 |
| Unfunded retirement benefit obligation                           | 151             | 142        | 1,421                     |
| Net amount of liability and asset on consolidated balance sheets | ¥ (10,962)      | ¥ (14,192) | \$ (103,181)              |

|  | Millions of yen |            | Thousands of U.S. dollars |
|--|-----------------|------------|---------------------------|
|  | 2018            | 2017       | 2018                      |
| Net defined benefit liability                                    | ¥ 151           | ¥ 142      | \$ 1,421                  |
| Net defined benefit asset  | (11,114)        | (14,334)   | (104,612)                 |
| Net amount of liability and asset on consolidated balance sheets | ¥ (10,962)      | ¥ (14,192) | \$ (103,181)              |

(4) Retirement benefit expenses consisted of the following:

|  | Millions of yen |         | Thousands of U.S. dollars |
|--|-----------------|---------|---------------------------|
|  | 2018            | 2017    | 2018                      |
| Service cost   | ¥ 1,086         | ¥ 1,015 | \$ 10,222                 |
| Interest cost  | 140             | 129     | 1,317                     |
| Expected return on plan assets   | (975)           | (904)   | (9,177)                   |
| Amortization of actuarial loss   | 156             | 81      | 1,468                     |
| Amortization of prior service cost   | (262)           | (336)   | (2,466)                   |
| Net periodic retirement benefit expenses for defined benefit pension plans | ¥ 146           | ¥ (14)  | \$ 1,374                  |

(5) Remeasurements of defined benefit plans included in other comprehensive income

Remeasurements of defined benefit plans included in other comprehensive income (before related tax effects) consisted of the following:

|                        | Millions of yen |         | Thousands of U.S. dollars |
|------------------------|-----------------|---------|---------------------------|
|                        | 2018            | 2017    | 2018                      |
| Prior service cost     | ¥ (262)         | ¥ (336) | \$ (2,466)                |
| Actuarial gain or loss | (2,372)         | 2,147   | (22,326)                  |
| Total                  | ¥ (2,634)       | ¥ 1,810 | \$ (24,792)               |

(6) Remeasurements of defined benefit plans included in accumulated other comprehensive income

Remeasurements of defined benefit plans included in accumulated other comprehensive income (before related tax effects) consisted of the following:

|                                     | Millions of yen |           | Thousands of U.S. dollars |
|-------------------------------------|-----------------|-----------|---------------------------|
|                                     | 2018            | 2017      | 2018                      |
| Unrecognized prior service cost     | ¥ (1,179)       | ¥ (1,441) | \$ (11,097)               |
| Unrecognized actuarial gain or loss | (773)           | (3,146)   | (7,275)                   |
| Total                               | ¥ (1,952)       | ¥ (4,587) | \$ (18,373)               |

(7) Matters related to pension plan assets

1) Ratio of the main components in the total pension plan assets are as follows:

|  | 2018 | 2017 |
|--|------|------|
| Bonds  | 17%  | 10%  |
| Stocks   | 56%  | 63%  |
| Short-term investment fund including cash and deposits | 7%   | 12%  |
| Life insurance company general accounts                | 4%   | 4%   |
| Others   | 16%  | 11%  |
| Total  | 100% | 100% |

Note:

Total pension plan assets include retirement benefit trust of which securities are contributed for the pension plan, which accounts for 30% and 35% of the total at 31st March, 2018 and 2017, respectively.

2) Setting of long-term expected rates of return on plan assets

For the purpose of determining the long-term expected return on plan assets, the present and anticipated allocation of plan assets and the present and expected long-term rates of return on various assets composing the plan assets are taken into account.

(8) The assumptions used for actuarial calculations

|  | 2018        | 2017        |
|--|-------------|-------------|
| Discount rate                          | 0.00%-0.65% | 0.00%-1.01% |
| Expected rate of return on plan assets | 2.5%        | 2.5%        |
| Expected rate of salary increase       | 1.64%-3.42% | 1.68%-3.60% |

## 19. Asset Retirement Obligations

Notes concerning asset retirement obligations are omitted due to lack of significance of its total amount.

## 20. Contingent Liabilities

Contingent liabilities for guarantee of corporate bonds included in "Securities," which were issued by private placement (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act of Japan) amounted to ¥5,146 million (\$48,437 thousand) and ¥3,886 million at 31st March, 2018 and 2017, respectively.

## 21. Shareholders' Equity

Japanese banks, including the Company, are required to comply with the Banking Act and the Act. The Act stipulates that neither additional paid-in capital nor the legal reserve is available for dividends, but that both may be used to reduce or eliminate a deficit. Under the Banking Act, an amount which is at least equal to 20% of the aggregate amount of cash dividends and certain appropriations of retained earnings associated with cash outlays applicable to each fiscal period is to be appropriated to the legal reserve until the aggregate amount of the legal reserve and the capital surplus account equals 100% of the amount of share capital. The Act also provides that if the aggregate amount of additional paid-in capital and the legal reserve exceeds 100% of the amount of share capital, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders.

The maximum amount which the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company and in accordance with the Act.

**(1) Class and number of shares issued and treasury stock**

Movements in common stock, third-class preferred stock, first series of seventh-class preferred stock and treasury stock during the years ended 31st March, 2018 and 2017 were summarized as follows:

| Number of shares (in thousands)               |                    |          |          |                     | Note |
|---|--------------------|----------|----------|---------------------|------|
| Year ended 31st<br>March, 2018                | 1st April,<br>2017 | Increase | Decrease | 31st March,<br>2018 |      |
| Outstanding shares:                           |                    |          |          |                     |      |
| Common stock                                  | 281,008            | –        | –        | <b>281,008</b>      |      |
| Third-class preferred stock                   | 7,500              | –        | –        | <b>7,500</b>        |      |
| First series of seventh-class preferred stock | 25,000             | –        | –        | <b>25,000</b>       |      |
| Total   | 313,508            | –        | –        | <b>313,508</b>      |      |
| Treasury stock:                               |                    |          |          |                     |      |
| Common stock                                  | 4,397              | 1        | 1,309    | <b>3,089</b>        |      |
| Total   | 4,397              | 1        | 1,309    | <b>3,089</b>        |      |

**Notes:**

1. The number of treasury stock as of 1st April, 2017 and as of 31st March, 2018 includes the Company's shares owned by the Employees' Shareholder Trust of 4,198 thousand shares and 2,924 thousand shares, respectively.
2. Increase in treasury stock of common stock (1 thousand shares) was due to acquisition of shares from the shareholders who owned fractional shares less than one unit.
3. Decrease in treasury stock of common stock (1,309 thousand shares) consisted of transfer due to exercise of stock option (34 thousand shares) and transfer to the Shareholders Association (1,274 thousand shares).

| Number of shares (in thousands)               |                 |          |          |                  | Note |
|---|-----------------|----------|----------|------------------|------|
| Year ended 31st March, 2017                   | 1st April, 2016 | Increase | Decrease | 31st March, 2017 |      |
| Outstanding shares:                           |                 |          |          |                  |      |
| Common stock                                  | 281,008         | –        | –        | <b>281,008</b>   |      |
| Third-class preferred stock                   | 7,500           | –        | –        | <b>7,500</b>     |      |
| First series of seventh-class preferred stock | 25,000          | –        | –        | <b>25,000</b>    |      |
| Total   | 313,508         | –        | –        | <b>313,508</b>   |      |
| Treasury stock:                               |                 |          |          |                  |      |
| Common stock                                  | 5,616           | 2        | 1,222    | <b>4,397</b>     |      |
| Total   | 5,616           | 2        | 1,222    | <b>4,397</b>     |      |

**Notes:**

1. The number of treasury stock as of 1st April, 2016 and as of 31st March, 2017 includes the Company's shares owned by the Employees' Shareholder Trust of 5,377 thousand shares and 4,198 thousand shares, respectively.
2. Increase in treasury stock of common stock (2 thousand shares) was due to acquisition of shares from the shareholders who owned fractional shares less than one unit.
3. Decrease in treasury stock of common stock (1,222 thousand shares) consisted of transfer due to exercise of stock option (43 thousand shares) and transfer to the Shareholders Association (1,178 thousand shares).

**(2) Stock subscription rights**

The Company resolved to grant stock subscription rights (stock option) to certain directors and executive officers of its subsidiaries at the Board of Directors' meeting held on, 31st July, 2017, 27th July, 2016, 29th July, 2015, 30th July, 2014, 31st July, 2013, 31st August, 2012, 28th July, 2011 and 24th February, 2011.

The balance of stock subscription rights granted for stock option program are ¥122 million (\$1,148 thousand) and ¥105 million at 31st March, 2018 and 2017, respectively. Stock option related expenses for the years ended 31st March, 2018 and 2017 amounted to ¥32 million (\$301 thousand) and ¥34 million, respectively.

The stock option outstanding at 31st March, 2018 is as follows:

| Date of resolution                           | 24th February, 2011   | 28th July, 2011   |
|--|---|---|
| Persons granted                              | Directors of the subsidiaries: 22<br>Executive officers of the subsidiaries: 19 | Directors of the subsidiaries: 16<br>Executive officers of the subsidiaries: 18 |
| Number of stock option by type of shares (*) | Common stock: 84,780  | Common stock: 72,760  |
| Date of grant                                | 15th March, 2011  | 31st August, 2011   |
| Vesting conditions                           | To exercise within 10 days after retirement                                     | To exercise within 10 days after retirement                                     |
| Applicable service period                    | From 15th March, 2011 to the date of retirement                                 | From 31st August, 2011 to the date of retirement                                |
| Exercise period                              | From 16th March, 2011 to 31st July, 2041  | From 1st September, 2011 to 31st July, 2041                                     |

| Date of resolution                           | 31st August, 2012   | 31st July, 2013   |
|--|---|---|
| Persons granted                              | Directors of the subsidiaries: 10<br>Executive officers of the subsidiaries: 16 | Directors of the subsidiaries: 10<br>Executive officers of the subsidiaries: 16 |
| Number of stock option by type of shares (*) | Common stock: 69,500  | Common stock: 53,800  |
| Date of grant                                | 1st October, 2012   | 2nd September, 2013   |
| Vesting conditions                           | To exercise within 10 days after retirement                                     | To exercise within 10 days after retirement                                     |
| Applicable service period                    | From 1st October, 2012 to the date of retirement                                | From 2nd September, 2013 to the date of retirement                              |
| Exercise period                              | From 2nd October, 2012 to 31st July, 2042                                       | From 3rd September, 2013 to 31st July, 2043                                     |

| Date of resolution                           | 30th July, 2014   | 29th July, 2015   |
|--|---|---|
| Persons granted                              | Directors of the subsidiaries: 10<br>Executive officers of the subsidiaries: 15 | Directors of the subsidiaries: 10<br>Executive officers of the subsidiaries: 14 |
| Number of stock option by type of shares (*) | Common stock: 55,900  | Common stock: 51,800  |
| Date of grant                                | 28th August, 2014   | 1st September, 2015   |
| Vesting conditions                           | To exercise within 10 days after retirement                                     | To exercise within 10 days after retirement                                     |
| Applicable service period                    | From 28th August, 2014 to the date of retirement                                | From 1st September, 2015 to the date of retirement                              |
| Exercise period                              | From 29th August, 2014 to 31st July, 2044                                       | From 2nd September, 2015 to 31st July, 2045                                     |

| Date of resolution                           | 27th July, 2016  | 31st July, 2017  |
|--|--|--|
| Persons granted                              | Directors of the subsidiaries: 8<br>Executive officers of the subsidiaries: 17 | Directors of the subsidiaries: 8<br>Executive officers of the subsidiaries: 20 |
| Number of stock option by type of shares (*) | Common stock: 94,800   | Common stock: 83,100   |
| Date of grant                                | 30th August, 2016  | 31st August, 2017  |
| Vesting conditions                           | To exercise within 10 days after retirement                                    | To exercise within 10 days after retirement                                    |
| Applicable service period                    | From 30th August, 2016 to the date of retirement                               | From 31st August, 2017 to the date of retirement                               |
| Exercise period                              | From 31st August, 2016 to 31st July, 2046                                      | From 1st September, 2017 to 31st July, 2047                                    |

(\*) The number of stock options is converted into the number of shares after the one-for-five reverse stock split of common stock on 1st August, 2012.

The stock option activity is as follows:

| Date of resolution            | 24th February, 2011 | 28th July, 2011 | 31st August, 2012 | 31st July, 2013 | 30th July, 2014 | 29th July, 2015 | 27th July, 2016 | 31st July, 2017 |
|-------------------------------|---------------------|-----------------|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Non-vested:</b>            |                     |                 |                   |                 |                 |                 |                 |                 |
| 31st March, 2017- Outstanding | 12,360              | 13,200          | 26,300            | 30,600          | 41,700          | 41,200          | 94,800          | -               |
| Granted                       | -                   | -               | -                 | -               | -               | -               | -               | 83,100          |
| Forfeited                     | -                   | -               | -                 | -               | -               | -               | -               | -               |
| Vested                        | 2,340               | 2,440           | 3,300             | 4,000           | 5,300           | 5,000           | 12,200          | -               |
| 31st March, 2018- Outstanding | 10,020              | 10,760          | 23,000            | 26,600          | 36,400          | 36,200          | 82,600          | 83,100          |
| <b>Vested:</b>                |                     |                 |                   |                 |                 |                 |                 |                 |
| 31st March, 2017- Outstanding | -                   | -               | -                 | -               | -               | -               | -               | -               |
| Vested                        | 2,340               | 2,440           | 3,300             | 4,000           | 5,300           | 5,000           | 12,200          | -               |
| Exercised                     | 2,340               | 2,440           | 3,300             | 4,000           | 5,300           | 5,000           | 12,200          | -               |
| Forfeited                     | -                   | -               | -                 | -               | -               | -               | -               | -               |
| 31st March, 2018- Outstanding | -                   | -               | -                 | -               | -               | -               | -               | -               |

(\*) The number of stock options is converted into the number of shares after the one-for-five reverse stock split of common stock on 1st August, 2012.

Price information is as follows:

| Date of resolution              | 24th February, 2011 | 28th July, 2011 | 31st August, 2012 | 31st July, 2013 | 30th July, 2014 | 29th July, 2015 | 27th July, 2016 | 31st July, 2017 |
|---------------------------------|---------------------|-----------------|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Exercise price                  | ¥ 1                 | ¥ 1             | ¥ 1               | ¥ 1             | ¥ 1             | ¥ 1             | ¥ 1             | ¥ 1             |
| Average stock price at exercise | 473                 | 473             | 473               | 473             | 473             | 473             | 473             | -               |
| Fair value price at grant date  | ¥ 490               | ¥ 535           | ¥ 449             | ¥ 430           | ¥ 497           | ¥ 474           | ¥ 410           | ¥ 353           |

| Date of resolution              | 24th February, 2011 | 28th July, 2011 | 31st August, 2012 | 31st July, 2013 | 30th July, 2014 | 29th July, 2015 | 27th July, 2016 | 31st July, 2017 |
|---------------------------------|---------------------|-----------------|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Exercise price                  | \$ 0.00             | \$ 0.00         | \$ 0.00           | \$ 0.00         | \$ 0.00         | \$ 0.00         | \$ 0.00         | \$ 0.00         |
| Average stock price at exercise | 4.45                | 4.45            | 4.45              | 4.45            | 4.45            | 4.45            | 4.45            | -               |
| Fair value price at grant date  | \$ 4.61             | \$ 5.03         | \$ 4.22           | \$ 4.04         | \$ 4.67         | \$ 4.46         | \$ 3.85         | \$ 3.32         |

Note:

The impact of the one-for-five reverse stock split of common stock on 1st August, 2012 is taken into consideration.



The method for estimating the fair value price of 2017 stock option granted in the year ended 31st March, 2018 were as follows:

Measurement method: Black-Scholes model

Major fundamental factors and assumptions used to measure fair value

|   | 31st July, 2017 |
|---|-----------------|
| Date of resolution                        | 31st July, 2017 |
| Volatility of stock price *1              | 24.01%          |
| Estimated remaining outstanding period *2 | 4.049 years     |
| Estimated dividend *3                     | 3.659%          |
| Interest rate with risk free *4           | (0.138)%        |

\*1 Actual stock price during the period (from 13th August, 2013 to 31st August, 2017) corresponding to the estimated remaining outstanding period

\*2 For each director or executive officer in office, the difference between "the average term of office of retired directors or executive officers" and "the years in office of the director or executive officer at the time stock options were granted" was calculated, and if said difference was less than 0.8 years, the average of the estimated remaining outstanding period was calculated using 0.8 years, by taking into account the period remaining to the next annual shareholders' meeting.

\*3 ¥15 (\$0.14) of latest annual dividend (including the effect of reverse stock split) /¥410 (\$3.85) of stock price on the base date

\*4 Yield of Japanese government bonds approximating the estimated remaining outstanding period

In estimating the vested number of stock options, the Company basically reflects only the actual forfeited number, since it is difficult to make a reasonable estimate on the future forfeited number.

## 22. Other Operating Income

Other operating income for the years ended 31st March, 2018 and 2017 consisted of the following:

|  | Millions of yen |          | Thousands of U.S. dollars |
|--|-----------------|----------|---------------------------|
|  | 2018            | 2017     | 2018                      |
| Gain on sales of securities and trading account securities | ¥ 4,643         | ¥ 9,886  | \$ 43,702                 |
| Other  | 975             | 1,580    | 9,177                     |
| Total  | ¥ 5,618         | ¥ 11,466 | \$ 52,880                 |

## 23. Other Income

Other income for the years ended 31st March, 2018 and 2017 consisted of the following:

|                                    | Millions of yen |          | Thousands of U.S. dollars |
|------------------------------------|-----------------|----------|---------------------------|
|                                    | 2018            | 2017     | 2018                      |
| Gain on sales of equity securities | ¥ 18,539        | ¥ 5,464  | \$ 174,501                |
| Gain on money held in trust        | 188             | 441      | 1,769                     |
| Other                              | 11,716          | 8,399    | 110,278                   |
| Total                              | ¥ 30,444        | ¥ 14,305 | \$ 286,558                |

## 24. Other Operating Expenses

Other operating expenses for the years ended 31st March, 2018 and 2017 consisted of the following:

|                                  | Millions of yen |         | Thousands of U.S. dollars |
|----------------------------------|-----------------|---------|---------------------------|
|                                  | 2018            | 2017    | 2018                      |
| Loss on sales of debt securities | ¥ 17,169        | ¥ 3,879 | \$ 161,605                |
| Other                            | 2,845           | –       | 26,778                    |
| Total                            | ¥ 20,015        | ¥ 3,879 | \$ 188,394                |

## 25. Other Expenses

Other expenses for the years ended 31st March, 2018 and 2017 consisted of the following:

|  | Millions of yen |          | Thousands of U.S. dollars |
|--|-----------------|----------|---------------------------|
|  | 2018            | 2017     | 2018                      |
| Provision for possible loan losses       | ¥ –             | ¥ 1,709  | \$ –                      |
| Write-offs of loans and bills discounted | 2,145           | 2,612    | 20,190                    |
| Loss on sales of equity securities       | 52              | 70       | 489                       |
| Loss on devaluation of equity securities | 35              | 163      | 329                       |
| Loss on money held in trust              | 1,052           | 250      | 9,902                     |
| Provision for contingent losses          | 419             | 16       | 3,943                     |
| Other                                    | 9,993           | 7,579    | 94,060                    |
| Total                                    | ¥ 13,699        | ¥ 12,403 | \$ 128,943                |

## 26. Dividends

### Cash dividends paid during the fiscal year ended 31st March, 2018

Resolution by annual shareholders' meeting on 28th June, 2017

| Type of stock                                 | Record date      | Effective date  | Dividend amount |                           | Dividends per share |              |
|---|------------------|-----------------|-----------------|---------------------------|---------------------|--------------|
|   |                  |                 | Millions of yen | Thousands of U.S. dollars | Yen                 | U.S. dollars |
| Common stock                                  | 31st March, 2017 | 29th June, 2017 | ¥ 2,106         | \$ 19,823                 | ¥ 7.50              | \$ 0.07      |
| Third-class preferred stock                   | 31st March, 2017 | 29th June, 2017 | ¥ 262           | \$ 2,466                  | ¥ 35.00             | \$ 0.32      |
| First series of seventh-class preferred stock | 31st March, 2017 | 29th June, 2017 | ¥ 375           | \$ 3,529                  | ¥ 15.00             | \$ 0.14      |

Note:

The amount of cash dividends on common stock by resolution of annual shareholders' meeting on 28th June, 2017 includes the ¥31 million (\$291 thousand) in cash dividends on the Company's shares owned by the Employees' Shareholder Trust.

Resolution by Board of Directors on 13th November, 2017

| Type of stock                                 | Record date          | Effective date     | Dividend amount |                           | Dividends per share |              |
|---|----------------------|--------------------|-----------------|---------------------------|---------------------|--------------|
|   |                      |                    | Millions of yen | Thousands of U.S. dollars | Yen                 | U.S. dollars |
| Common stock                                  | 30th September, 2017 | 4th December, 2017 | ¥ 2,106         | \$ 19,823                 | ¥ 7.50              | \$ 0.07      |
| Third-class preferred stock                   | 30th September, 2017 | 4th December, 2017 | ¥ 262           | \$ 2,466                  | ¥ 35.00             | \$ 0.32      |
| First series of seventh-class preferred stock | 30th September, 2017 | 4th December, 2017 | ¥ 375           | \$ 3,529                  | ¥ 15.00             | \$ 0.14      |

Note:

The amount of cash dividends on common stock by resolution of Board of Directors on 13th November, 2017 includes the ¥26 million (\$244 thousand) in cash dividends on the Company's shares owned by the Employees' Shareholder Trust.

### Cash dividends with record dates falling in the fiscal year ended 31st March, 2018 and effective dates coming after the end of the fiscal year

| Types of stock                                | Source of dividends | Record date      | Effective date  |
|---|---------------------|------------------|-----------------|
| Common stock                                  | Retained earnings   | 31st March, 2018 | 27th June, 2018 |
| Third-class preferred stock                   | Retained earnings   | 31st March, 2018 | 27th June, 2018 |
| First series of seventh-class preferred stock | Retained earnings   | 31st March, 2018 | 27th June, 2018 |

| Types of stock                                | Dividend amount |                           | Dividends per share |              |
|---|-----------------|---------------------------|---------------------|--------------|
|   | Millions of yen | Thousands of U.S. dollars | Yen                 | U.S. dollars |
| Common stock                                  | ¥ 2,106         | \$ 19,823                 | ¥ 7.50              | \$ 0.07      |
| Third-class preferred stock                   | ¥ 262           | \$ 2,466                  | ¥ 35.00             | \$ 0.32      |
| First series of seventh-class preferred stock | ¥ 375           | \$ 3,529                  | ¥ 15.00             | \$ 0.14      |

Note:

The amount of cash dividends on common stock by resolution of annual shareholders' meeting on 26th June, 2018 includes the ¥21 million (\$197 thousand) in cash dividends on the Company's shares owned by the Employees' Shareholder Trust.

### Cash dividends paid during the fiscal year ended 31st March, 2017

Resolution by annual shareholders' meeting on 28th June, 2016

| Type of stock                                 | Record date      | Effective date  | Dividend amount |                           | Dividends per share |              |
|---|------------------|-----------------|-----------------|---------------------------|---------------------|--------------|
|   |                  |                 | Millions of yen | Thousands of U.S. dollars | Yen                 | U.S. dollars |
| Common stock                                  | 31st March, 2016 | 29th June, 2016 | ¥ 2,105         | \$ 18,762                 | ¥ 7.50              | \$ 0.06      |
| Third-class preferred stock                   | 31st March, 2016 | 29th June, 2016 | ¥ 262           | \$ 2,335                  | ¥ 35.00             | \$ 0.31      |
| First series of seventh-class preferred stock | 31st March, 2016 | 29th June, 2016 | ¥ 375           | \$ 3,342                  | ¥ 15.00             | \$ 0.13      |

Note:

The amount of cash dividends on common stock by resolution of annual shareholders' meeting on 28th June, 2016 includes the ¥40 million (\$356 thousand) in cash dividends on the Company's shares owned by the Employees' Shareholder Trust.

Resolution by Board of Directors on 14th November, 2016

| Type of stock                                 | Record date          | Effective date     | Dividend amount |                           | Dividends per share |              |
|---|----------------------|--------------------|-----------------|---------------------------|---------------------|--------------|
|   |                      |                    | Millions of yen | Thousands of U.S. dollars | Yen                 | U.S. dollars |
| Common stock                                  | 30th September, 2016 | 5th December, 2016 | ¥ 2,106         | \$ 18,771                 | ¥ 7.50              | \$ 0.06      |
| Third-class preferred stock                   | 30th September, 2016 | 5th December, 2016 | ¥ 262           | \$ 2,335                  | ¥ 35.00             | \$ 0.31      |
| First series of seventh-class preferred stock | 30th September, 2016 | 5th December, 2016 | ¥ 375           | \$ 3,342                  | ¥ 15.00             | \$ 0.13      |

Note:

The amount of cash dividends on common stock by resolution of Board of Directors on 14th November, 2016 includes the ¥35 million (\$311 thousand) in cash dividends on the Company's shares owned by the Employees' Shareholder Trust.

**Cash dividends with record dates falling in the fiscal year ended 31st March, 2017 and effective dates coming after the end of the fiscal year**

| Types of stock                                | Source of dividends | Record date               | Effective date   |
|---|---------------------|---------------------------|------------------|
| Common stock                                  | Retained earnings   | 31st March, 2017          | 29th June, 2017  |
| Third-class preferred stock                   | Retained earnings   | 31st March, 2017          | 29th June, 2017  |
| First series of seventh-class preferred stock | Retained earnings   | 31st March, 2017          | 29th June, 2017  |
| Dividend amount                               |                     | Dividends per share       |                  |
| Types of stock                                | Millions of yen     | Thousands of U.S. dollars | Yen U.S. dollars |
| Common stock                                  | ¥ 2,106             | \$ 18,771                 | ¥ 7.50 \$ 0.06   |
| Third-class preferred stock                   | ¥ 262               | \$ 2,335                  | ¥ 35.00 \$ 0.31  |
| First series of seventh-class preferred stock | ¥ 375               | \$ 3,342                  | ¥ 15.00 \$ 0.13  |

Note:

The amount of cash dividends on common stock by resolution of annual shareholders' meeting on 28th June, 2017 includes the ¥31 million (\$276 thousand) in cash dividends on the Company's shares owned by the Employees' Shareholder Trust.

## 27. Cash and Cash Equivalents

A reconciliation of cash and due from banks in the accompanying consolidated balance sheets to cash and cash equivalents in the accompanying consolidated statements of cash flows at 31st March, 2018 and 2017 were summarized as follows:

|   | Millions of yen |           | Thousands of U.S. dollars |
|---|-----------------|-----------|---------------------------|
|   | 2018            | 2017      | 2018                      |
| Cash and due from banks                             | ¥ 713,371       | ¥ 675,966 | \$ 6,714,711              |
| Deposits other than deposits with the Bank of Japan | (7,326)         | (6,722)   | (68,957)                  |
| Cash and cash equivalents                           | ¥ 706,045       | ¥ 669,243 | \$ 6,645,754              |

**Main components of assets and liabilities of the company that became a newly consolidated subsidiary following the purchase of its shares by the Company**

Main components of assets and liabilities of the newly consolidated Senshu Ikeda Auto Lease Co., Ltd. at the start of consolidation following the purchase of its shares by the Company, along with the relation between its purchase cost and purchase-related expenditures (net) are as follows:

|                                       | Millions of yen | Thousands of U.S. dollars |
|---------------------------------------|-----------------|---------------------------|
| Current assets                        | ¥ 1,440         | \$ 13,554                 |
| Fixed assets                          | 3,764           | 35,429                    |
| Goodwill                              | 141             | 1,327                     |
| Current liabilities                   | (901)           | (8,480)                   |
| Fixed liabilities                     | (4,369)         | (41,123)                  |
| Non-controlling interests             | -               | -                         |
| Purchase cost of shares               | 76              | 715                       |
| Cash and cash equivalents             | (0)             | (0)                       |
| Balance: Expenditure for the purchase | ¥ 75            | \$ 705                    |

## 28. Leases

### a. Finance leases

#### As Lessee

Information on finance leases is omitted due to lack of significance.

### b. Operating leases

#### As Lessee

Future minimum lease payments under non-cancellable operating leases subsequent to 31st March, 2018 were as follows:

| Year ending 31st March | Millions of yen | Thousands of U.S. dollars |
|------------------------|-----------------|---------------------------|
| 2019                   | ¥ 838           | \$ 7,887                  |
| 2020 and thereafter    | 5,472           | 51,506                    |
| Total                  | ¥ 6,310         | \$ 59,393                 |

## 29. Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries comprise corporate tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in a statutory tax rate of 30.8% for the years ended 31st March, 2018 and 2017, respectively.

The tax effect of temporary differences which gave rise to significant portions of the deferred tax assets and liabilities at 31st March, 2018 and 2017 consisted of the following:

|  | Millions of yen |          | Thousands of U.S. dollars |
|--|-----------------|----------|---------------------------|
|  | 2018            | 2017     | 2018                      |
| Deferred tax assets:                                 |                 |          |                           |
| Reserve for possible loan losses                     | ¥ 11,204        | ¥ 15,613 | \$ 105,459                |
| Provision for employees' bonuses                     | 578             | 560      | 5,440                     |
| Net defined benefit liability                        | 51              | 48       | 480                       |
| Loss on devaluation of securities                    | 3,007           | 4,053    | 28,303                    |
| Tax loss carryforwards                               | 10,157          | 11,078   | 95,604                    |
| Depreciation   | 669             | 658      | 6,297                     |
| Net unrealized loss on available-for-sale securities | 1,380           | 4,305    | 12,989                    |
| Other  | 2,721           | 3,042    | 25,611                    |
| Gross deferred tax assets                            | 29,771          | 39,361   | 280,224                   |
| Valuation allowance                                  | (16,745)        | (21,109) | (157,614)                 |
| Total deferred tax assets                            | 13,025          | 18,251   | 122,599                   |
| Deferred tax liabilities:                            |                 |          |                           |
| Non-taxable accrued dividend income                  | (179)           | (210)    | (1,684)                   |
| Net unrealized gain on available-for-sale securities | (4,155)         | (7,393)  | (39,109)                  |
| Stocks returned of retirement benefit trust          | (647)           | —        | (6,089)                   |
| Net defined benefit asset                            | (719)           | (1,148)  | (6,767)                   |
| Other  | (32)            | (64)     | (301)                     |
| Total deferred tax liabilities                       | (5,733)         | (8,817)  | (53,962)                  |
| Net deferred tax assets                              | ¥ 7,291         | ¥ 9,434  | \$ 68,627                 |

A reconciliation of the statutory tax rate to the effective tax rate for the years ended 31st March, 2018 and 2017 were as follows:

|   | 2018  | 2017  |
|---|-------|-------|
| Statutory tax rate                        | 30.8% | 30.8% |
| Permanently non-taxable income            | (0.0) | (0.0) |
| Permanently non-deductible expenses       | 0.3   | 0.3   |
| Valuation allowance                       | (9.0) | 0.6   |
| Per capita portion of inhabitants' taxes  | 0.7   | 0.5   |
| Deduction limit of tax loss carryforwards | 21.6  | —     |
| Amortization of goodwill                  | 0.4   | 0.3   |
| Other                                     | 0.5   | (0.6) |
| Effective tax rate                        | 45.3% | 31.9% |

## 30. Comprehensive Income

Reclassification adjustments and tax effect amounts of other comprehensive income for the year ended 31st March, 2018 and 2017 were as follows:

|   | Millions of yen |            | Thousands of U.S. dollars |
|---|-----------------|------------|---------------------------|
|   | 2018            | 2017       | 2018                      |
| Unrealized gain (loss) on available-for-sale securities:    |                 |            |                           |
| Amount for the year   | ¥ 2,544         | ¥ (3,406)  | \$ 23,945                 |
| Reclassification adjustment                                 | (6,596)         | (10,517)   | (62,085)                  |
| Amount before tax effect                                    | (4,051)         | (13,924)   | (38,130)                  |
| Tax effect amount   | 3,238           | (36)       | 30,478                    |
| Net unrealized gain (loss) on available-for-sale securities | (813)           | (13,960)   | (7,652)                   |
| Unrealized gain (loss) on deferred hedges:                  |                 |            |                           |
| Amount for the year   | (421)           | (427)      | (3,962)                   |
| Reclassification adjustment                                 | 456             | 434        | 4,292                     |
| Amount before tax effect                                    | 34              | 7          | 320                       |
| Tax effect amount   | (10)            | (2)        | (94)                      |
| Net unrealized gain on deferred hedges                      | 23              | 5          | 216                       |
| Remeasurements of defined benefit plans:                    |                 |            |                           |
| Amount for the year   | (1,491)         | 2,066      | (14,034)                  |
| Reclassification adjustment                                 | (1,143)         | (255)      | (10,758)                  |
| Amount before tax effect                                    | (2,634)         | 1,810      | (24,792)                  |
| Tax effect amount   | 805             | (553)      | 7,577                     |
| Remeasurements of defined benefit plans                     | (1,829)         | 1,257      | (17,215)                  |
| Total other comprehensive income                            | ¥ (2,618)       | ¥ (12,698) | \$ (24,642)               |

## 31. Segment Information and Related Information

### Segment information

Reportable segment information is omitted because the Group is engaged only in banking business and "other" in our operating results, including leasing business was immaterial for the years ended 31st March, 2018 and 2017.

### (1) Related information

#### a. Information about services

For the year ended 31st March, 2018

|                                | Millions of yen |                                   |          |           |
|--------------------------------|-----------------|-----------------------------------|----------|-----------|
|                                | Lending         | Securities trading and investment | Other    | Total     |
| Income from external customers | ¥ 41,062        | ¥ 31,879                          | ¥ 38,669 | ¥ 111,612 |



For the year ended 31st March, 2017

| Millions of yen                |          |                                      |          |           |
|--------------------------------|----------|--------------------------------------|----------|-----------|
|                                | Lending  | Securities trading<br>and investment | Other    | Total     |
| Income from external customers | ¥ 42,414 | ¥ 29,749                             | ¥ 30,901 | ¥ 103,065 |

Note:

“Income” is presented in lieu of net sales presented by non-financial companies.

For the year ended 31st March, 2018

| Thousands of U.S. dollars      |            |                                      |            |              |
|--------------------------------|------------|--------------------------------------|------------|--------------|
|                                | Lending    | Securities trading<br>and investment | Other      | Total        |
| Income from external customers | \$ 386,502 | \$ 300,065                           | \$ 363,977 | \$ 1,050,564 |

#### b. Information about geographical areas

##### (i) Income

Information about income has not been presented as income from external customers inside Japan accounts for more than 90% of the consolidated income for the years ended 31st March, 2018 and 2017.

##### (ii) Tangible fixed assets

Information about tangible fixed assets has not been presented as tangible fixed assets inside Japan accounts for more than 90% of the consolidated tangible fixed assets at 31st March, 2018 and 2017.

#### c. Information about main customers

Information about main customers has not been presented as there is no income from particular customer which accounts for more than 10% of the consolidated income for the years ended 31st March, 2018 and 2017.

#### (2) Other information about reportable segments

Other information about reportable segments has not been presented as the Group is engaged only in banking business for the years ended 31st March, 2018 and 2017.

## 32. Related Party Transactions

Transactions between a consolidated subsidiary and related parties:

#### Toshikazu Hosomi

Transactions and balances with Toshikazu Hosomi, who was a relative of a director and engaged in the property leasing business, as of 31st March, 2018 and 2017 were summarized as follows:

| 2018                |                 |                           |                |                 |                           |
|---------------------|-----------------|---------------------------|----------------|-----------------|---------------------------|
| Transactions        |                 |                           | Balances       |                 |                           |
| Type of transaction | Millions of yen | Thousands of U.S. dollars | Account name   | Millions of yen | Thousands of U.S. dollars |
| Loan                | ¥ –             | \$ –                      | Loans on deeds | ¥ 415           | \$ 3,906                  |
|                     |                 |                           | Accrued income | ¥ 0             | \$ 0                      |

| 2017                |                 |                |                 |  |  |
|---------------------|-----------------|----------------|-----------------|--|--|
| Transactions        |                 |                | Balances        |  |  |
| Type of transaction | Millions of yen | Account name   | Millions of yen |  |  |
| Loan                | ¥ –             | Loans on deeds | ¥ 430           |  |  |
|                     |                 | Accrued income | ¥ 0             |  |  |

The conditions of the loan transactions are determined based on the general conditions of similar transactions with third parties.

#### SHIBUHICHI CO., LTD.

A director of the Company, Yasuki Hosomi and his relatives directly own 100% shares in SHIBUHICHI Co., Ltd. (“SHIBUHICHI”). SHIBUHICHI is located in Ikeda-city, Osaka, records share capital of ¥3 million (\$28 thousand) and is engaged in the property leasing business. Transactions and balances with SHIBUHICHI as of 31st March, 2018 and 2017 were summarized as follows.

| 2018                |                 |                           |                 |                 |                           |
|---------------------|-----------------|---------------------------|-----------------|-----------------|---------------------------|
| Transactions        |                 |                           | Balances        |                 |                           |
| Type of transaction | Millions of yen | Thousands of U.S. dollars | Account name    | Millions of yen | Thousands of U.S. dollars |
| Loan                | ¥ –             | \$ –                      | Loans on deeds  | ¥ 328           | \$ 3,087                  |
|                     |                 |                           | Accrued income  | ¥ 0             | \$ 0                      |
|                     |                 |                           | Unearned income | ¥ 0             | \$ 0                      |

| 2017                |                 |                 |                 |  |  |
|---------------------|-----------------|-----------------|-----------------|--|--|
| Transactions        |                 |                 | Balances        |  |  |
| Type of transaction | Millions of yen | Account name    | Millions of yen |  |  |
| Loan                | ¥ –             | Loans on deeds  | ¥ 339           |  |  |
|                     |                 | Unearned income | ¥ 0             |  |  |

The conditions of the loan transactions are determined based on the general conditions of similar transactions with third parties.

#### Michikuni Yamazawa

Transactions and balances with Michikuni Yamazawa, who was a doctor and a relative of a director of the Company's significant subsidiary, as of 31st March, 2018 were summarized as follows:

| Transactions        |                 |                           |              | Balances        |                           |                 |             |
|---------------------|-----------------|---------------------------|--------------|-----------------|---------------------------|-----------------|-------------|
| Type of transaction | Millions of yen | Thousands of U.S. dollars | Account name | Millions of yen | Thousands of U.S. dollars |                 |             |
| Loan                | ¥               | –                         | \$           | –               | –                         | Loans on deeds  | ¥ 20 \$ 188 |
|                     |                 |                           |              |                 |                           | Unearned income | ¥ 0 \$ 0    |

The conditions of the loan transactions are determined based on the general conditions of similar transactions with third parties.

#### Corporate pension plans for employees

Transactions and balances with corporate pension fund of the Company's significant subsidiary, as of 31st March, 2018 were summarized as follows:

| Transactions                          |                 |                           |              | Balances        |                           |  |  |
|---------------------------------------|-----------------|---------------------------|--------------|-----------------|---------------------------|--|--|
| Type of transaction                   | Millions of yen | Thousands of U.S. dollars | Account name | Millions of yen | Thousands of U.S. dollars |  |  |
| Partial refund of pension plan assets | ¥ 3,374         | \$31,758                  | –            | ¥ –             | \$ –                      |  |  |

## 33. Financial Instruments and Related Disclosures

### 1. General Information

#### (1) Policy for financial instruments

The Group, whose core operation is The Senshu Ikeda Bank, Ltd. (the "Bank"), is engaged in the various financial services as a regional financial institution. The Group holds financial assets and liabilities which are subject to fluctuations in the interest rates and market prices in the principal businesses such as deposit-taking and lending services and market activities including securities investment. In order to serve for setting up strategic targets in response to the changes in market environments, the Group conducts integrated asset and liability management ("ALM") and utilizes derivative contracts as a part of ALM.

#### (2) Contents of financial instruments and their risks

Financial assets held by the Group mainly consist of loans to domestic corporate and individual customers, which are exposed to credit risk arising from customers' nonperformance of contractual obligations and interest rate movement risk. Securities held by the Group principally consist of equity securities, debt securities and

investment trusts, which are held for pure investment purpose and strategic investment purpose as available-for-sale securities and partially, for holding to maturity and trading purposes. These financial assets are exposed to credit risk of issuers and market risk associated with interest rates, stock prices and foreign exchanges. Deposits which are major financial liabilities are exposed to liquidity risk that unexpected cash flow might arise. In addition, other fund raising sources are exposed to the liquidity risk that necessary fund might not be secured when the Group fails to utilize the market under certain circumstances, or that the Group might be obliged to fund at more unfavorable interest rates than normal. In addition, these financial liabilities are exposed to the risk of fluctuations in interest rates as well as financial assets. The Group uses derivative contracts to meet the customers' needs and principally as a means of risk control over the assets and liabilities. In addition, as a part of trading activities (to earn short-term trading gains), futures instruments including equity and debt securities are utilized. These derivatives are exposed to the credit risk (counterparty risk) arising from customers' nonperformance of contractual obligations and market risk arising from the fluctuations in interest rates, stock prices, foreign exchanges, etc.

### (3) Risk management system for financial instruments

The Group has established the risk control department independent from front offices and defines basic risk management policies. Specifically, the risk management system and various rules including the basic policy on risk control are determined by the Board of Directors, and the responsible functions by risk categories and the integrated risk control function are clearly defined. In addition, the "Risk Management Committee" and the "ALM Committee" have been established to monitor the risk profiles of the Group and discuss management issues as well as risk control measures. And such matters are reported to the Board of Directors and accordingly, effective risk management system at the management level is structured.

#### a. Integrated risk management

The Group conducts integrated risk management in accordance with the basic policy on risk control and various integrated risk control rules. Specifically, the Group conducts integrated control by identifying the risks assessed by risk categories such as credit risk, market risk and others including credit concentration risk not considered in the computation process of the capital ratio and interest rate risk of banking accounts and compares them with management capacity (capital).

#### b. Credit risk management

The Group analyzes and controls the credit portfolio in accordance with the Company's policy on credit risk control and various credit risk control rules. The Group

maintains and operates a system of investigation, internal rating, asset self-assessment in monitoring individual transactions.

These credit control procedures are performed by each operating office, credit investigation department and risk control departments of the Bank. With respect to credit risk of issuers of securities and counterparty risk of derivative transactions, the risk control departments of the Bank monitor the identification of credit information and fair values. In addition, the risk control department of the Company reports on a regular basis to the Board of Directors of the Company. Furthermore the internal audit departments audit the status of credit control.

c. Market risk management

(i) Market risk management

The Group controls market risk arising from fluctuations in interest rates, stock prices, foreign exchanges, etc. in accordance with the Company's policy on market risk control and various market risk control rules. Specifically, the risk control department of the Company identifies the volume of market risk using the Value-at-Risk (VaR) method and monitors compliance with the risk limits resolved by the Board of Directors through continuous monitoring system. For securities, in addition to above risk limit control policy, the Group has established and managed loss cut rules. The relevant information is periodically reported by the risk control department to the Risk Management Committee and the Board of Directors.

The ALM Committee identifies and confirms the make-up of assets and liabilities and interest rate risk and discusses future measures. Specifically, the responsible department of the Company for ALM identifies comprehensively interest rates and periods of financial assets and liabilities and monitors using gap analysis and interest rate sensitivity analysis to secure stable and continuous earnings.

The Bank executes foreign exchange transactions and foreign currency bond investments, which are exposed to foreign exchange risk, but the subsidiary strives to minimize foreign exchange risk by balancing the foreign exchange positions where possible.

(ii) Derivative transactions

With respect to derivative transactions, the Company has established an internal control system including segregation of duties of the departments responsible for execution of transactions, risk control and operation administration and complies with the various market risk control rules.

(iii) Quantitative information of market risk

The Group monitors the value at market risk of financial instruments, such as deposits, loans and bills discounted and securities, using VaR everyday as the change in market risk is larger than other risks.

The Group calculates the value at market risk according to the variance-covariance approach (holding period-120 business days, confidence interval-99.0%, and observation period-240 business days).

The value of market risk on financial instruments was ¥9.8 billion (\$92.2 million) for interest rate and ¥17.1 billion (\$160.9 million) for stocks at 31st March, 2018. The value of market risk as a whole with correlation in consideration was ¥27.1 billion (\$255.0 million).

The Group carries out back-testing to compare the model-calculating VaR of securities on the banking activities which influenced by market fluctuation (holding period-one business day) with real gain and loss in order to verify their accuracy.

However, VaR, which calculates the value of market risk based on past fluctuations in the market, sometimes cannot calculate the value of market risk accurately under the condition that market environment changes abruptly.

d. Liquidity risk management associated with fund raising

The Group conducts liquidity risk control for funding activities in accordance with the Company's policy on liquidity risk control and various liquidity risk control rules. Specifically, the department responsible for ALM and the treasury department of the Bank identify the investment and funding status of the whole Group on a timely basis and control liquidity risk by securing liquidity of the assets, diversifying the funding instruments and adjusting the short-term and long-term funding balances considering the market environments to secure stable fund management.

The risk control department identifies its response capability if liquidity risk is revealed through monitoring periodically the amount of liquid reserve assets that can be readily converted into cash, monitors the appropriateness of its fund management and reports it to the Risk Management Committee and the Board of Directors.

(4) Supplementary explanation about fair value of financial instruments

The fair value of financial instruments include, in addition to the value determined based on the market price, a valuation calculated on a reasonable basis if no market price is available. Since certain assumptions are used in calculating the value, the result of such calculation may vary if different assumptions are used.

## 2. Fair value of financial instruments

The carrying value, the fair value and the difference as of 31st March, 2018 and 2017 are summarized in the following tables: Note that securities such as unlisted equity securities for which fair value is extremely difficult to determine were not included in the following tables (See (Note 2) below):

| Millions of yen                                |                |             |            |
|--|----------------|-------------|------------|
| 31st March, 2018                               | Carrying value | Fair value  | Difference |
| Cash and due from banks                        | ¥ 713,371      | ¥ 713,371   | ¥ -        |
| Call loans and bills bought                    | 3,783          | 3,783       | -          |
| Monetary claims bought (*1)                    | 100            | 100         | -          |
| Trading account securities:                    |                |             |            |
| Trading securities                             | 176            | 176         | -          |
| Money held in trust                            | 26,987         | 26,987      | -          |
| Securities:                                    |                |             |            |
| Held-to-maturity debt securities               | 11,000         | 11,068      | 68         |
| Available-for-sale securities                  | 715,899        | 715,899     | -          |
| Loans and bills discounted                     | 3,897,405      |             |            |
| Reserve for possible loan losses (*1)          | (13,676)       |             |            |
|  | 3,883,729      | 3,887,430   | 3,701      |
| Foreign exchange assets (*1)                   | 5,448          | 5,448       | 0          |
| Total assets                                   | ¥ 5,360,495    | ¥ 5,364,266 | ¥ 3,770    |
| Deposits                                       | ¥ 4,902,103    | ¥ 4,902,121 | ¥ 18       |
| Negotiable certificates of deposit             | 900            | 900         | -          |
| Payables under securities lending transactions | 165,002        | 165,002     | -          |
| Borrowed money                                 | 132,133        | 132,107     | (25)       |
| Foreign exchange liabilities                   | 562            | 562         | -          |
| Corporate bonds and notes                      | 20,000         | 20,080      | 80         |
| Total liabilities                              | ¥ 5,220,701    | ¥ 5,220,775 | ¥ 73       |
| Derivative transactions (*2)                   |                |             |            |
| To which hedge accounting is not applied       | ¥ (63)         | ¥ (63)      | ¥ -        |
| To which hedge accounting is applied           | 2,897          | 2,897       | -          |
| Total derivative transactions                  | ¥ 2,833        | ¥ 2,833     | ¥ -        |

| Millions of yen                                |                |             |            |
|--|----------------|-------------|------------|
| 31st March, 2017                               | Carrying value | Fair value  | Difference |
| Cash and due from banks                        | ¥ 675,966      | ¥ 675,966   | ¥ -        |
| Call loans and bills bought                    | 172            | 172         | -          |
| Monetary claims bought (*1)                    | 31             | 31          | -          |
| Trading account securities:                    |                |             |            |
| Trading securities                             | 317            | 317         | -          |
| Money held in trust                            | 26,979         | 26,979      | -          |
| Securities:                                    |                |             |            |
| Held-to-maturity debt securities               | 49,799         | 50,070      | 271        |
| Available-for-sale securities                  | 869,826        | 869,826     | -          |
| Loans and bills discounted                     | 3,813,333      |             |            |
| Reserve for possible loan losses (*1)          | (20,241)       |             |            |
|  | 3,793,092      | 3,801,526   | 8,434      |
| Foreign exchange assets (*1)                   | 6,340          | 6,340       | 0          |
| Total assets                                   | ¥ 5,422,524    | ¥ 5,431,230 | ¥ 8,706    |
| Deposits                                       | ¥ 4,799,493    | ¥ 4,799,611 | ¥ 118      |
| Call money and bills sold                      | 14,809         | 14,809      | -          |
| Payables under repurchase agreements           | 9,907          | 9,907       | -          |
| Payables under securities lending transactions | 249,762        | 249,762     | -          |
| Borrowed money                                 | 160,997        | 161,017     | 20         |
| Foreign exchange liabilities                   | 583            | 583         | -          |
| Corporate bonds and notes                      | 20,000         | 20,196      | 196        |
| Total liabilities                              | ¥ 5,255,553    | ¥ 5,255,888 | ¥ 334      |
| Derivative transactions (*2)                   |                |             |            |
| To which hedge accounting is not applied       | ¥ 232          | ¥ 232       | ¥ -        |
| To which hedge accounting is applied           | 3,060          | 3,060       | -          |
| Total derivative transactions                  | ¥ 3,292        | ¥ 3,292     | ¥ -        |

Thousands of U.S. dollars

| 31st March, 2018                               | Carrying value | Fair value   | Difference |
|--|----------------|--------------|------------|
| Cash and due from banks                        | \$ 6,714,711   | \$ 6,714,711 | \$ -       |
| Call loans and bills bought                    | 35,608         | 35,608       | -          |
| Monetary claims bought (*1)                    | 941            | 941          | -          |
| Trading account securities:                    |                |              |            |
| Trading securities                             | 1,656          | 1,656        | -          |
| Money held in trust                            | 254,019        | 254,019      | -          |
| Securities:                                    |                |              |            |
| Held-to-maturity debt securities               | 103,539        | 104,179      | 640        |
| Available-for-sale securities                  | 6,738,507      | 6,738,507    | -          |
| Loans and bills discounted                     | 36,684,911     |              |            |
| Reserve for possible loan losses (*1)          | (128,727)      |              |            |
|  | 36,556,184     | 36,591,020   | 34,836     |
| Foreign exchange assets (*1)                   | 51,280         | 51,280       | 0          |
| Total assets                                   | \$50,456,466   | \$50,491,961 | \$ 35,485  |
| Deposits                                       | \$46,141,782   | \$46,141,952 | \$ 169     |
| Negotiable certificates of deposit             | 8,471          | 8,471        | -          |
| Payables under securities lending transactions | 1,553,106      | 1,553,106    | -          |
| Borrowed money                                 | 1,243,721      | 1,243,477    | (235)      |
| Foreign exchange liabilities                   | 5,289          | 5,289        | -          |
| Corporate bonds and notes                      | 188,253        | 189,006      | 753        |
| Total liabilities                              | \$49,140,634   | \$49,141,330 | \$ 687     |
| Derivative transactions (*2)                   |                |              |            |
| To which hedge accounting is not applied       | \$ (592)       | \$ (592)     | \$ -       |
| To which hedge accounting is applied           | 27,268         | 27,268       | -          |
| Total derivative transactions                  | \$ 26,666      | \$ 26,666    | \$ -       |

(\*1) General and specific reserves for loan losses corresponding to loans are deducted. With respect to reserve for loan losses related to monetary claims bought and foreign exchange assets, carrying value is shown, net of reserve, since the amount is insignificant.

(\*2) Derivative transactions include all derivatives recorded in other assets and other liabilities. Assets and liabilities arising from derivative transactions are shown on a net basis.

(Note 1) Valuation method for the fair value of financial instruments

#### Assets:

##### Cash and due from banks

The carrying value of due from banks without maturities is presented as the fair value since the fair value approximates the carrying value. The carrying value of due from banks with maturities is presented as the fair value since the fair value approximates the carrying value due to remaining maturities of less than one year.

##### Call loans and bills bought

The carrying amount is presented as the fair value since the fair value approximates the carrying amount because the contractual term is short (less than one year).

##### Monetary claims bought

Receivables related to factoring business are computed in the same manner as loans.

##### Trading account securities

The fair value of securities such as debt securities held for trading is determined using the quoted market price or the price provided by counterparty financial institutions.

##### Money held in trust

For securities that are invested as part of trust assets in an independently managed money trust with securities management as the primary purpose, the fair value of equity securities is determined using quoted market prices and the fair value of debt securities is determined using quoted market prices or the prices provided by counterparty financial institutions. Note that information on money held in trust by holding purpose is disclosed in Note 6.

##### Securities

The fair value of equity securities is determined using the quoted market prices and the fair value of debt securities is determined using the quoted market prices or the prices provided by counterparty financial institutions. The fair value of investment trusts is determined based on the published net assets value. The fair value of privately placed guaranteed bonds issued by the Bank is determined in the same manner as loans. Note that information on securities by holding purposes is disclosed in Note 5.

##### Loans and bills discounted

The carrying value of the loans with floating interest rates, which reflect short-term market interest rates, is presented as the fair value since the fair value approximates the carrying value as long as the creditworthiness of the borrower has not changed significantly since the loan origination. The fair value of the loans with fixed interest rates is determined based on the aggregated value of principal and interest by categories of types of loans, internal ratings and maturities discounted using the interest rate assumed if the same loans were newly originated. The carrying value of the loans with short contractual terms (less than one year) is presented as the fair value since the fair value approximates the carrying value.

Loan losses on receivables from bankrupt, effectively bankrupt or likely to become bankrupt borrowers are estimated based on factors such as the present value of expected future cash flows or the expected amount to be collected from collateral and guarantees. Since the fair value of these items approximates the carrying value, net of the currently expected loan losses, such carrying value is presented as the fair value. The carrying value of the loans which do not have defined repayment due dates because the loans are limited to within the amount of pledged assets is presented as the fair value



since the fair value approximates the carrying value considering the expected repayment schedule and interest rate conditions.

#### Foreign exchange assets

Foreign exchange assets consist of foreign currency deposits with other banks (due from other foreign banks), export bills and traveler's checks, etc., (purchased foreign bills) and loans on notes using import bills (foreign bills receivables). The carrying value of these items is presented as the fair value, since the fair value approximates the carrying value due to being deposits without maturity or having short contract terms (less than one year).

#### Liabilities:

##### Deposits and Negotiable certificates of deposit

The amount payable on demand as of the balance sheet date (i.e., the carrying value) is considered to be the fair value of the demand deposit. The fair value of time deposits is determined using the discounted present value of future cash flows, grouped by certain maturity lengths. The discount rate used is the interest rate that would be applied to newly accepted deposits. The carrying value of deposits whose remaining maturity is within the short-term period (less than one year) is presented as the fair value since the fair value approximates the carrying value.

##### Call money and bills sold, payables under repurchase agreements and payables under securities lending transactions

The carrying value is presented as the fair value since the fair value approximates the carrying value due to remaining maturities of less than one year.

##### Borrowed money

The carrying value of floating rate borrowed money is presented as fair value. This is because it reflects the market interest rate in the short-term period, also the creditworthiness of the Company and the consolidated subsidiaries have not significantly changed since the borrowed money was originated and accordingly fair value approximates the carrying value. The fair value of fixed rate borrowed money is calculated as the present value of expected future cash flows from the aggregated value of principal and interest (the aggregated value of principal and interest using the interest rate swap rate, in case of borrowings subject to special treatment of hedge accounting for interest rate swaps) on these borrowings grouped by certain maturity lengths, which is discounted at an interest rate applicable to similar borrowings. The carrying value of borrowed money whose remaining maturity is due within the short-term period (less than one year) is presented as the fair value since the fair value approximates the carrying value.

##### Foreign exchange liabilities

Foreign exchange liabilities consist of foreign bills sold and foreign bills payable. The carrying value is presented as the fair value since the fair value approximates the carrying value due to remaining maturities of less than one year.

#### Corporate bonds and notes

The fair value of bonds and notes issued by the consolidated subsidiary is determined using the market price.

#### Derivative transactions:

See Note 34.

(Note 2) Financial instruments whose fair value is extremely difficult to determine at 31st March, 2018 and 2017 were as follows: These securities are not included in "Securities" under "Assets" as part of the fair value information of financial instruments.

|                                      | Millions of yen |         | Thousands of U.S. dollars |
|--------------------------------------|-----------------|---------|---------------------------|
|                                      | 2018            | 2017    | 2018                      |
| Unlisted equity securities (*1) (*2) | ¥ 6,390         | ¥ 6,179 | \$ 60,146                 |
| Investments in partnerships (*3)     | 3,037           | 3,638   | 28,586                    |
| Other                                | 5               | 5       | 47                        |
| Total                                | ¥ 9,433         | ¥ 9,823 | \$ 88,789                 |

(\*1) No market price is available for unlisted equity securities and the fair value is not disclosed since it is extremely difficult to determine the fair value.

(\*2) The Company recognized impairment losses on unlisted equity securities in the amount of ¥35 million (\$329 thousand) and ¥155 million for the years ended 31st March, 2018 and 2017, respectively.

(\*3) The fair value of investments in partnerships, whose assets consist of securities such as unlisted equity securities for which fair value is extremely difficult to determine, is not disclosed.

(Note 3) Repayment schedule of monetary receivables and securities with contractual maturities

| Millions of yen                                |                         |  |  |
|--|-------------------------|--|--|
| 31st March, 2018                               | Due in one year or less | Due after one year through three years | Due after three years through five years |
| Due from banks                                 | ¥ 658,913               | ¥ -                                    | ¥ -                                      |
| Call loans and bills bought                    | 3,783                   | -                                      | -  |
| Monetary claims bought (*1)                    | 100                     | -                                      | -  |
| Securities:                                    | 93,282                  | 169,819                                | 78,628                                   |
| Held-to maturity debt securities:              | 10,000                  | 1,000                                  | -  |
| Other  | 10,000                  | 1,000                                  | -  |
| Available-for-sale securities with maturities: | 83,282                  | 168,819                                | 78,628                                   |
| Government bonds                               | 8,000                   | 63,942                                 | -  |
| Local government bonds                         | 6,880                   | 11,395                                 | 20,792                                   |
| Corporate bonds                                | 64,165                  | 84,425                                 | 54,316                                   |
| Other  | 4,237                   | 9,057                                  | 3,520                                    |
| Loans and bills discounted (*1, 2)             | 777,014                 | 678,595                                | 483,244                                  |
| Foreign exchanges assets                       | 5,448                   | -                                      | -  |
| Total  | ¥ 1,538,542             | ¥ 848,415                              | ¥ 561,872                                |

| Millions of yen                                |  |   |                     |
|--|--|---|---------------------|
| 31st March, 2018                               | Due after five years through seven years | Due after seven years through ten years | Due after ten years |
| Due from banks                                 | ¥ -                                      | ¥ -                                     | ¥ -                 |
| Call loans and bills bought                    | -  | -                                       | -                   |
| Monetary claims bought (*1)                    | -  | -                                       | -                   |
| Securities:                                    | 4,655                                    | 154,487                                 | 51,943              |
| Held-to maturity debt securities:              | -  | -                                       | -                   |
| Other  | -  | -                                       | -                   |
| Available-for-sale securities with maturities: | 4,655                                    | 154,487                                 | 51,943              |
| Government bonds                               | -  | -                                       | -                   |
| Local government bonds                         | -  | -                                       | -                   |
| Corporate bonds                                | 2,104                                    | 2,459                                   | 37,340              |
| Other  | 2,551                                    | 152,028                                 | 14,603              |
| Loans and bills discounted (*1, 2)             | 302,344                                  | 390,967                                 | 1,232,722           |
| Foreign exchanges assets                       | -  | -                                       | -                   |
| Total  | ¥ 306,999                                | ¥ 545,455                               | ¥ 1,284,666         |

| Millions of yen                                |                         |  |  |
|--|-------------------------|--|--|
| 31st March, 2017                               | Due in one year or less | Due after one year through three years | Due after three years through five years |
| Due from banks                                 | ¥ 629,234               | ¥ -                                    | ¥ -                                      |
| Call loans and bills bought                    | 172                     | -                                      | -  |
| Monetary claims bought (*1)                    | 31                      | -                                      | -  |
| Securities:                                    | 150,768                 | 116,504                                | 31,138                                   |
| Held-to maturity debt securities:              | 38,800                  | 11,000                                 | -  |
| Government bonds                               | 25,000                  | -                                      | -  |
| Corporate bonds                                | 2,800                   | -                                      | -  |
| Other  | 11,000                  | 11,000                                 | -  |
| Available-for-sale securities with maturities: | 111,968                 | 105,504                                | 31,138                                   |
| Government bonds                               | 35,000                  | 2,000                                  | -  |
| Local government bonds                         | 13,052                  | 10,060                                 | 6,894                                    |
| Corporate bonds                                | 62,866                  | 84,730                                 | 12,430                                   |
| Other  | 1,049                   | 8,714                                  | 11,813                                   |
| Loans and bills discounted (*1, 2)             | 757,325                 | 651,480                                | 500,070                                  |
| Foreign exchanges assets                       | 6,340                   | -                                      | -  |
| Total  | ¥ 1,543,873             | ¥ 767,985                              | ¥ 531,208                                |

| Millions of yen                                |  |   |                     |
|--|--|---|---------------------|
| 31st March, 2017                               | Due after five years through seven years | Due after seven years through ten years | Due after ten years |
| Due from banks                                 | ¥ -                                      | ¥ -                                     | ¥ -                 |
| Call loans and bills bought                    | -  | -                                       | -                   |
| Monetary claims bought (*1)                    | -  | -                                       | -                   |
| Securities:                                    | 22,460                                   | 300,279                                 | 113,720             |
| Held-to maturity debt securities:              | -  | -                                       | -                   |
| Government bonds                               | -  | -                                       | -                   |
| Corporate bonds                                | -  | -                                       | -                   |
| Other  | -  | -                                       | -                   |
| Available-for-sale securities with maturities: | 22,460                                   | 300,279                                 | 113,720             |
| Government bonds                               | -  | -                                       | -                   |
| Local government bonds                         | 2,000                                    | -                                       | -                   |
| Corporate bonds                                | 18,721                                   | 3,159                                   | 52,310              |
| Other  | 1,738                                    | 297,120                                 | 61,409              |
| Loans and bills discounted (*1, 2)             | 293,521                                  | 367,174                                 | 1,200,193           |
| Foreign exchanges assets                       | -  | -                                       | -                   |
| Total  | ¥ 315,982                                | ¥ 667,454                               | ¥ 1,313,913         |

| Thousands of U.S. dollars                      |                         |  |  |
|--|-------------------------|--|--|
| 31st March, 2018                               | Due in one year or less | Due after one year through three years | Due after three years through five years |
| Due from banks                                 | \$ 6,202,117            | \$ -                                   | \$ -                                     |
| Call loans and bills bought                    | 35,608                  | -                                      | -  |
| Monetary claims bought (*1)                    | 941                     | -                                      | -  |
| Securities:                                    | 878,030                 | 1,598,446                              | 740,097                                  |
| Held-to maturity debt securities:              | 94,126                  | 9,412                                  | -  |
| Other  | 94,126                  | 9,412                                  | -  |
| Available-for-sale securities with maturities: | 783,904                 | 1,589,034                              | 740,097                                  |
| Government bonds                               | 75,301                  | 601,863                                | -  |
| Local government bonds                         | 64,759                  | 107,257                                | 195,707                                  |
| Corporate bonds                                | 603,962                 | 794,663                                | 511,257                                  |
| Other  | 39,881                  | 85,250                                 | 33,132                                   |
| Loans and bills discounted (*1, 2)             | 7,313,761               | 6,387,377                              | 4,548,606                                |
| Foreign exchanges assets                       | 51,280                  | -                                      | -  |
| Total  | \$14,481,758            | \$ 7,985,833                           | \$ 5,288,704                             |

| Thousands of U.S. dollars                      |  |   |                     |
|--|--|---|---------------------|
| 31st March, 2018                               | Due after five years through seven years | Due after seven years through ten years | Due after ten years |
| Due from banks                                 | \$ -                                     | \$ -                                    | \$ -                |
| Call loans and bills bought                    | -  | -                                       | -                   |
| Monetary claims bought (*1)                    | -  | -                                       | -                   |
| Securities:                                    | 43,815                                   | 1,454,132                               | 488,921             |
| Held-to maturity debt securities:              | -  | -                                       | -                   |
| Other  | -  | -                                       | -                   |
| Available-for-sale securities with maturities: | 43,815                                   | 1,454,132                               | 488,921             |
| Government bonds                               | -  | -                                       | -                   |
| Local government bonds                         | -  | -                                       | -                   |
| Corporate bonds                                | 19,804                                   | 23,145                                  | 351,468             |
| Other  | 24,011                                   | 1,430,986                               | 137,452             |
| Loans and bills discounted (*1, 2)             | 2,845,858                                | 3,680,035                               | 11,603,181          |
| Foreign exchanges assets                       | -  | -                                       | -                   |
| Total  | \$ 2,889,674                             | \$ 5,134,177                            | \$12,092,112        |

(\*1) Loans and bills discounted and monetary claims bought do not include ¥32,515 million (\$306,052 thousand) and ¥43,567 million of receivables such as those due from bankrupt, effectively bankrupt or likely to become bankrupt borrowers at 31st March, 2018 and 2017, respectively, since it is not certain when they can be collected or redeemed.

(\*2) Overdraft accounts of loans are shown under "Due in one year or less."

(Note 4) Repayment schedule of bonds, borrowed money and other interest bearing liabilities.

| Millions of yen                                |                         |  |  |
|--|-------------------------|--|--|
| 31st March, 2018                               | Due in one year or less | Due after one year through three years | Due after three years through five years |
| Deposits (*1)                                  | ¥ 4,624,352             | ¥ 226,348                              | ¥ 21,589                                 |
| Negotiable certificates of deposit             | 900                     | -                                      | -  |
| Payables under securities lending transactions | 165,002                 | -                                      | -  |
| Borrowed money                                 | 26,476                  | 104,620                                | 1,036                                    |
| Corporate bonds and notes                      | -                       | -                                      | -  |
| Total  | ¥ 4,816,730             | ¥ 330,969                              | ¥ 22,625                                 |

| Millions of yen                                |  |   |                     |
|--|--|---|---------------------|
| 31st March, 2018                               | Due after five years through seven years | Due after seven years through ten years | Due after ten years |
| Deposits (*1)                                  | ¥ 608                                    | ¥ 360                                   | ¥ -                 |
| Negotiable certificates of deposit             | -  | -                                       | -                   |
| Payables under securities lending transactions | -  | -                                       | -                   |
| Borrowed money                                 | -  | -                                       | -                   |
| Corporate bonds and notes                      | 20,000                                   | -                                       | -                   |
| Total  | ¥ 20,608                                 | ¥ 360                                   | ¥ -                 |

| Millions of yen                                |                         |  |  |
|--|-------------------------|--|--|
| 31st March, 2017                               | Due in one year or less | Due after one year through three years | Due after three years through five years |
| Deposits (*1)                                  | ¥ 4,520,389             | ¥ 226,849                              | ¥ 19,160                                 |
| Call money and bills sold                      | 14,809                  | -                                      | -  |
| Payables under repurchase agreements           | 9,907                   | -                                      | -  |
| Payables under securities lending transactions | 249,762                 | -                                      | -  |
| Borrowed money                                 | 45,745                  | 6,993                                  | 101,258                                  |
| Corporate bonds and notes                      | -                       | -                                      | -  |
| Total  | ¥ 4,840,613             | ¥ 233,842                              | ¥ 120,419                                |

| Millions of yen                                |  |   |                     |
|--|--|---|---------------------|
| 31st March, 2017                               | Due after five years through seven years | Due after seven years through ten years | Due after ten years |
| Deposits (*1)                                  | ¥ 419                                    | ¥ 785                                   | ¥ -                 |
| Call money and bills sold                      | -  | -                                       | -                   |
| Payables under repurchase agreements           | -  | -                                       | -                   |
| Payables under securities lending transactions | -  | -                                       | -                   |
| Borrowed money                                 | 7,000                                    | -                                       | -                   |
| Corporate bonds and notes                      | 20,000                                   | -                                       | -                   |
| Total  | ¥ 27,419                                 | ¥ 785                                   | ¥ -                 |

| Thousands of U.S. dollars                      |                         |  |  |
|--|-------------------------|--|--|
| 31st March, 2018                               | Due in one year or less | Due after one year through three years | Due after three years through five years |
| Deposits (*1)                                  | \$43,527,409            | \$ 2,130,534                           | \$ 203,209                               |
| Negotiable certificates of deposit             | 8,471                   | -                                      | -  |
| Payables under securities lending transactions | 1,553,106               | -                                      | -  |
| Borrowed money                                 | 249,209                 | 984,751                                | 9,751                                    |
| Corporate bonds and notes                      | -                       | -                                      | -  |
| Total  | \$45,338,196            | \$ 3,115,295                           | \$ 212,961                               |

| Thousands of U.S. dollars                      |  |   |                     |
|--|--|---|---------------------|
| 31st March, 2018                               | Due after five years through seven years | Due after seven years through ten years | Due after ten years |
| Deposits (*1)                                  | \$ 5,722                                 | \$ 3,388                                | \$ -                |
| Negotiable certificates of deposit             | -  | -                                       | -                   |
| Payables under securities lending transactions | -  | -                                       | -                   |
| Borrowed money                                 | -  | -                                       | -                   |
| Corporate bonds and notes                      | 188,253                                  | -                                       | -                   |
| Total  | \$ 193,975                               | \$ 3,388                                | \$ -                |

(\*1) Demand deposits are disclosed under "Due in one year or less" of deposits.

Deposits do not include ¥28,844 million (\$271,498 thousand) and ¥31,889 million of time deposits beyond maturity at 31st March, 2018 and 2017, respectively.

## 34. Derivatives

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

With respect to derivatives to which hedge accounting is not applied, contract amount or notional principal, fair value and related valuation gain or loss and computation method of fair value are as follows: Note that contract amounts do not represent the market risk exposure of derivative transactions.

### (1) Currency related derivatives at 31st March, 2018 and 2017

| Millions of yen                       |                                     |               |            |                       |
|---------------------------------------|-------------------------------------|---------------|------------|-----------------------|
| 31st March, 2018                      | Contract amount /notional principal | Over one year | Fair value | Valuation gain (loss) |
| <b>Over-the-counter transactions:</b> |                                     |               |            |                       |
| Currency swaps                        | ¥ 50,173                            | ¥ 35,557      | ¥ 263      | ¥ 263                 |
| Forward foreign exchange contracts:   |                                     |               |            |                       |
| Selling                               | 13,910                              | 137           | 150        | 150                   |
| Buying                                | 7,384                               | 137           | (84)       | (84)                  |
| Currency options:                     |                                     |               |            |                       |
| Selling                               | 34,009                              | 20,460        | (1,374)    | 305                   |
| Buying                                | 34,009                              | 20,460        | 1,374      | 0                     |
| Total                                 | -                                   | -             | ¥ 328      | ¥ 634                 |

| Millions of yen                       |                                     |               |            |                       |
|---------------------------------------|-------------------------------------|---------------|------------|-----------------------|
| 31st March, 2017                      | Contract amount /notional principal | Over one year | Fair value | Valuation gain (loss) |
| <b>Over-the-counter transactions:</b> |                                     |               |            |                       |
| Currency swaps                        | ¥ 64,198                            | ¥ 49,979      | ¥ 389      | ¥ 389                 |
| Forward foreign exchange contracts:   |                                     |               |            |                       |
| Selling                               | 11,659                              | -             | (70)       | (70)                  |
| Buying                                | 2,862                               | -             | 12         | 12                    |
| Currency options:                     |                                     |               |            |                       |
| Selling                               | 33,866                              | 23,242        | (1,358)    | 374                   |
| Buying                                | 33,866                              | 23,242        | 1,358      | (69)                  |
| Total                                 | -                                   | -             | ¥ 331      | ¥ 636                 |

| Thousands of U.S. dollars             |                                     |               |            |                       |
|---------------------------------------|-------------------------------------|---------------|------------|-----------------------|
| 31st March, 2018                      | Contract amount /notional principal | Over one year | Fair value | Valuation gain (loss) |
| <b>Over-the-counter transactions:</b> |                                     |               |            |                       |
| Currency swaps                        | \$472,260                           | \$334,685     | \$ 2,475   | \$ 2,475              |
| Forward foreign exchange contracts:   |                                     |               |            |                       |
| Selling                               | 130,929                             | 1,289         | 1,411      | 1,411                 |
| Buying                                | 69,503                              | 1,289         | (790)      | (790)                 |
| Currency options:                     |                                     |               |            |                       |
| Selling                               | 320,114                             | 192,582       | (12,932)   | 2,870                 |
| Buying                                | 320,114                             | 192,582       | 12,932     | 0                     |
| Total                                 | -                                   | -             | \$ 3,087   | \$ 5,967              |

Notes:

1. Transactions in the table above are stated at the fair value and the related valuation gain (loss) is reported in the consolidated statement of operations.
2. The fair value is determined by using the discounted cash flow method or others.

(2) Bond related derivatives at 31st March, 2018 and 2017

| Millions of yen                         |          |               |            |                       |
|---|----------|---------------|------------|-----------------------|
| Contract amount /notional principal     |          |               |            |                       |
| 31st March, 2018                        | Total    | Over one year | Fair value | Valuation gain (loss) |
| <b>Financial instruments exchanges:</b> |          |               |            |                       |
| Bond futures:                           |          |               |            |                       |
| Selling                                 | ¥ 30,495 | -             | ¥ (392)    | ¥ (392)               |
| Buying                                  | -        | -             | -          | -                     |
| Bond futures options:                   |          |               |            |                       |
| Selling                                 | -        | -             | -          | -                     |
| Buying                                  | -        | -             | -          | -                     |
| Total                                   | -        | -             | ¥ (392)    | ¥ (392)               |

| Millions of yen                         |         |               |            |                       |
|---|---------|---------------|------------|-----------------------|
| Contract amount /notional principal     |         |               |            |                       |
| 31st March, 2017                        | Total   | Over one year | Fair value | Valuation gain (loss) |
| <b>Financial instruments exchanges:</b> |         |               |            |                       |
| Bond futures:                           |         |               |            |                       |
| Selling                                 | ¥ 6,078 | -             | ¥ (86)     | ¥ (86)                |
| Buying                                  | 6,177   | -             | (12)       | (12)                  |
| Bond futures options:                   |         |               |            |                       |
| Selling                                 | -       | -             | -          | -                     |
| Buying                                  | -       | -             | -          | -                     |
| Total                                   | -       | -             | ¥ (98)     | ¥ (98)                |

| Thousands of U.S. dollars               |           |               |            |                       |
|---|-----------|---------------|------------|-----------------------|
| Contract amount /notional principal     |           |               |            |                       |
| 31st March, 2018                        | Total     | Over one year | Fair value | Valuation gain (loss) |
| <b>Financial instruments exchanges:</b> |           |               |            |                       |
| Bond futures:                           |           |               |            |                       |
| Selling                                 | \$287,038 | -             | \$ (3,689) | \$ (3,689)            |
| Buying                                  | -         | -             | -          | -                     |
| Bond futures options:                   |           |               |            |                       |
| Selling                                 | -         | -             | -          | -                     |
| Buying                                  | -         | -             | -          | -                     |
| Total                                   | -         | -             | \$ (3,689) | \$ (3,689)            |

Notes:

- Transactions in the table above are stated at the fair value and the related valuation gain (loss) is reported in the consolidated statement of operations.
- Calculation method for fair value  
The fair value of transactions listed on exchanges is determined using the last quoted market price at the Osaka Exchange, Inc., etc.

2. Derivative transactions to which hedge accounting is applied

With respect to derivatives to which hedge accounting is applied, contract amount or notional principal and fair value at the balance sheet date by transaction type and hedge accounting method and computation method of the fair value are as follows. Note that contract amount or notional principal does not represent the market risk exposure of derivative transactions.

(1) Interest related derivatives at 31st March, 2018 and 2017

| 31st March, 2018                    |   |  |          |               |            |
|-------------------------------------|---|--|----------|---------------|------------|
| Millions of yen                     |   |  |          |               |            |
| Contract amount /notional principal |   |  |          |               |            |
| Hedge accounting method             | Transaction type  | Major hedged item                            | Total    | Over one year | Fair value |
| Fair value hedge accounting         | Interest rate swaps: Receivable floating rate/ Payable fixed rate | Securities denominated in foreign currencies | ¥ 84,992 | ¥ 84,992      | ¥ 1,008    |
| Total                               |   |  | -        | -             | ¥ 1,008    |

| 31st March, 2017                    |   |  |          |               |            |
|-------------------------------------|---|--|----------|---------------|------------|
| Millions of yen                     |   |  |          |               |            |
| Contract amount /notional principal |   |  |          |               |            |
| Hedge accounting method             | Transaction type  | Major hedged item                            | Total    | Over one year | Fair value |
| Fair value hedge accounting         | Interest rate swaps: Receivable floating rate/ Payable fixed rate | Securities denominated in foreign currencies | ¥185,113 | ¥185,113      | ¥ 2,160    |
| Total                               |   |  | -        | -             | ¥ 2,160    |

| 31st March, 2018                    |   |  |            |               |            |
|-------------------------------------|---|--|------------|---------------|------------|
| Thousands of U.S. dollars           |   |  |            |               |            |
| Contract amount /notional principal |   |  |            |               |            |
| Hedge accounting method             | Transaction type  | Major hedged item                            | Total      | Over one year | Fair value |
| Fair value hedge accounting         | Interest rate swaps: Receivable floating rate/ Payable fixed rate | Securities denominated in foreign currencies | \$ 799,999 | \$ 799,999    | \$ 9,487   |
| Total                               |   |  | -          | -             | \$ 9,487   |

Note:

The fair value is determined by using the discounted cash flow method or others.



## (2) Currency related derivatives at 31st March, 2018 and 2017

| 31st March, 2018          |                                    |   | Millions of yen                     |               |            |
|---------------------------|------------------------------------|---|-------------------------------------|---------------|------------|
| Hedge accounting method   | Transaction type                   | Major hedged item                       | Contract amount /notional principal |               | Fair value |
|                           |                                    |   | Total                               | Over one year |            |
| Deferral hedge accounting | Currency swaps                     | Loans denominated in foreign currencies | ¥ 20,833                            | ¥ 11,803      | ¥ 1,888    |
|                           | Forward foreign exchange contracts | -                                       | -                                   | -             | -          |
| Total                     |                                    |   | -                                   | -             | ¥ 1,888    |

| 31st March, 2017          |                                    |   | Millions of yen                     |               |            |
|---------------------------|------------------------------------|---|-------------------------------------|---------------|------------|
| Hedge accounting method   | Transaction type                   | Major hedged item                       | Contract amount /notional principal |               | Fair value |
|                           |                                    |   | Total                               | Over one year |            |
| Deferral hedge accounting | Currency swaps                     | Loans denominated in foreign currencies | ¥ 24,019                            | ¥ 20,878      | ¥ 900      |
|                           | Forward foreign exchange contracts | -                                       | -                                   | -             | -          |
| Total                     |                                    |   | -                                   | -             | ¥ 900      |

| 31st March, 2018          |                                    |   | Thousands of U.S. dollars           |               |            |
|---------------------------|------------------------------------|---|-------------------------------------|---------------|------------|
| Hedge accounting method   | Transaction type                   | Major hedged item                       | Contract amount /notional principal |               | Fair value |
|                           |                                    |   | Total                               | Over one year |            |
| Deferral hedge accounting | Currency swaps                     | Loans denominated in foreign currencies | \$196,093                           | \$111,097     | \$ 17,771  |
|                           | Forward foreign exchange contracts | -                                       | -                                   | -             | -          |
| Total                     |                                    |   | -                                   | -             | \$ 17,771  |

Derivatives in the table above are mainly accounted for hedge accounting (deferral hedge accounting) in accordance with JICPA Industry Audit Committee Report No.25 "Accounting and Auditing Treatment Relating to the Adoption of the Accounting Standard for Foreign Currency Transactions for Banks." The fair value is determined by using the discounted cash flow method.

## 35. Amounts per Share

Amounts per share at 31st March, 2018 and 2017 and for the years then ended were summarized as follows:

|   | Yen      |          | U.S. dollars |
|---|----------|----------|--------------|
|   | 2018     | 2017     | 2018         |
| Net assets                                    | ¥ 736.33 | ¥ 736.46 | \$ 6.93      |
| Net income:                                   |          |          |              |
| Basic   | 25.68    | 39.61    | 0.24         |
| Diluted                                       | 24.13    | 35.39    | 0.22         |
| Cash dividends                                |          |          |              |
| Common stock                                  | ¥ 15     | ¥ 15     | \$ 0.14      |
| Third-class preferred stock                   | ¥ 70     | ¥ 70     | \$ 0.65      |
| First series of seventh-class preferred stock | ¥ 30     | ¥ 30     | \$ 0.28      |

Net assets per share as of 31st March, 2018 and 2017 were computed based on the following information:

|  | Millions of yen |           | Thousands of U.S. dollars |
|--|-----------------|-----------|---------------------------|
|  | 2018            | 2017      | 2018                      |
| Total net assets   | ¥ 248,935       | ¥ 249,217 | \$ 2,343,138              |
| Payment for third-class preferred stock  | (15,000)        | (15,000)  | (141,189)                 |
| Dividends for third-class preferred stock  | (262)           | (262)     | (2,466)                   |
| Payment for first series of seventh-class preferred stock  | (25,000)        | (25,000)  | (235,316)                 |
| Dividends for first series of seventh-class preferred stock  | (375)           | (375)     | (3,529)                   |
| Stock subscription rights  | (122)           | (105)     | (1,148)                   |
| Non-controlling interests  | (3,533)         | (4,760)   | (33,254)                  |
| Amounts to be deducted from total net assets   | (44,293)        | (45,504)  | (416,914)                 |
| Net assets attributable to common stock as of 31st March, 2018 and 2017  | ¥ 204,642       | ¥ 203,713 | \$ 1,926,223              |
| Number of shares of common stock as of 31st March, 2018 and 2017 used to compute net asset per share (Unit: thousand shares) | 277,919         | 276,611   |                           |

Net income per share for the years ended 31st March, 2018 and 2017 are computed based on the following information:

|  | Millions of yen |          | Thousands of U.S. dollars |
|--|-----------------|----------|---------------------------|
|  | 2018            | 2017     | 2018                      |
| Net income attributable to owners of the parent for the year   | ¥ 8,395         | ¥ 12,210 | \$ 79,019                 |
| Dividends for third-class preferred stock based on the resolution by Board of Directors  | (262)           | (262)    | (2,466)                   |
| Dividends for third-class preferred stock based on the resolution at the regular general shareholders' meeting                   | (262)           | (262)    | (2,466)                   |
| Dividends for first series of seventh-class preferred stock based on the resolution by Board of Directors                        | (375)           | (375)    | (3,529)                   |
| Dividends for first series of seventh-class preferred stock based on the resolution at the regular general shareholders' meeting | (375)           | (375)    | (3,529)                   |
| Amounts not attributed to common stock shareholders  | (1,275)         | (1,275)  | (12,001)                  |
| Net income attributable to owners of the parent attributable to common stock   | ¥ 7,120         | ¥ 10,935 | \$ 67,018                 |
| Average outstanding number of shares of common stock (Unit: thousand shares)   | 277,260         | 276,049  |                           |
| Diluted net income per share after adjusting potential shares  |                 |          |                           |
| Dividends for first series of seventh-class preferred stock based on the resolution by Board of Directors                        | 375             | 375      | 3,529                     |
| Dividends for first series of seventh-class preferred stock based on the resolution at the regular general shareholders' meeting | 375             | 375      | 3,529                     |
| Adjustment to net income attributable to owners of the parent  | ¥ 750           | ¥ 750    | \$ 7,059                  |
| Number of increased common stock (Unit: thousand shares)   | 48,814          | 54,097   |                           |
| Of which, stock subscription rights  | 270             | 218      |                           |
| Of which, for first series of seventh-class preferred stock  | 48,543          | 53,879   |                           |

Note:

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the fiscal year.

For the purpose of calculation of net income per share and diluted net income per share after adjusting potential shares, own shares held in trust recorded as treasury stock under the category of shareholders' equity were included in treasury stock to be subtracted from the average outstanding number of shares. Likewise, for the purpose of calculation of net assets per share, these own shares held in trust were included in treasury stock to be subtracted from the total number of outstanding shares at the end of the fiscal year.

The average outstanding number of shares of treasury stock subtracted for the calculation of net income per share and diluted net income per share after adjusting potential shares is 4,750 thousand shares for the year ended 31st March, 2017 and 3,575 thousand shares for the year ended 31st March, 2018. The number of treasury stock at the end of the fiscal year subtracted for the calculation of net assets per share is 4,198 thousand shares for the year ended 31st March, 2017 and 2,924 thousand shares for the year ended 31st March, 2018.

## Report of Independent Auditor

Senshu Ikeda Holdings, Inc.



### Independent Auditor's Report

The Board of Directors  
Senshu Ikeda Holdings, Inc.

We have audited the accompanying consolidated financial statements of Senshu Ikeda Holdings, Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheet as of March 31, 2018, and the consolidated statements of operations, comprehensive income, changes in net assets, 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 designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the 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. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls 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. 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 Senshu Ikeda Holdings, Inc. and its consolidated subsidiaries as at March 31, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

#### *Convenience Translation*

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

June 25, 2018

Osaka, Japan

*Ernst & Young Shin Nihon LLC*

# Non-consolidated Financial Information of The Senshu Ikeda Bank (Unaudited)

## Non-consolidated Balance Sheets (Unaudited)

The Senshu Ikeda Bank, Ltd.  
As of 31st March, 2018 and 2017

|  | Millions of yen    |                    | Thousands of U.S. dollars (Note 1) |
|--|--------------------|--------------------|------------------------------------|
|  | 2018               | 2017               | 2018                               |
| <b>Assets</b>  |                    |                    |                                    |
| Cash and due from banks  | ¥ 709,597          | ¥ 673,721          | \$ 6,679,188                       |
| Call loans and bills bought                                      | 3,783              | 172                | 35,608                             |
| Monetary claims bought   | 100                | 31                 | 941                                |
| Trading account securities                                       | 176                | 317                | 1,656                              |
| Money held in trust  | 26,987             | 26,979             | 254,019                            |
| Securities   | 760,428            | 954,214            | 7,157,643                          |
| Loans and bills discounted                                       | 3,908,034          | 3,811,171          | 36,784,958                         |
| Foreign exchange assets  | 5,448              | 6,340              | 51,280                             |
| Other assets   | 47,448             | 30,069             | 446,611                            |
| Tangible fixed assets  | 36,490             | 37,874             | 343,467                            |
| Intangible fixed assets  | 5,180              | 5,208              | 48,757                             |
| Prepaid pension cost   | 9,468              | 10,602             | 89,118                             |
| Deferred tax assets  | 6,895              | 9,944              | 64,900                             |
| Customers' liabilities for acceptances and guarantees            | 9,322              | 12,945             | 87,744                             |
| Reserve for possible loan losses                                 | (9,308)            | (12,188)           | (87,612)                           |
| Reserve for possible investment losses                           | (1,768)            | (3,011)            | (16,641)                           |
| <b>Total assets</b>  | <b>¥ 5,518,286</b> | <b>¥ 5,564,391</b> | <b>\$ 51,941,698</b>               |
| <b>Liabilities and net assets</b>                                |                    |                    |                                    |
| <b>Liabilities</b>   |                    |                    |                                    |
| Deposits   | ¥ 4,953,983        | ¥ 4,848,297        | \$ 46,630,111                      |
| Negotiable certificates of deposit                               | 900                | —                  | 8,471                              |
| Call money and bills sold  | —                  | 14,809             | —                                  |
| Payables under repurchase agreements                             | —                  | 9,907              | —                                  |
| Payables under securities lending transactions                   | 165,002            | 249,762            | 1,553,106                          |
| Borrowed money   | 121,685            | 150,989            | 1,145,378                          |
| Foreign exchange liabilities                                     | 562                | 583                | 5,289                              |
| Corporate bonds and notes  | 20,000             | 20,000             | 188,253                            |
| Other liabilities  | 16,566             | 28,221             | 155,929                            |
| Provision for employees' bonuses                                 | 1,610              | 1,551              | 15,154                             |
| Accrued retirement benefits for employees                        | 306                | 855                | 2,880                              |
| Accrued retirement benefits for directors and corporate auditors | 29                 | 29                 | 272                                |
| Reserve for reimbursement of deposits                            | 512                | 486                | 4,819                              |
| Reserve for point services                                       | 145                | 137                | 1,364                              |
| Reserve for contingent losses                                    | 770                | 350                | 7,247                              |
| Acceptances and guarantees                                       | 9,322              | 12,945             | 87,744                             |
| <b>Total liabilities</b>   | <b>5,291,397</b>   | <b>5,338,928</b>   | <b>49,806,071</b>                  |
| <b>Net assets</b>  |                    |                    |                                    |
| Shareholders' equity:  |                    |                    |                                    |
| Capital stock  | 61,385             | 61,385             | 577,795                            |
| Capital surplus  | 104,185            | 104,185            | 980,657                            |
| Retained earnings  | 54,749             | 52,443             | 515,333                            |
| <b>Total shareholders' equity</b>                                | <b>220,320</b>     | <b>218,014</b>     | <b>2,073,795</b>                   |
| Net unrealized gain (loss) on available-for-sale securities      | 6,684              | 7,588              | 62,914                             |
| Net unrealized gain (loss) on deferred hedges                    | (115)              | (139)              | (1,082)                            |
| <b>Total valuation and translation adjustments</b>               | <b>6,568</b>       | <b>7,449</b>       | <b>61,822</b>                      |
| <b>Total net assets</b>  | <b>226,889</b>     | <b>225,463</b>     | <b>2,135,626</b>                   |
| <b>Total liabilities and net assets</b>                          | <b>¥ 5,518,286</b> | <b>¥ 5,564,391</b> | <b>\$ 51,941,698</b>               |

## Non-consolidated Statements of Operations (Unaudited)

The Senshu Ikeda Bank, Ltd.

For the years ended 31st March, 2018 and 2017

|  | Millions of yen |                 | Thousands of U.S. dollars (Note 1) |
|--|-----------------|-----------------|------------------------------------|
|  | 2018            | 2017            | 2018                               |
| <b>Income</b>  |                 |                 |                                    |
| Interest income:                                     |                 |                 |                                    |
| Interest on loans and bills discounted               | ¥ 40,883        | ¥ 42,094        | \$ 384,817                         |
| Interest and dividends on securities                 | 11,081          | 14,034          | 104,301                            |
| Other interest income                                | 503             | 435             | 4,734                              |
| Fees and commissions                                 | 15,385          | 13,799          | 144,813                            |
| Other operating income                               | 4,472           | 10,760          | 42,093                             |
| Reversal of provision for possible loan losses       | 1,965           | –               | 18,495                             |
| Recoveries of written-off claims                     | 543             | 535             | 5,111                              |
| Gain on sales or disposal of fixed assets            | 80              | –               | 753                                |
| Gain on return of retirement benefit trust           | 1,710           | –               | 16,095                             |
| Reversal of provision for possible investment losses | 1,243           | –               | 11,699                             |
| Other income   | 19,398          | 6,319           | 182,586                            |
| <b>Total income</b>                                  | <b>97,268</b>   | <b>87,979</b>   | <b>915,549</b>                     |
| <b>Expenses</b>                                      |                 |                 |                                    |
| Interest expenses:                                   |                 |                 |                                    |
| Interest on deposits                                 | 2,529           | 3,226           | 23,804                             |
| Interest on borrowings and rediscounts               | 435             | 616             | 4,094                              |
| Other interest expenses                              | 2,282           | 3,796           | 21,479                             |
| Fees and commissions                                 | 9,127           | 8,812           | 85,909                             |
| Other operating expenses                             | 20,015          | 3,879           | 188,394                            |
| General and administrative expenses                  | 46,265          | 47,230          | 435,476                            |
| Loss on sales or disposal of fixed assets            | 39              | 195             | 367                                |
| Loss on impairment of fixed assets                   | 53              | 93              | 498                                |
| Other expenses                                       | 2,590           | 3,986           | 24,378                             |
| <b>Total expenses</b>                                | <b>83,339</b>   | <b>71,837</b>   | <b>784,440</b>                     |
| Income before income taxes                           | 13,928          | 16,142          | 131,099                            |
| <b>Income taxes</b>                                  |                 |                 |                                    |
| Current  | (297)           | 1,556           | (2,795)                            |
| Deferred   | 6,318           | 4,074           | 59,469                             |
| <b>Total income taxes</b>                            | <b>6,021</b>    | <b>5,630</b>    | <b>56,673</b>                      |
| <b>Net income</b>                                    | <b>¥ 7,906</b>  | <b>¥ 10,511</b> | <b>\$ 74,416</b>                   |





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