SIHD

ANNUAL REPORT 2023

Year Ended March 31,2023

SENSHU IKEDA HOLDINGS, INC.

THE SENSHU IKEDA BANK, LTD.

SENSHU IKEDA TOKAI TOKYO SECURITIES CO.,LTD.

SIHD

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.

Vision '25

We contribute to build a future society where everyone can be active, by offering absolute solutions to our regional customers and developing our potential ability.

Basic Policy

1. Offer the most suitable solutions exactly from customers' point of view through the various issues of customers.
2. Create a workplace where employees can be active in diverse fields by meeting customers' trust.
3. Contribute to realize a sustainable development of the regional communities and reliable and fulfilling life of regional customers through our business activities.

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Top Message

Atsushi Ukawa
Representative Director, President and CEO

In FY2023, we will work to improve profitability while responding to regional issues through the development of thorough solutions.

Results of securities investment review

The Senshu Ikeda Holdings Group (hereinafter "the Group") has formulated Vision '25 as its ideal vision for how the Group seeks to be in time for the Expo 2025 Osaka, Kansai, Japan in 2025. The Group aims to realize its growth strategy under the Fifth Medium-Term Business Plan based on this vision.

Starting with the business environment in FY2022, financial markets were supplied with more than enough liquid funds during the about three years of the COVID-19 pandemic. At the same time, however, geopolitical risks such as the U.S.-China relationship and the crisis in Ukraine have damaged the global economy. In addition, interest rates in Europe and the U.S. have risen sharply in response to global inflation, creating an even more challenging business environment for regional banks.

There is a view that rising interest rates will work to the advantage of financial institutions. Higher interest rates overseas do indeed benefit the so-called megabanks (major banks), but regional banks do not benefit as much because their lending rates will not rise unless domestic short-term interest rates also rise. Moreover, as a regional bank that invests in bonds, another aspect that has strongly come to the fore is that the fall in bond prices accompanying rising domestic and international long-term interest rates undermines profits.

Since I became president of The Senshu Ikeda Bank, we have responded to these factors by focusing on our core business, while at the same time taking the initiative to address the fundamental issues on our balance sheets and decisively reviewing our securities operations. However, with a loan-deposit gap (i.e., the difference between a bank's loan balance and deposit balance) of approximately ¥1 trillion, we cannot sit idly on our hands. We have therefore invested in domestic and foreign bonds while carefully assessing the risks.

As a result of disposing of bonds with poor value at an early stage, the unrealized gains/losses on securities were positive, and we did not need to take any action such as downward revisions of our earnings forecast in the consolidated financial results for the fiscal year ended March 31, 2023. Despite the difficult business environment, we believe that our approach of taking controlled risks in our securities investments over the past several years has been successful. Mindful of the possibility that domestic interest rates may still rise in the future, we will focus on securing additional earnings and addressing the loan-deposit gap issues as we keep a close eye on trends while investing in domestic bonds and other assets.

As for the consolidated results for FY2022, although consolidated ordinary income increased 9.4% compared to the previous period, net income attributable to owners of the parent decreased 16.6%.

The "aggressive branch strategy" at the axis of the center of Osaka is accelerating

Regarding the key strategies in the Fifth Medium-Term Business Plan, the "aggressive branch strategy" is accelerating with regard to the "establishment and provision of thorough solutions." In June 2022, The Senshu Ikeda Bank established the new Osaka Central Sales Division. This is the second piece of corporate sales reform following the establishment of the Head Office Sales Division. With the Honmachi Branch, the largest corporate branch in Osaka, as the core, the Osaka Nishi Branch and Sakaisuji Branch have been consolidated to enlarge the base, and the sales organization has been divided into two sections: the first for small and medium-sized corporate customers and the second for large and mid-sized corporate customers. By assigning a senior managing executive officer to this division and delegating authority to the officer, we have created a structure that enables us to flexibly offer solutions to our customers.

These measures have enabled us to focus our sales activities on customers of publicly listed companies, an area traditionally dominated by megabanks. Strangely, the ability of the megabanks to respond to the needs of relatively small listed companies appears to be weakening. In contrast, the Head Office Sales Division has strengthened its sales structure to match the scale and meet the needs of customers, conducting meticulous sales activities and seeing results. We are now taking on the challenge of improving profitability through similar efforts at the Osaka Central Sales Division.

In May 2023, the Esaka Branch, located north of the Head Office Sales Division, moved from its previous street-level location to the 19th floor of an office building and integrated with the nearby Ryokuchikoen Branch to develop solution sales tailored to market characteristics in the same manner as the Head Office Sales Division and Osaka Central Sales Division. In November of the same year, the Senri-Chuo Branch will also be moved to the upper floors of a building, where it will be integrated with the nearby Kita-Senri Branch, Onohara Branch, Saito Branch, Minami-Senri Branch, and Momoyamadai Branch for a total of six branches in the area to form the Senri-Minoh Sales Division. In addition to the retail market, we plan to strengthen solutions for the wealthy and corporate markets by dividing our solution sales activities into the first, second, and third sections according to customer attributes.

In other words, we will have our branches and divisions positioned along Midosuji Avenue, which is the north-south axis of the center of Osaka, starting with the Senri-Minoh Sales Division in the north, followed by the Esaka Branch under its new structure, the Head Office Sales Division, and the Osaka Central Sales Division. These will develop thorough solutions tailored to the characteristics of each area, thereby increasing competitiveness and improving profitability.

We will be able to realize such a branch strategy only because we have eliminated the use of uniform performance evaluation standards that apply equally to all branches. This has created an organizational structure that allows us to take measures to enhance the competitiveness of our Group as a whole in a manner of our choosing. We also must not overlook the fact that following the elimination of performance evaluations, each and every employee of the bank has taken a positive attitude toward responding to the needs and challenges of customers. In fact, the number of people who have obtained the national certification of the 1st-grade CSPFP (Certified Skilled Professional of Financial Planning) has soared from just 40 in 2021 to 130 by March 2023. These include 19 employees at the branch manager level. With these certifications in hand, branch managers held customer consultation meetings on asset management at their own discretion.

In the past, campaigns and other events could only be held under the planning of the head office, but the new structure allows branches to hold such events on their own initiative, dramatically increasing the number of consultations. Furthermore, when customers asked for advice on inheritance and other matters in the past, the response was often, “We will discuss the matter with the head office and get back to you.” Sometimes it took a long time for the customer to receive a response. Now, however, employees with professional qualifications such as the 1st-grade CSPFP certification can provide consultation and advice on the spot, greatly enhancing the bank’s responsiveness and presence.

In addition, until now, sales activities were often divided into private (individual) sales and corporate sales. It often happened that if an employee working in corporate sales happened to touch upon a customer’s individual needs, they would be unable to proactively address those individual needs as part of their own work. In contrast, we are now aiming to build a structure that can respond to customers’ issues in both the private and corporate sectors, including owner-operated companies, through the development of thorough solutions, aiming to create a customer-driven sales structure. Going forward, The Senshu Ikeda Bank will use a new talent management system to identify each employee’s career history since joining the bank and provide opportunities for each individual to develop their personal characteristics and play a more active role in the bank. We will also explore the solutions from the customer’s perspective through reforms that break down the barriers of stove-piped organizations.

Focus on increasing presence through the “balance sheet of potentials”

In FY2023, we intend to develop more thorough solutions than ever before by leveraging the Group’s distinctive feature of its “balance sheet of potentials.” The balance sheet of potentials is a hypothetical balance sheet that promotes the Group’s strengths. The borrowing side lists assets such as our wide range of growth opportunities and favorable geographical locations in the center of Osaka and other excellent locations, while the lending side corresponds to the liabilities in a normal balance sheet, showing our alliances with industry, academia, and government. Resources such as our diverse human resources, high added value, strategic partners, etc., are listed among net assets.

Based on this concept, we have successively unleashed the three “arrows” that we have described in the past, namely, “improving potential,” “improving empathy,” and “improving presence.” In FY2023, we will focus on “improving presence,” especially from the perspective of producing results for our efforts. This is the core of the Group’s growth strategy in FY2023.

Among the solution business in FY2023, my focus is on human resource support for our customers. Specifically, I would like to use our staffing service to support customers who are struggling with labor shortages. Compared to businesses such as structured finance, a popular business among financial institutions, one might expect that commission income from recruiting is negligible. However, I am fully convinced that providing human resource support will strengthen our relationships with our corporate clients.

At present, the Group maintains alliances with 29 recruiting firms. Based on these alliances, we are now in the process of creating a matrix including our corporate clients’ scale and industries, as well as any patterns in the human resources they seek. With this matrix, our sales representatives are able to immediately send requests to the staffing agencies as soon as they receive the customer’s wishes, enabling personnel matching. The company already has a track record of completing up to 350 personnel placements per year. We intend to use these efforts to achieve a breakthrough to develop solutions.

Collaborating with regional communities to explore solutions

We believe that the key to achieving success with offering thorough solutions lies in starting small and developing into a large business model. Businesses that start out with a large-scale setup tend to have a rather low probability of success, as well as high risks. I believe that a fitting strategy for a regional bank is to instead launch one small business after the other, and aim to score a hit.

To give an example, in addition to human resource support, the Group Strategy Division is taking on the challenge of developing local, on-demand transportation providers. In December 2022, the Company concluded an agreement with AISIN CORPORATION to collaborate and cooperate on the promotion of ride-sharing services. We aim to improve regional transportation by introducing locally based AI on-demand transportation, while also supporting outings for the elderly and promoting their health in cooperation with business operators. Through these efforts, we hope to contribute to the development of sustainable local communities. In fact, from January to February 2023, we conducted a demonstration experiment of an on-demand taxi cab dispatch system in Hannan City, Osaka Prefecture called “Choi Soko Hannan.” Following this experiment, movements toward full-scale implementation are gaining steam.

The question of how to support the elderly when they go out is a common challenge for local governments across the country. We will begin by creating a successful pilot project in one region, followed by exploring the possibilities of horizontal development in other regions. Moreover, this initiative has great social significance and can serve as a catalyst for creating new business opportunities by developing relationships of trust with the customers in the respective regions who use the transportation system. Although this is the very epitome of a small business, and the earnings in and of themselves are thus quite modest, we are convinced that further possibilities will open up as the entire Group becomes more seriously involved in addressing social issues.

Responding seriously to regional (and communal) social issues

Our cooperation with local governments is accelerating efforts to address regional issues in concrete terms. For example, in August 2022, The Senshu Ikeda Bank signed a partnership agreement with Fujiidera City in Osaka Prefecture to cooperate on stimulating the local economy. In addition to promoting businesses within the city, these efforts will support local digital transformation (DX) and the development of business continuity plans (BCP). In addition, in April 2023, the Bank signed an agreement with Sakai City in Osaka Prefecture to collaborate on the development of high-quality housing stock. This will help to address the issues of vacant houses in Sakai City, promoting the use of such houses, preventing houses from becoming vacant in the first place, supplying high-quality housing, and encouraging families with children to settle permanently in the city.

Furthermore, in April 2023, the Company concluded an agreement with Izumi City, Osaka Prefecture, to collaborate on initiatives to improve citizen services and create a vibrant community. This marked the first time that Senshu Ikeda Holdings, Inc. as a company—rather than The Senshu Ikeda Bank—signed a partnership agreement with a local government. The collaboration was born of Izumi City's high expectations for the possibilities offered by our wide-ranging network. By building alliances with local governments in this way, we intend to post results in both addressing social issues and capturing business opportunities during the period of the Fifth Medium-Term Business Plan.

In December 2022, The Senshu Ikeda Bank opened GUTSU GUTSU in Namba, Osaka, a place that customers can use for a variety of purposes such as information dissemination, exchange, and learning, either between customers and the Bank or between customers, with the goal of creating new value. The name comes from the Japanese onomatopoeia for a stew simmering in a pot, reflecting the concept of the place as a melting pot where information and values can melt and mix together, producing new values and information. Namba as a city symbolizes urban diversity, while the Group's goal is to create heretofore unseen values by bringing together people with diverse perspectives. Since there is no single right answer in solutions, our intention is to leverage such spaces and create unique business models that can only be created by our Group.

Achieved sustainable finance on the order of ¥100 billion in FY2022

In addition to promoting partnerships with diverse people and organizations, the Group also focuses on promoting sustainable management. We issued our Sustainability Declaration in May 2021, clearly establishing that we will contribute to the development of sustainable local communities as we strive for our own sustainable growth by solving regional issues through our business activities, leveraging a wide range of partnerships in accordance with our management principle. With this in mind, we established our Sustainability Committee and SX (Sustainability Transformation) Strategy Office to strengthen our sustainability management. Furthermore, having endorsed the TCFD recommendations, we have committed to the corresponding information disclosures and set long-term sustainability goals to reduce CO_2 emissions by 60% by FY2030 compared to FY2013 and execute sustainable finance in the amount of ¥1 trillion (cumulative) by FY2030. Incidentally, our initiatives in sustainable finance have already achieved the ¥100 billion scale in FY2022.

In addition to these efforts, I aim to communicate our ideas on SDG and ESG topics to members of the local community in an accessible manner. To this end, The Senshu Ikeda Bank launched the Senshu Ikeda Bank SDGs Forum in April 2022. As of June 2023, the forum has been held four times, focusing on various SDG-related themes each time and providing a forum to discuss the revitalization of the Kansai region and support SDG initiatives by local companies. Activities are expanding, with the content of our discussions being featured on MBS radio's "Nippon Ichi Akarui Keizai Denpa Shimbun (The Brightest Economic Radio News of Japan)." We hope that continuing to hold this forum will lead to new partnerships and efforts to resolve social problems from an SDG perspective, as well as the creation of new business opportunities.

Developing diverse human resources and creating an organizational culture that encourages growth and taking on challenges

In order to establish thorough solutions, one must first develop the human resources capable of overseeing them. Human capital management has recently come under the spotlight. Based on our original concept of the "balance sheet of potentials," the Group intends to develop as many diverse human resources as possible as resources corresponding to net assets on the lending side of the balance sheet. Our personnel listen to customers' issues, discuss the issues within the organaization and produce solutions.

We believe that this is the core of realizing a thorough solutions business.

Accordingly, we have clarified the ideal image of the type of personnel our human resource development policy should be aiming to develop. Based on our management principle, we are taking various measures to develop the personnel that will improve engagement and support our Vision '25. This has enabled us to raise productivity, develop the personnel who can provide high-value-added solutions, and develop a system for providing solutions, even amidst a declining headcount across the Group as a whole. Regarding the aforementioned holders of the 1st-grade CSPFP certification, the number is steadily increasing, and we are on pace to have more than 200 holders by FY2023.

With regard to our human resource development, in addition to enhancing our education and training programs, it is also necessary to have mechanisms to turn on the "mental switch" of workers. I can say this based on my experience as a director responsible for human resources. Raising employee motivation is easier said than done. When I was a director in charge of personnel affairs, I produced a booklet entitled "Episodes to Remember," a compilation of real-life experiences from The Senshu Ikeda Bank employees in the course of their work. By reading the booklet, current employees can learn about the successes and failures of those who came before them. We distribute it to new employees in the hopes that it will turn on their "mental switches."

I believe that only a human resource strategy based on our management principle will enable us to develop stalwart human resources who can call themselves members of a financial group that will "endear ourselves to the regional community." The Senshu Ikeda Bank was founded in 1951 in a community ravaged by war under the conviction that the bank's mission was to support the rebuilding of the regional community by directing the funds raised in the community back toward the community's own needs for capital. This history resides deep within the Group's management principle to this day. In the solutions that we are now developing, it is important that we continue to hold true to the ideas expressed in our management principle. We must seek to benefit the regional community, and this, in turn, will increase the Group's profitability.

As part of the Group's human resources strategy, we hold "town hall meetings" (meetings to discuss with management). This initiative originated when The Senshu Ikeda Bank showed weak performance, lowering the motivation of employees. Following a hiatus during the COVID-19 pandemic, the program was re-launched with the objective of improving staff engagement through dialogue on an equal footing between staff and management. The management team divided into seven pairs consisting of one director and one executive officer each and visited a total of 96 locations between October 2022 and April 2023 in an effort to absorb feedback from the frontlines. In addition, we are now in the process of steadily creating an organizational culture that encourages employees to grow and challenge themselves by strengthening internal communication through 1-on-1 meetings and by launching group-wide efforts to reform the organizational culture.

A New Business Model to transform us into a financial institution that can support the companies that will lead the economic growth of the next generation

Finally, in April 2023, Senshu Ikeda Holdings established the Digital Bank Preparatory Office, which considers the possibilities of establishing an exclusively Internet-based digital bank. The idea originated from a gathering of regional banks from across Japan to study the use of ICT (information and communication technology). The concept was extended, resulting in the idea of a digital bank.

What I currently envision is a digital bank for corporate clients that can perform tasks that physical banks cannot. Specifically, we hope to open a path to offer loans to small and medium-sized businesses and startups, which have traditionally been difficult to screen for financing. Our aim is to cooperate with partner companies that hold information on the customers to build a system that enables loan screening without financial statements or other documents and to make loan decisions based on the feasibility of the businesses. We expect to make a decision on whether or not to open for business in the fall of 2023.

As we have previously communicated, the Group aims to realize its growth strategy with a view to Vision '25 by both executing and reviewing the Fifth Medium-Term Business Plan. In this context, we will achieve sustainable growth in corporate value through the establishment and provision of thorough solutions. We sincerely appreciate your continued support for the Group.

A. Ukawa

Representative Director, President and CEO

Messages From Outside Directors

Three outside directors offer their candid opinions on topics such as the ideal state of the Senshu Ikeda Holdings Group, sustainability management, and the effectiveness of the Board of Directors based on their respective expertise. The Company takes each opinion seriously and will apply it in future management.

I believe that the development and promotion of diverse human resources, starting with promoting the participation of women, is key to the solutions.

Atsuko Ogasawara
Outside Director

The Board of Directors is carefully discussing both the business risks and opportunities presented by digital bank and DX.

Takao Koyama
Outside Director

Solutions and financing are in a complementary relationship with each other, making it important to cooperate and achieve synergies.

Minoru Furukawa
Outside Director

(in Japanese kana order)

Atsuko Ogasawara
Outside Director

Considering the ideal state of regional financial institutions that can respond to a changing environment

In the midst of the rapidly changing environment surrounding the financial industry as symbolized by rising interest rates in the U.S., it is becoming increasingly important for regional financial institutions to respond flexibly to changing conditions. Considering changes in the business environment, Senshu Ikeda Holdings revised its Fifth Medium-Term Business Plan in FY2022. This commitment to steadily promote the growth strategy is commendable, and I have high expectations of the Company's approach of aiming for sustainable growth while pursuing management rooted in the local community and advancing its solutions.

Following my long experience working as a newspaper journalist, I came to the conclusion that in the future, local newspapers will be more sustainable than national newspapers. By hewing close to a regional community, a regional newspaper can capture a readership base with a common interest. The same applies to financial institutions. I believe that while megabanks focus on international operations and digital services, the Group's regional focus and its meticulous and sincere responses to local customers' issues will ensure sustainable growth for the next era.

The importance of creating an environment that encourages the active participation of women

From my point of view, one of the challenges facing the Group is the steady development of human resources who will carry the solutions on their shoulders as it picks up momentum. Particularly from a diversity point of view, I believe that the development and promotion of diverse human resources, starting with promoting the participation of women, is key to the solutions.

In talking with female executives, I came away with the impression that female branch managers are able to show consideration for their subordinates in a detailed way based on their own experiences of balancing work and childcare. This ensures that branches operate with consideration for the work-life balance of both female and male employees. We must continue to actively assign women not only to branch manager positions, but also to other areas that have traditionally been dominated by men, and continue to develop them as executives.

At present, women make up 23.5% of managers in the Group. We have set a goal of raising this percentage to 30% or more by March 31, 2027, but rather than simply meeting numerical targets, I would like to see the entire Group reinforce its efforts to create an environment in which women can actively participate in a variety of occupations.

In addition to human resources, another area I am keeping a close eye on is sustainability management. Having issued the Sustainability Declaration and established the SX Strategy Office, efforts are already underway within the Company. Following organizational development, the next challenge is how to "visualize" these efforts. I believe that in order to promote sustainability management, it is necessary to create an environment that facilitates individual efforts by presenting specific measures in an accessible way.

Executive training contributes to improving the effectiveness of the Board of Directors

Since my appointment as an outside director in June 2020, I have felt that there have been substantial efforts to improve the effectiveness of the Board of Directors. Advance explanations of agenda items have improved with each passing year, giving those from outside the Company a deeper understanding of the agenda items. The Board of Directors is evolving from a forum focused on resolutions and reports to a place of deliberation where points of discussion are established on important proposals and time is set aside to debate matters before decisions are made.

I also feel that it is effective for all board members, not just outside directors, to engage in training that leads to more sophisticated practical discussions. In particular, unconscious bias training is essential for the promotion of diversity, and continuing it will lead to new realizations and help people to recognize the importance of diversity, producing the next step toward changing the mindset of the entire organization.

Takao Koyama

Outside Director

Discussions to establish a digital bank underway at the Board of Directors

The Senshu Ikeda Holdings Group has the advantage of operating in one of the most favorable locations in Japan. We therefore see it as important for sustainable growth to focus on solutions related to deposited assets, including those belonging to wealthy customers in the region.

To this end, it is essential to focus on developing personnel in the solutions who can meet customers' expectations. Although each indicator of business performance is currently on an upward trend, from a shareholder's perspective, we must say that the results are quite frankly insufficient. We need to further promote the solutions throughout the Group.

Additionally, we are in the final stages of discussions about whether to establish a digital bank to capture new growth. If established, the business model would generate revenue through a financial platform, making it a promising initiative.

Because of my long experience in the information and telecommunications field, I am able to offer opinions from the perspective of an outside director on the feasibility and costs involved in the development of systems that support the digital bank behind the scenes. The development of the core system is almost complete, and it is now important to scrutinize whether it will be viable as a business. This point will be discussed by the Board of Directors, so I hope to supervise it closely.

Recruitment and training as key to growth, including the specialized personnel responsible for DX

In terms of sustainability management, we are at a stage where we are steadily advancing initiatives while developing a system. However, as the Bank streamlines its operations, it will not be easy to meet the challenges of the SDGs with a limited workforce of just 1,800 employees in FY2025. Additional measures need to be taken through the further enhancement of education and training programs.

The first step is to present a clear image of what it is that the Group aims to be, and then to identify what resources are lacking to achieve that goal. This should naturally present an image of what types of personnel are required. I consider this point to be almost complete in the Fifth Medium-Term Business Plan.

Highly specialized personnel are essential, especially for work related to digital transformation (DX), and it is necessary to explore incentives other than the existing compensation system in order to acquire the human resources required. The potential of DX lies in encouraging business innovations within the Group and to provide consulting services to customers through the accumulation of technology and expertise. This has the potential to greatly expand the field of service transactions, and I would very much like to see the acquisition and training of human resources get off to a good start.

On the topic of human resources, it is praiseworthy that each and every Group employee, starting with bank staff at The Senshu Ikeda Bank, is proactively improving his or her own potential by acquiring qualifications. The Company is also promoting the acquisition of official certifications and other qualifications, and I am hopeful that this will have a positive impact on the thorough solutions in the future.

Significant improvements in the effectiveness of the Board of Directors within seven years

I have served in a supervisory capacity as an outside director of the Company for about seven years and have at times expressed harsh opinions regarding the effectiveness of the Board of Directors. Board members and executives have responded by taking the opinions of outside directors seriously and have worked to make necessary improvements. As a result, we have been able to hold highly effective board meetings—a significant change from when I first took office. Proposals are no longer rubber-stamped in their entirety, and it is not uncommon for proposals to be tabled due to dissenting opinions that arise out of the discussions. It has now become entirely normal for each director to have his or her own opinion on matters to be discussed. In this respect, I deem the meetings to have become highly effective.

Minoru Furukawa

Outside Director

Solutions and financing as mutually complementary

As an outside director, I commend the expansion of the solutions and the resulting upward trend in the bottom line that have come amidst the steady progression of the Fifth Medium-Term Business Plan. I had previously recommended that the issue of unrealized losses on foreign bonds arising from the market upheaval following Donald Trump's 2016 election (the so-called "Trump shock") be thoroughly dealt with, and this problem was resolved in FY2018 as part of the Fourth Medium-Term Business Plan. In my opinion, the company should carefully manage risks as the solutions expands so that it does not repeat this mistake in the future.

I always tell President Ukawa that solutions and financing are mutually complementary, and it is important to work on them in tandem to achieve synergy. It is important not to consider a matter closed once the loan has been executed, but for the loan officer to continue regularly visiting the loan customer to see if they have any problems or concerns, and seize the opportunity to find new solutions out of these conversations. This applies to private customers as well as corporate clients.

In order to achieve further prosperity going forward, it is essential for the Group to be involved in the growth industries of the coming era. On this point, The Senshu Ikeda Bank has established a grant program to support start-ups to innovate and contribute to the revitalization of the local economy. The cumulative total to date is 500 companies. More focus should be brought on promoting the growth of these companies. It is wholly inadequate to simply hand out awards and dole out grants of a few million yen and leave it at that. I would like to see the establishment of a growth support fund, possibly on the scale of ¥50 billion or ¥100 billion, to aggressively invest in promising companies and help them to grow their businesses.

Regular recruitment and development of the human resources required for sustainable growth

With regard to sustainability management, it is necessary for the entire Group to expand its business domain and increase the number of profit-earning opportunities. With approximately 90% of the Group's current revenue dependent on the banking business, further efforts are needed to branch out into other businesses in order to be sustainable. In this sense, we must accelerate our foray into offering solutions. As an outside director, I will closely monitor the status of the initiatives and offer recommendations, as necessary.

It has long been said that so-called "management resources" consist of people, things, and money. Human resources are at the core of management, and I believe that the most important thing for the continued development of our solutions is the regular recruitment and training of the people who will actually conduct the work. Companies often cut labor costs when business performance declines, but doing so is not always a good idea. Although it can help temporarily, systematically neglecting the recruitment of human resources can have serious effects on the development of growth strategies over the medium- to long-term.

The important thing is to recruit personnel on a regular basis, while at the same time making it more attractive to work at the Group, creating an environment in which employees want to remain and keep doing their best. In addition, the future will require a major rethinking of employment practices. Companies must go beyond conventional thinking, for example by allowing highly specialized personnel to work for multiple companies simultaneously, depending on the situation.

Improving corporate governance according to the situation

I feel that the Board of Directors has become increasingly effective over the years, and outside directors have been scrutinizing its effectiveness ever more critically. However, in light of the compliance violations that have occurred within the Group, albeit few in number, more needs to be done to improve the governance structure. Improvements can be made, according to specific situations. At the same time, the Group must strive to improve openness of the organization while ensuring thorough compliance.

Human Capital Management

Gender equality | Decent work and economic growth | Good health and well-being

In order to maximize the value of our human resources and raise corporate value over the medium- to long-term, we regard human resources as “capital” and consider “human capital management” as one of the top priorities for management.

Policies on Human Resource Development and Improving the Internal Environment

Human Resource Development Policy

The Company will promote human resource development in accordance with the Basic Policy on Human Resource Development. The essentials of the Basic Policy are as follows.

● The purpose of human resource development

The purpose of human resource development is to continuously foster personnel who can positively participate in the Group’s business, thereby contributing to the long-term enhancement of corporate value and the development of a sound corporate culture.

● The ideal employee

Based on our management principle, we aim to develop human resources who possess the following six attributes at a high level.

Broad vision	Vigorous spirit of challenge	High sense of discipline
Steadfast desire to improve	High level of expertise	Rich sensitivity

● The means of developing human resources

We use both OJT (on-the-job training) and Off-JT (group training, support for self-development, etc.) in accordance with their respective characteristics and objectives to effectively develop personnel.

● The formulation of human resource development plans

The manager in charge of human resources development at each department or branch formulates a human resources development plan for their respective department or branch, and the general manager of the Personnel Affairs Division, who is responsible for overall human resources development, draws up a human resources development plan for the Company based on the plans of each department.

The Company believes that the diversity of human resources is necessary to enhance corporate value over the medium- to long-term and will promote diversity in its core human resources.

● The means of ensuring diversity among core personnel

To ensure diversity among core personnel, we will systematically build a foundation for the appointment of a diverse core team, including women.

We will ensure diversity among core personnel by formulating a medium- to long-term human resource development plan, promoting the development and promotion of candidates by having them acquire the necessary skills and experience through systematic personnel transfers and other measures, and promoting the recruitment of mid-career hires to acquire personnel with diverse skills and experience.

Policies on Improving the Internal Environment

In order for all employees to maximize their potential, we will create a workplace and culture in which employees can take pride in the Group’s business and feel both fulfilled in their work and secure in taking on new challenges.

● Supporting employees who take on challenges

We will provide motivated employees with opportunities for growth and a comfortable work environment in order to support those who continuously accept new challenges, taking pride and finding meaning in their work.
To this end, we have established a trainee program and an open recruitment system that enables employees to challenge themselves by choosing and taking on new jobs.

● Establishing diverse ways of working

To create an environment in which diverse personnel can play an active role, we ensure work-life balance by reducing restrictions on the time and place in which they must work and support career continuity and advancement in tandem with employees’ life events.
To this end, we are promoting remote work and flextime, and implementing initiatives to support the participation of women.

● Promoting the physical and mental health of employees

We believe that the mental and physical health of our employees is important for their future development and for them to contribute to the community. We will therefore take various measures to promote the mental and physical health of each and every employee.
To this end, we are implementing initiatives to promote health, such as encouraging employees to take leave and offering health guidance from our occupational health staff.

KPIs in Human Capital Management

Category	Designated indicators (the Bank, non-consolidated)		FY2020 results	FY2021 results	FY2022 result	(Year achieved) Target
Human resource development (development of specialized human resources)	No. of solutions personnel		70	104	150	(FY2025) 290
	1st-grade CSPFP certification holders		40	84	130	(FY2023) 200
Engagement	Engagement score		–	–	67 (same size financial institution 68)	To be considered
	Participation rate in the employees' shareholders association (Financial Wellness)		98.0%	97.3%	97.2%	–
Diversity	Percentage of women in managerial positions(*1)		20.7%	21.6%	23.5%	(FY2026) 30%
	Gender wage gap	Full-time employees	67.0%	64.2%	64.5%	–
		Non-full-time employees(*2)	84.0%	85.0%	79.8%	–
		Total	59.4%	56.1%	55.9%	–
	Percentage of male employees taking parental leave		46.4%	44.9%	92.3%	(FY2026) 100%
	Percentage of mid-career hires		13.8%	5.3%	13.8%	To be considered
	Percentage of employees with disabilities		2.39%	2.32%	2.36%	Legal mandate 2.3%
Health	Percentage of employees taking paid leave		42.8%	47.1%	52.9%	–
	Monthly average overtime		12.9 hours	11.3 hours	12.1 hours	–
	Rate of taking stress checks		95.2%	96.9%	96.5%	–
	Percentage of those implementing Specified Health Guidance		–	35.3%	45.6%	–
	Smoking rate		16.1%	15.5%	14.9%	–

*1 Managers are persons who assume responsibility for organizational management as the person in charge of a particular area of work. Specifically, the term refers to those in the position of "deputy section chief" or "assistant to the section manager" or higher who have subordinates.
*2 The average annual pay for non-full-time employees is calculated based on the standard number of working hours of full-time employees.

The Development of High Value-added Solutions Personnel

Even in the midst of a declining workforce, we will seek to improve productivity and develop a system to offer solutions in conjunction with the development of personnel who can provide high value-added solutions.

	FY2020 results	FY2021 results	FY2022 results	FY2023 plan	FY2025 plan
Banking personnel	2,272	2,245	2,158	2,000	1,800
Sales staff (branches + headquarters)	820	821	798	770	720
High value-added solution personnel* (Solutions personnel as a percentage of sales personnel)	70 (8%)	104 (13%)	150 (19%)	250 (32%)	290 (40%)

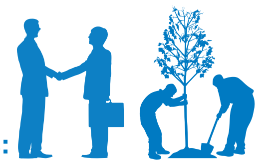
***Definition of high value-added solution personnel**
- Personnel who are highly skilled in their respective areas of expertise and able to complete solutions on their own
- Personnel who can understand the diverse issues and needs of customers and provide advice to resolve them on their own (the 1st-grade CSPFP level certified personnel)

Outline of the Fifth Medium-Term Business Plan for Vision '25

Basic Policy

Customers:
Offer the most suitable solutions exactly from customers' point of view through the various issues of customers.

Employees:
Create a workplace where employees can be active in diverse fields by meeting customers' trust.



Regions:
Contribute to realize a sustainable development of the regional communities and reliable and fulfilling life of regional customers through our business activities.

Strategic Priorities	May 2022 Growth Strategy Update
1 **Establish and provide thorough solutions**	**Group strategy** ● From bank-centric to HD-centric
	Retail and private banking ● Expand new revenue base through asset solutions (conversion to stock business)
	Corporate solutions ● Enhance the provision of solutions tailored to each corporate stage through Group-wide integration ● Enhance structured finance (LBO loans, etc.)
	Connecting to customers ● Strengthen local bases, enact the "aggressive branch strategy" (Improve presence in central Osaka and enhance solutions for wealthy customers)
	Regional co-creation ● Support companies that take on the challenge of using the upcoming Expo as growth opportunity
2 **Thorough customer-oriented policy**	Reform of sales branches (Performance award system abolished, each sales location independently formulates its business plans according to the characteristics of the local area) Sales locations Customer-oriented policy: Quick and proactive Headquarters Site-oriented policy: Support units for local sites
3 **Establish a structure for the Fifth Medium-Term Business Plan**	● Structural review of branches with few personnel
4 **Human resources strategy**	● 1-on-1 meetings, reforming the organizational culture ● Formulating an action plan to encourage female participation
5 **Capital and dividend policy**	● Early application of Basel III finalization ● Ensuring shareholder returns of 30% or more
6 **Sustainable management**	● Developing a system to incorporate the SDGs/ESG into management and "transform the business model" ● Establishing long-term sustainability goals

Our Policies on Cross-Shareholdings

(1) Basic Policy on Cross-Shareholdings

Following the bank merger in 2010, we have reduced our cross-shareholdings in order to reduce our shareholding risk.

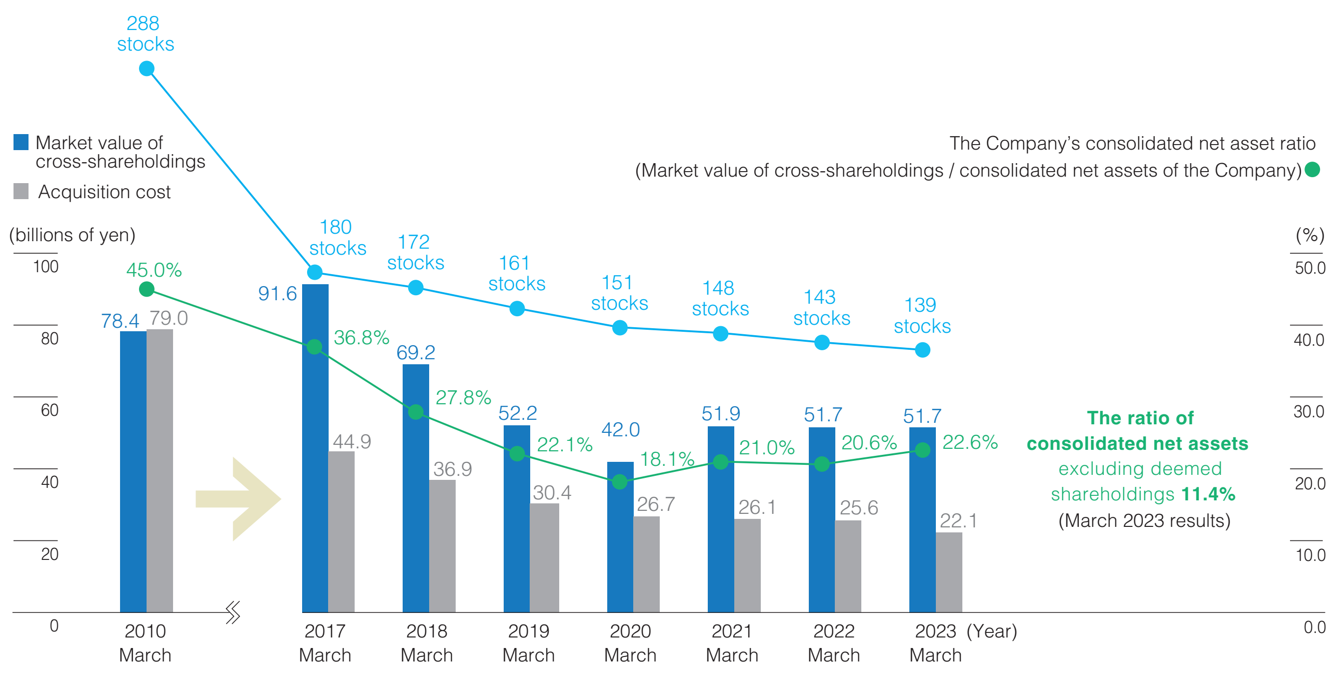
We will continue to reduce our cross-shareholdings going forward. The reduction of cross-shareholdings will proceed based on a comprehensive review of shareholding risk, capital efficiency, and other factors, and on the assumption that we will have sufficient dialogue with business partners.

However, we may hold a limited number of shares if deemed necessary to contribute to the medium- to long-term improvement of the corporate value of the Group and portfolio companies, or for the creation and revitalization of local communities.

(2) Cross-shareholding policy for FY2023

We have been reducing our cross-shareholdings with the goal of reducing the ratio of cross-shareholdings (including deemed shareholdings) to less than 20% of consolidated net assets on a market value basis by the end of FY2023 (when excluding the deemed shareholding, the goal is less than 10% of consolidated net assets). Although we sold 6 stocks with a market value of approximately ¥4.5 billion during FY2022, the increase in the market value of stocks resulted in a consolidated net asset ratio of 22.6% at the end of the fiscal year (9.7% on a cost basis). In FY2023, we will continue our reduction efforts to achieve the same goal.

The balance of cross-shareholdings (including deemed shareholdings) and the Company's consolidated net asset ratio



Measures to Achieve Capital Cost-conscious Management

Measures to Improve PBR

The PBR remains below 1, and the urgent issue is to increase corporate value.

PBR	=	ROE	×	PER
0.29 (closing value on May 15)		4.00% (FY2022)		7.69 (closing value on May 15)
Long-term corporate value	=	Financial results	×	Non-financial results

Cost of shareholders' equity is 6.52% (estimated based on CAPM)

In order to increase corporate value, we plan to take measures to achieve non-financial results as well as financial results.

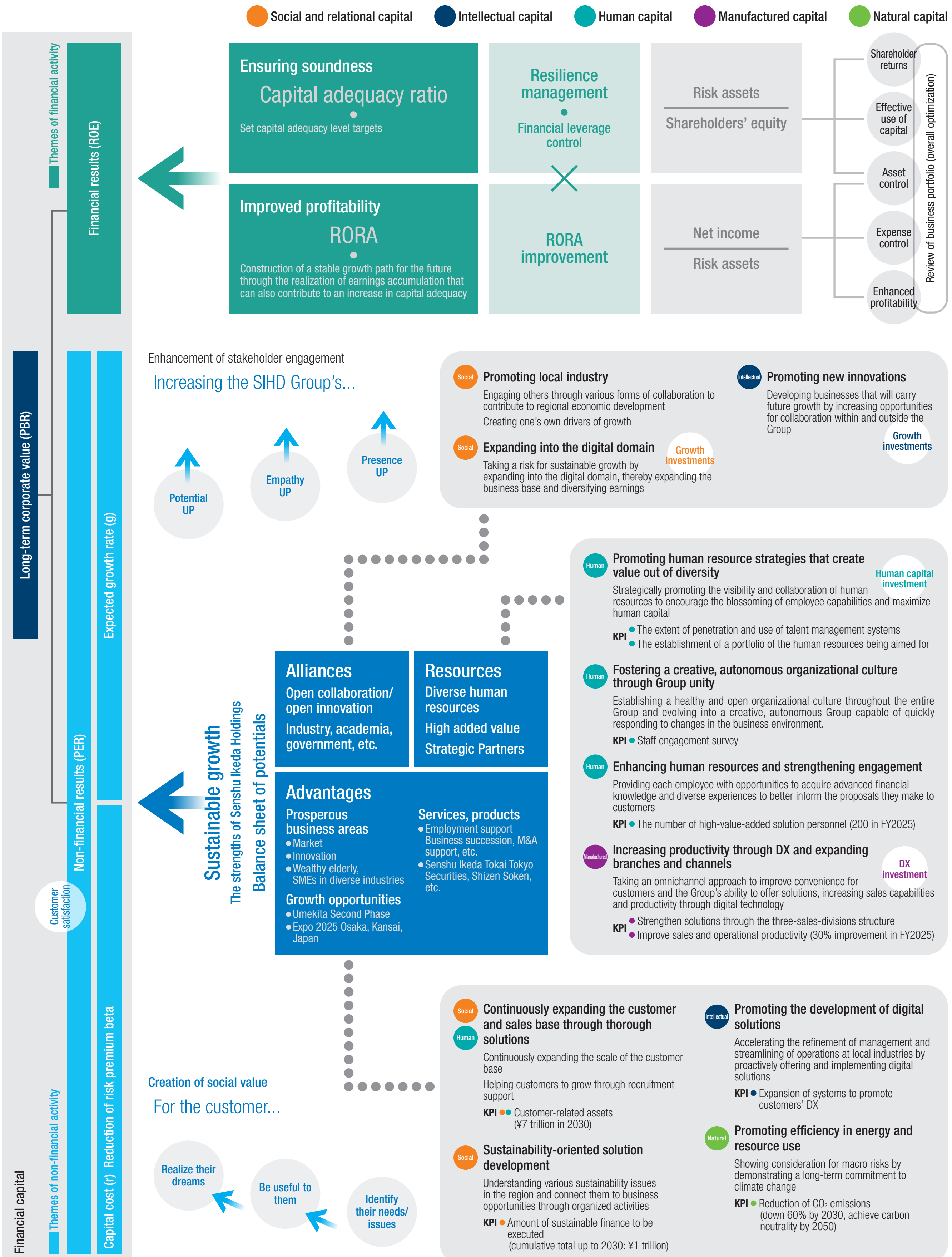
Initiatives to achieve financial results	● Consider progressive dividend increases and flexible treasury stock buybacks ● Set capital adequacy level targets in anticipation of full application of Basel III ● Cost control
Initiatives for non-financial results	● Refinement of human capital management (formulation of human capital management goals and human resource portfolios) ● Implementation of sustainable management (SDGs/ESGs) ● Enhancement of and proactive engagement with risk management ● Visualization of the relationship between non-financial activities and the process of corporate value creation

Diagram of value creation by financial and non-financial activities

We have mapped out how the financial and non-financial activities created in the value creation process affect corporate value.
More specifically, the diagram illustrates how the balance sheet of potentials propounded by the Group can be used to the benefit of customers in realizing thorough solutions that will support the realization of their dreams, thereby contributing to the long-term creation of corporate value.
The Group will flesh out its non-financial activities for growth while remaining conscious of both profitability and the changes in the external environment.

➡For details, see pages 17.

Diagram of Value Creation by Financial and Non-financial Activities



Establish and Provide Thorough Solutions

Senshu Ikeda Holdings Group has established five divisions to oversee the Group. We will strive to swiftly provide solutions by the Group, demonstrate Group synergy, and respond quickly to changes in the environment, issues and needs. In May 2022, we decided to move the KPI, which aimed for 10,000 cases of solution consulting by FY2025, two years ahead of schedule to achieve it by FY2023. Moreover, we set a new KPI, customer-related assets, to protect, enhance and connect with individual customers' financial assets, real estate and family. (customer-related assets = personal B/S)

Senshu Ikeda Holdings Group

Bank The Senshu Ikeda Bank, Ltd.

Securities Senshu Ikeda Tokai Tokyo Securities Co., Ltd.

Leasing Senshu Ikeda Lease Co., Ltd.

Credit card Senshu Ikeda credit card companies

Loan servicing Senshu Ikeda Servicer Co., Ltd.

Capital Senshu Ikeda Capital Co., Ltd.

Credit guarantee Senshu Ikeda Guarantee Co., Ltd.

ATM management Station Network Kansai Co., Ltd.

Non-financial services Shizen Soken Co., Ltd.

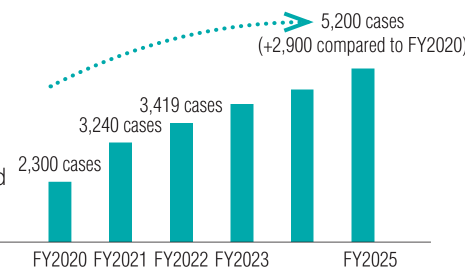
Divisions | Major roles | KPI Number of cases of solution consulting

Provide solutions

Retail Division

Provide solutions, such as asset formation, utilization, management, succession, to individual customers

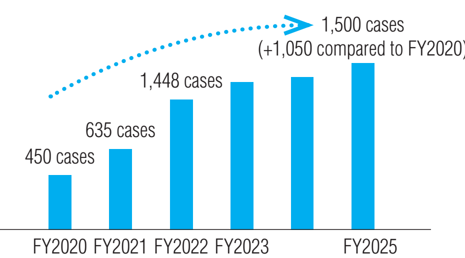
- **For asset builders:** Strengthen very convenient face-to-face and non-face-to-face channels
- **For the elderly:** Support healthy and fulfilling lives by creating a safe and secure environment
- **Integrated services of banking and securities:** Expand the range of products that can be handled, and build a sales and consulting structure that meets a wide range of customer needs



Private Banking Division

Provide tailor-made solutions, such as asset management and succession, mainly to wealthy customers

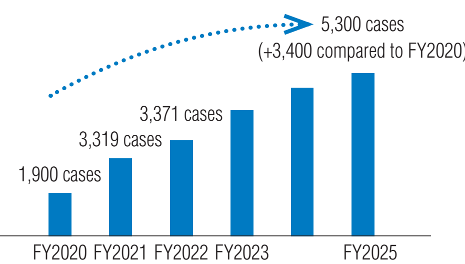
- **The wealthy class:** High value-added, tailor-made solutions Develop wealth management solutions



Corporate Solutions Division

Provide accompanying solutions to corporate customers

- Provide accompanying solutions which address the issues and needs at each life stage of a company, based on business feasibility assessments
- Strengthen M&A solutions (including hands-on solutions)
- Strengthen human resource solutions to meet the diverse human resource needs of companies



Establish solutions

Customer Contact Division

Contact customers Improve functions and convenience (Branches, channels, digital)

- Expand sales area efficiently
- New channel with customers
- Strengthen a sales ability by digital technology
- Build a "Senshu Ikeda" brand

Regional Co-Revitalization Division

Develop regional communities and industries, and generate innovation

- **Generate innovation**
  Generate innovation and revitalize regions through unique startup support programs
- **Industry/regional revitalization**
  Solve regional social issues through public-private partnerships
  Leverage regional growth opportunities to support the growth of regional companies

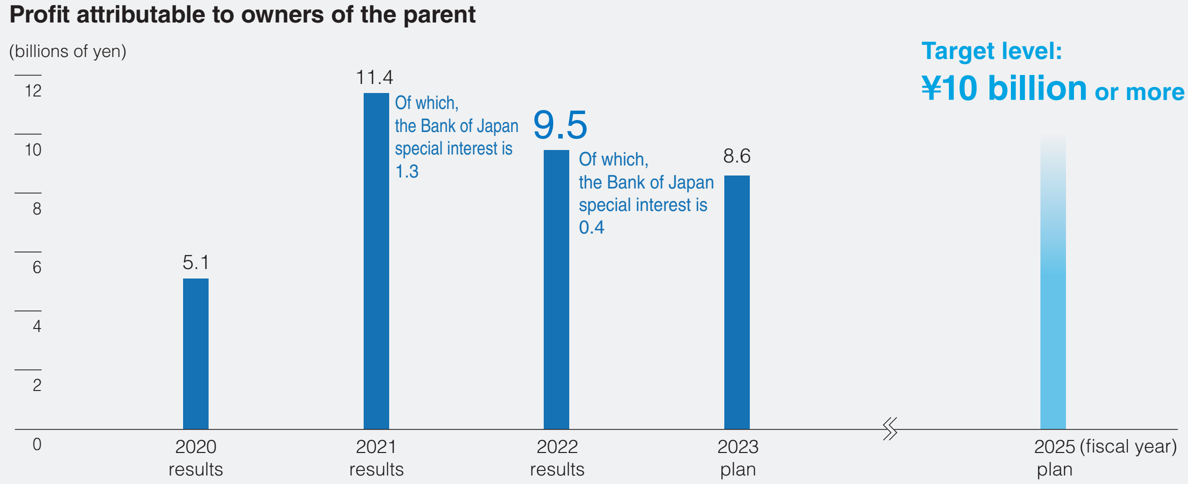
KPI

	FY2021 results	FY2022 results	Targets
Number of cases of solution consulting	7,194 cases	8,238 cases	FY2025 **12,000 cases** (10,000 before revision)
Customer-related assets	¥5.61 trillion	¥5.72 trillion	FY2030 **¥7 trillion**

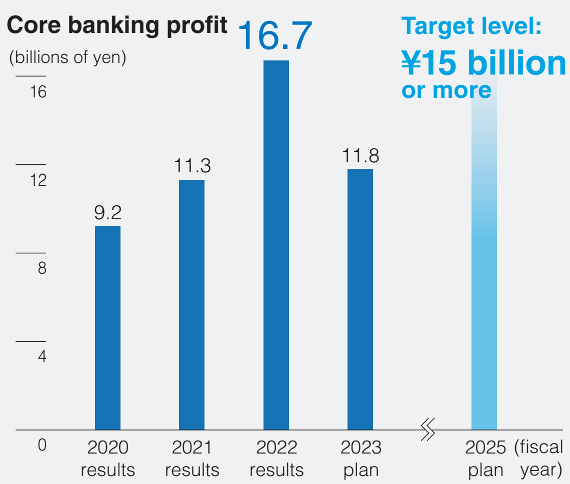
Financial and Non-financial Highlights

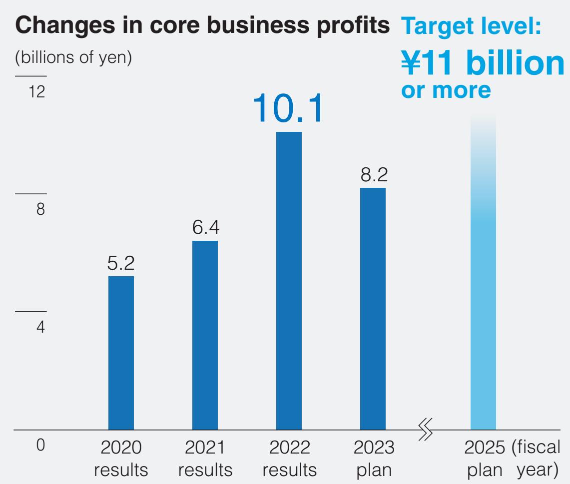
Financial Highlights

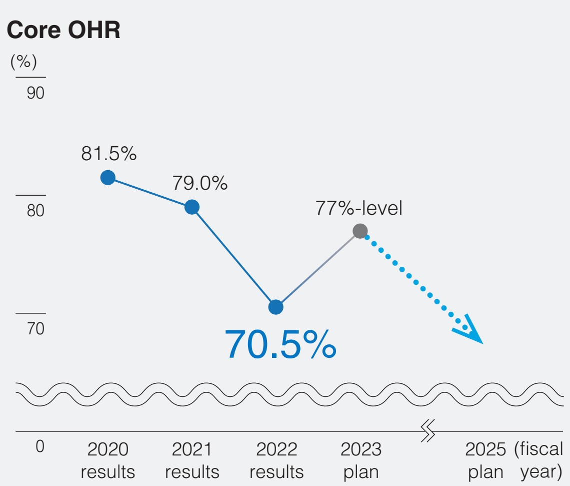
Senshu Ikeda Holdings

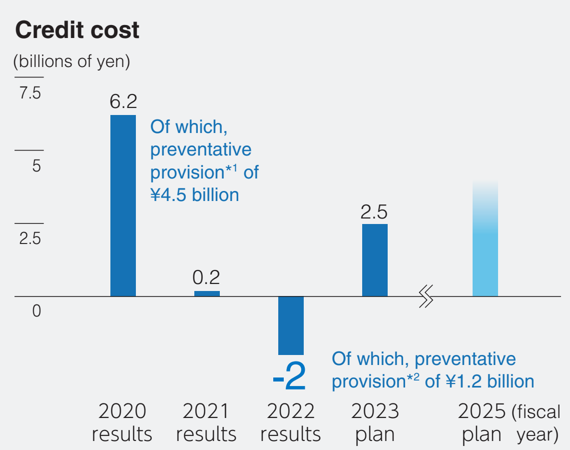


The Senshu Ikeda Bank







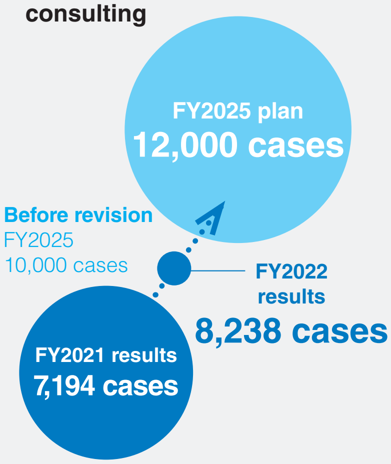


*1 Preventative provision is made for the risk of future increases in credit costs due to the impact of the COVID-19 pandemic

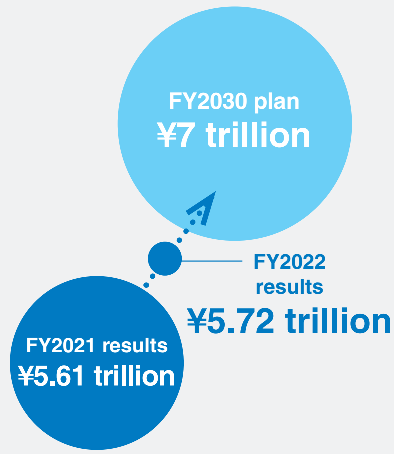
*2 Preventative provision in anticipation of the impact of the start of repayment of zero-zero financing loans

Non-financial Highlights

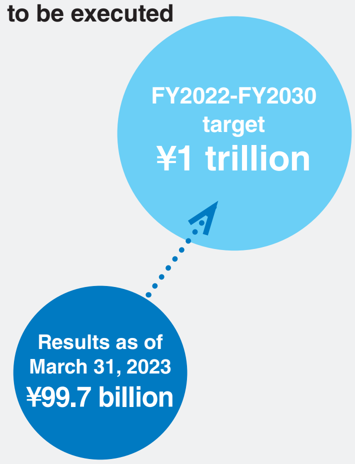
Number of cases of solution consulting



Customer-related assets (*)

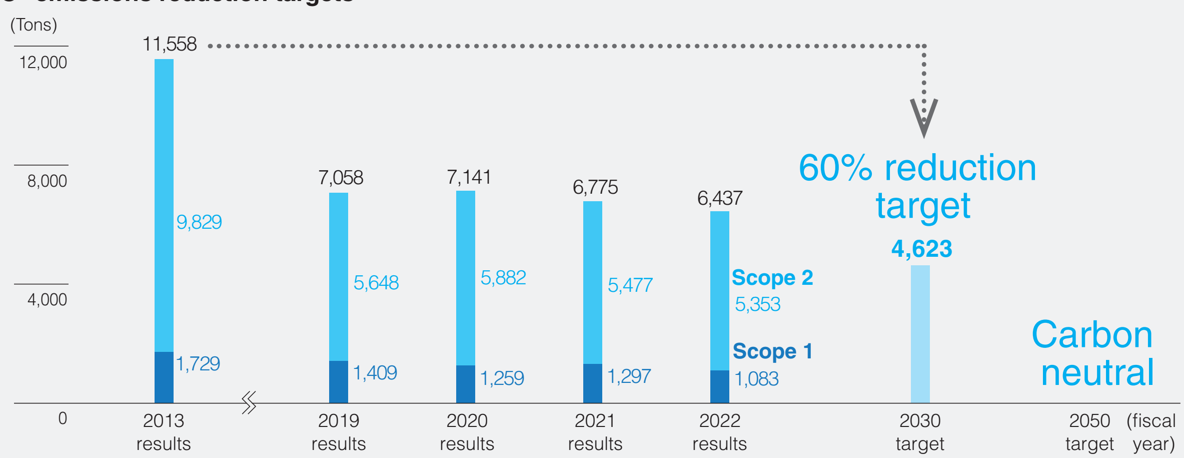


Amount of sustainable finance to be executed

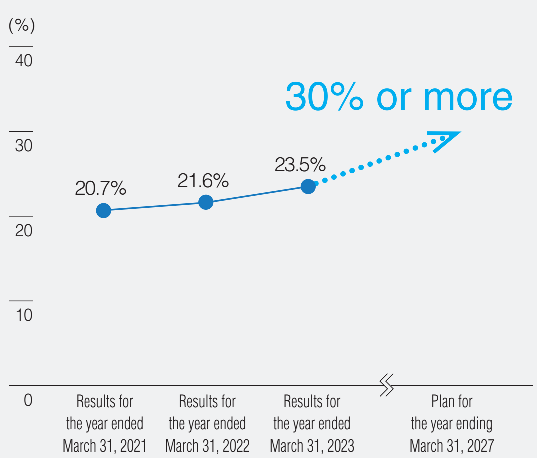


(*) A newly established KPI to protect, enhance and connect with individual customers' financial assets, real estate and family

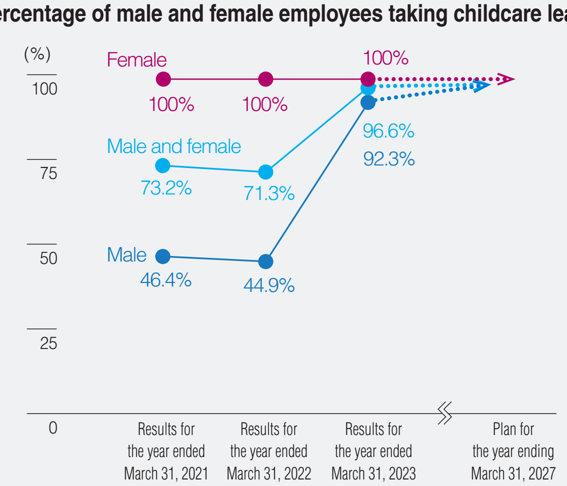
CO_2 emissions reduction targets



Percentage of women in managerial positions



Percentage of male and female employees taking childcare leave



DX Initiatives of the Senshu Ikeda Holdings Group

The Formulation of a DX Plan

In order to both leverage digital technology to provide solutions tailored to the customer's needs and to further improve the productivity of the Group, we formulated a DX plan (March 2023) and established the DX Strategy Office to function as a driving force (April 2023).

Plan to Establish a Digital Bank

We established the Digital Bank Preparatory Office to further accelerate considerations of establishing a digital bank, a concept that has been discussed within the Group, with the aim of creating and realizing new financial services adapted to an increasingly digital society (April 2023).

Status of considerations related to the establishment of a digital bank

- The establishment of a digital bank has been under consideration for some time, and we have now established a Digital Bank Preparatory Office with approximately 10 staff
- The digital bank under consideration would specialize in corporate banking (small loans) rather than retail banking

DX Plan

Overall policy

In order to realize Vision '25, fully leverage digital technology to
(1) **deepen customer service** and (2) **improve the capabilities of our staff and the productivity of our organization**

(Using data to better understand our customers / Enhance the IT- and DX-related knowledge and skills of staff / Improve individual, team and organizational productivity)

Implementation strategy

	(1) Deepening customer service		(2) Improving the productivity of staff and the organization
Themes	Sophistication of marketing sophistication	Improvement of sales capabilities	
Targets	Transition from one-size-fits-all marketing to one-to-one marketing	Increase sales productivity by 30% (by FY2025)	Increase business productivity by 30% (by FY2025)
Implementation strategy	• Digitizing customer needs from the customer's perspective • Enhancing non-face-to-face channels • Providing data-based solutions and improving the customer experience	• Visualizing sales processes, restructuring and standardizing optimal processes • Promoting and managing sales activities based on standardized processes	• Visualizing business processes, restructuring and standardizing optimal processes • Optimizing resource constraints and allocation through activity management

Roadmap

	FY2023	FY2024	After FY2025
Sophistication of marketing	Digitizing customer needs Providing data-based solutions and improving UX Enhancing non-face-to-face channels		
Improving sales capabilities	Visualizing processes Restructuring and standardizing processes Reviewing methods of promotion and management		Upgrading sales support systems
Improving the productivity of staff and the organization	Visualizing processes Restructuring and standardizing processes Optimizing resource constraints and allocation		
Foundation: Human resources and organization	[Organization] Establishment of a dedicated organization [Human resources] Reskilling staff and improving their IT literacy. Development, continual hiring, and reinforcement of core DX personnel		
Technology	Elimination of paper, automation, data utilization, RPA advancement, AI utilization, etc.		Development of data infrastructure

Future Policies

- Decide whether to establish a digital bank during the first half of FY2023
- Reskilling staff and improving their IT literacy. Development, continual hiring, and reinforcement of core DX personnel
- Enhancing non-face-to-face channels
- Visualizing sales and business processes

Response to Climate Change

The Senshu Ikeda Holdings Group announced the Sustainability Declaration in May 2021 and set climate change as one of the important management issues (materiality). In November 2021, we endorsed the purpose of the TCFD (Task Force on Climate-related Financial Disclosures), and we are aiming for the enhancement of the recommended information disclosures.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

TCFD Consortium

Governance

As mentioned above, we set climate change as an important management task. We are promoting concrete initiatives under the supervision of the Board of Directors.

Senshu Ikeda Holdings discusses and reports on sustainability issues, including climate change at the Sustainability Committee, chaired by the President and CEO. The committee consists of the President and CEO of Senshu Ikeda Holdings, and directors in charge. We hold committee meetings every quarter in principle. We regularly report the content of discussions to the Board of Directors, and we have a system in place to ensure appropriate supervision.

In addition, we submit and report key initiatives for climate change response to the Board of Directors after discussions by the Management Committee.

Board of Directors

Supervision ↓ ↑ Reporting

Management Committee — **Resolution of important matters**

Sustainability Committee — **Deliberation of important matters**
Meetings: Every quarter, in principle
Chairperson: President and CEO
Administrative office: SX Strategy Office

Matters reported in the Board of Directors (FY2022)

- TCFD disclosures
- Sustainable finance targets
- CO_2 emissions targets
- Initiatives for regional decarbonization
- Reports on other initiatives related to sustainability, including climate change

Strategy

The impact of climate change is highly uncertain, and the period to be analyzed should be long. In our climate change analysis, we used two scenarios to understand the risks and opportunities that climate change poses to our business: one in which the average temperature rises by 1.5°C or less compared to before the Industrial Revolution and one in which the average temperature rises by 4°C compared to before the Industrial Revolution. Regarding the timeline of evaluation, we analyzed the impact over the short-term (less than 5 years), the medium-term (about 15 years), and the long-term (about 30 years).

Risks and Opportunities

		Major risks and their impact on the Company	Time frame
Risk	Transition risks	• Deterioration of the business environment of business partners due to a consumer-oriented shift to low-carbon products and services, and damage to loans assets for these partners • Deterioration of the Company's reputation due to insufficient climate change response	Short- to long-term
		• Deterioration of the business environment of business partners due to policy changes and tightening of regulations, and damage to loans assets for these partners	Medium- to long-term
	Physical risks	• Damage to real estate collateral due to disasters • Impact on business partners' business and employment due to disasters and decline in productivity • Impact of damage to the Company's base	Medium- to long-term
Opportunities		• Increased demand among companies for capital spending in order to respond to a low-carbon society • Increased business opportunities and demand for funds for product and service-related businesses and renewable energy businesses that support decarbonization • Reduction of business costs due to reduction of energy consumption	Short- to long-term

Carbon-related Assets

The percentage of carbon-related assets [*1] within the Company's loans and other assets based on the updated 2021 TCFD "Annex" is "24.3%" [*2].

*1 Before the TCFD revision, carbon-related assets were redefined as assets tied to the "electric power" and "oil, gas and consumable fuel (including oil retail and wholesale) sectors, as well as the "transportation," "materials and building products," and "agriculture, food, and forest products" sectors.

*2 The Senshu Ikeda Bank's industry classifications have been fitted to the GICS (Global Industry Classification Standard) recommended by the TCFD recommendations, so there may be discrepancies.

Scenario Analysis

• Transition risks

- Based on analysis by various specialized institutions such as TCFD and SASB (Sustainability Accounting Standards Board), we investigated the magnitude of potential risk by sector and investigated the sectors with the greatest impact, taking into account the Company's exposure. As a result of this investigation, "electric power" and "oil, gas and consumable fuel (including oil retail and wholesale)" were selected as priority sectors. The priority sectors may be added to or changed based on future professional analysis and market trends.
- For the two selected sectors, we identified the risks and opportunities for businesses in these sectors and analyzed the impact on future business, based on the 1.5°C and the 4°C scenarios.
- In analyzing transition risks, we made forecasts of changes in the financial situation and business performance of borrowers by 2050 and analyzed changes in credit-related costs using forecast data and carbon tax forecast data related to resource demand and composition by power source in power generation found in the Net Zero Emissions by 2050 Scenario (NZE scenario), etc. of the International Energy Agency (IEA) World Energy Outlook report.
- The analysis results regarding transition risks are as follows.

Scenario	The IEA's NZE scenario, etc.
Analysis targets	"Electric power" and "oil, gas and consumable fuel (including oil retail and wholesale)"
Analysis period	Until 2050
Amount of risk	Increase in credit-related costs: up to approximately ¥3.5 billion

• Physical risks

Regarding physical risks, we analyzed the impact of the amount of collateral value damage caused by damage to real estate collateral of business loan partners and the impact of deterioration in business performance due to business stagnation, etc. on increases in credit-related costs using a hazard map, while referring to the RCP8.5 scenario (4°C scenario), etc. of the Intergovernmental Panel on Climate Change (IPCC).

The analysis results regarding physical risks are as follows.

Data and scenario	Use a hazard map of the loanee's head office location and collateral property location with reference to the 4°C scenario, etc.
Analysis content	Analysis of the impact of deterioration of business performance and damage to collateral, etc. in the event of a large-scale flood caused by climate change
Analysis period	Until 2050
Amount of risk	Increase in credit-related costs: up to approximately ¥4.5 billion

From the above analysis, we have confirmed that the impact of climate change risk on our strategy is limited, as the increase in credit-related costs estimated by the above analysis can be reduced through medium- and long-term efforts. As this calculation is based on certain assumptions, we will continue to work on improving and refining scenario analyses.

Reflection in Strategy

The Senshu Ikeda Bank, a subsidiary, has established a "sustainable investment and loan policy." The Bank carefully considered whether or not to make investments or loans that may have a negative impact on ESG (environment, society, governance), and strive to reduce and avoid this impact. In addition, the Bank established an investment and loan policy for specific sectors as follows.

Investment and Loan Policy for Specific Sectors

Weapons

We will not invest in or lend to companies involved in the development and manufacturing of inhumane weapons such as cluster munitions.

Coal-fired Power Generation

As a general rule, we will not make investments or loans that use the construction of new coal-fired power plants as funds. However, in the case of new power plant construction that contributes to the next generation and to higher efficiency, taking into account international guidelines, etc., we will carefully consider partaking by each individual project.

Deforestation

We will carefully consider whether or not to make loans that use funds from development involving deforestation based on impact on the environment and involvement in illegal logging or illegal labor.

Monitoring in FY2022 revealed no investments or loans in violation of the above investment and loan policy for specific sectors.

Risk Management

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

We recognize that the transition risks and physical risks of climate change may have a significant impact on business operations, strategies and financial plans through the performance of our business partners. Based on the results of scenario analysis, we respond to the impact on the business operations of our business partners within the framework of credit risk management and report on the risks related to climate change to the Risk Management Committee.

The risks of climate change require consideration of the timeline and its uncertainties, but regarding the risks to the Group, which are driven by climate change, we will monitor the situation and consider an appropriate response while using the existing management framework.

As mentioned above, we have set a sustainable investment and loan policy and an investment and loan policy for specific sectors, and we carefully consider the negative impact of climate change when deciding whether or not to make a loan. Moreover, by exchanging opinions with business partners based on understanding risks in significant sectors using scenario analysis, we plan to promote support for climate change response, such as sustainable finance and initiatives to reduce CO_2. We believe that such a response will lead to a reduction of risks for the Group.

Indicators and Targets

The Group has established the following medium- and long-term goals regarding climate change issues.

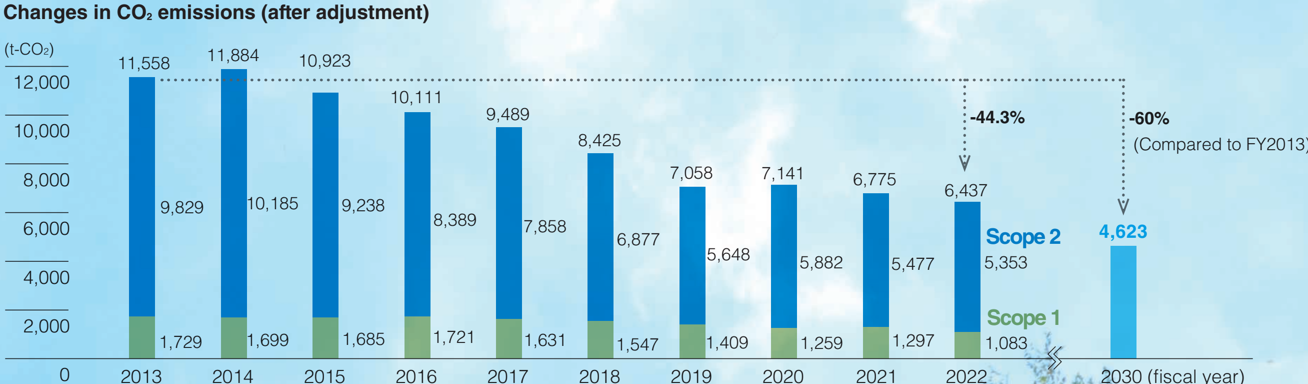
Cumulative amount of sustainable finance* to be executed
FY2022 to FY2030 target: ¥1 trillion   March 31, 2023: ¥99.7 billion

* Loans that use funds to solve problems in the environmental and social fields, and loans that support and promote initiatives towards SDGs

The balance of investments and loans that are part of the BOJ's Funds-Supplying Operations to Support Financing for Climate Change Responses is ¥21.3 billion (as of March 31, 2023).

CO_2 emissions reduction (Compared to FY2013)
Medium-term target (FY2022 to FY2030): 60% reduction   March 31, 2023: 44.3% reduction Long-term target (up to 2050): achieve carbon neutrality

Changes in CO_2 emissions (after adjustment)



- **Regarding CO_2 emissions**

The Group calculates greenhouse gas emissions as follows, based on the TCFD recommendations, etc. We have started some Scope 3 calculations since FY2021. Going forward, we endeavor to expand and refine the scope of Scope 3 emissions to be monitored.

(Unit: t-CO_2)

		What is measured		FY2021	FY2022
Scope 1	The Group	Direct energy consumption	Gasoline, natural gas, etc.	1,297	1,083
Scope 2	The Group	Indirect energy consumption	Electricity	5,477	5,353
Scope 1 and 2 combined				6,775	6,437
Scope 3	The Senshu Ikeda Bank alone	1. Purchased products and services	Copier paper, etc.	3,062	1,589
		2. Capital goods	Tangible fixed assets	9,718	9,742
		3. Fuel- and energy-related activities not included in Scope 1 or 2	Emissions from upstream processes of fuel, electricity, etc.	1,697	1,514
		4. Upstream transport and delivery	Postal expenses, etc.	323	370
		5. Waste generated in operations	General waste material	137	123
		6. Energy consumption associated with employee travel	Business travel	443	431
		7. Employee commuting	Commuting to work	826	789
		15. Investments (*)	Loans to domestic business corporations	-	166,537

* Category 15 (GHG emissions of investees) was calculated with respect to loans to corporations within Japan. Information was gathered from the data disclosed by clients and bottom-up analysis was conducted, resulting in a coverage ratio of 11.2% with respect to the balance of loans outstanding of the subject clients.

- **A roadmap for net-zero CO_2 emissions**

The Group has drafted a roadmap to achieve net-zero CO_2 emissions by 2050.

	2025	2030 **Achieve 60% reduction compared to FY2013**	2050 **Achieve carbon neutrality**	The state of the Group in 2050	
Scope 1 Gas and gasoline	Rationalization of sales activities			No. of sales representatives and sales vehicles cut in half	
	Switch to eco-cars		Replacing all vehicles with EVs	Sales vehicle fleet 100% EVs	
Scope 2 Electricity	Rationalization of store operations and energy conservation			No. of sales offices cut by about 30% Data centers transferred to the cloud	
		Verification of stores transitioned to ZEB	Transition to ZEB stores	Conversion to ZEB with relocation and renewal of sales offices	Electricity at all sites to be renewable
	Introduction of renewable energy sources			Expansion of power procurement from renewable energy plans	
	Verification of PPA implementation	PPA introduction and expansion		Introduction and expansion of power procurement under PPA	
	Switch to LEDs and energy-saving air conditioning		Switch to further energy-saving equipment	Improved energy-saving technologies for lighting, air conditioning, etc.	
Offsets	Verification and trial use of the J-Credit Scheme	Utilization of J-Credit Scheme		Annual real emissions offset by J-Credits	

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 and Reasons for Adopting the 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 (hereinafter "outside officers") 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 officers 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

● Board of Directors

The Board of Directors is comprised of 9 directors including 5 internal directors and 4 outside directors. The Board of Directors is held once a month in principle, attended also by audit & supervisory board members, to make decisions on critical business execution including basic management policies and management plans, and to supervise the business execution of directors and executive officers under the rules of the Board of Directors.

● Personnel Committee

The Personnel Committee is comprised of 5 directors including 1 internal director and 4 outside directors. As a voluntary advisory body to the Board of Directors, the Committee accepts the involvement and advice of independent outside directors on important matters related to the personnel affairs of officers, including the selection of candidates for directors.

● Remuneration Committee

The Remuneration Committee is comprised of 6 directors including 2 internal directors and 4 outside directors. The Remuneration Committee, as a voluntary advisory body to the Board of Directors, accepts the involvement and advice of independent outside directors on important matters related to the remuneration of directors, etc.

● Audit & Supervisory Board

The Audit & Supervisory Board is comprised of 4 audit & supervisory board members including 2 internal audit & supervisory board members and 2 outside audit & supervisory board members. Each audit & supervisory board member audits the business execution of directors through attendance at 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 plan decided by the Audit & Supervisory Board. Outside audit & supervisory board members are qualified with a high degree of integrity along with superior insight and capability, as well as expertise and hands-on experience in their respective areas of specialty, getting involved from diverse points of view.

● Management Committee

The Management Committee is comprised of internal directors and executive officers with titles, as well as officers commissioned with responsibilities (excluding persons concurrently serving as president of a Group company). The Committee is held once a week in principle, attended also by internal audit & supervisory board members, to make decisions on critical matters concerning the business execution as well as to discuss agenda items for the Board of Directors based on the authorities delegated by the Board of Directors. The Management Committee accepts appropriate involvement of and advice from outside officers who attend the Committee as needed and express their opinions.

(List of members, etc. of each body)

Name	Position	Board of Directors	Personnel Committee	Remuneration Committee	Audit & Supervisory Board	Management Committee
Takayuki Ota	Representative Director and Chairman	○		○		○
Atsushi Ukawa	Representative Director, President and CEO	◎	◎	○		◎
Toshiyuki Wada	Director & Senior Managing Executive Officer	○				○
Hirohito Sakaguchi	Director & Managing Executive Officer	○				○
Osamu Tsukagoshi	Director & Managing Executive Officer	○				○
Minoru Furukawa	Director (Outside)	○	○	◎		●
Takao Koyama	Director (Outside)	○	○	○		●
Tomokazu Yamazawa	Director (Outside)	○	○	○		●
Atsuko Ogasawara	Director (Outside)	○	○	○		●
Satoshi Kitagawa	Audit & Supervisory Board Member	○			◎	●
Hiroo Maeno	Audit & Supervisory Board Member	○			○	●
Seiji Morinobu	Audit & Supervisory Board Member (Outside)	○			○	●
Kohei Nakanishi	Audit & Supervisory Board Member (Outside)	○			○	●
Hiromasa Hirai	Managing Executive Officer					○
Takayoshi Fujiwara	Managing Executive Officer					○

* ◎: Chairman ○: Member ●: Observer

Status of Audits

● Audits by audit & supervisory board members

Organization and Personnel of Audits by Audit & Supervisory Board Members

The Audit & Supervisory Board is comprised of 4 audit & supervisory board members including 2 internal and 2 outside members. The Company has allocated several staff members who support the duties of audit & supervisory board members.

The status of each audit & supervisory board member and their attendance at Audit & Supervisory Board meetings for the fiscal year under review is as follows:

Position	Name	Experience, etc.	Attendance at the Audit & Supervisory Board Meetings in the fiscal year under review
Audit & Supervisory Board Member (Full-time)	Satoshi Kitagawa	Mr. Satoshi Kitagawa assumed the position of Executive Officer of The Senshu Ikeda Bank, Ltd., a Group company, after having served as General Manager of the Loan Division. He assumed the position of Audit & Supervisory Board Member of the bank in June 2013 and subsequently held the position of Audit & Supervisory Board Member at Group companies. He has a track record of serving as Audit & Supervisory Board Member for many years.	100% (20/20)
Audit & Supervisory Board Member (Full-time)	Hiroo Maeno	Mr. Hiroo Maeno has long experience in the Corporate Planning Headquarters of The Senshu Ikeda Bank, Ltd., a Group company. After having served in the Loan Division, the Risk Management, and several other Headquarters, he assumed the position of Director of the Company. He successively held the positions of Director in charge of the Risk Management Headquarters, General Manager of the Personnel Division, and Director in charge of Corporate Planning and General Affairs Division after his appointment as Director. He has been involved in the management area for many years and has a wide range of knowledge and experience, as well as considerable expertise in finance and accounting gained through engaging in finance and accounting operations.	100% (20/20)
Audit & Supervisory Board Member (Outside)	Seiji Morinobu	Mr. Seiji Morinobu has a wide range of experience and insights as both an attorney and an outside director at other companies.	100% (20/20)
Audit & Supervisory Board Member (Outside)	Kohei Nakanishi	Mr. Kohei Nakanishi has a wide range of knowledge and expertise regarding international finance as well as experience on corporate management and insight into corporate governance though his experience as a director at banks and an outside director at other companies.	95% (19/20)

Each audit & supervisory board member audits the business execution of directors through attendance at 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.

Status of Main Activities of the Audit & Supervisory Board
Audit & Supervisory Board meetings are held once a month, in principle, and in the fiscal year under review they were held a total of 20 times. In accordance with the auditing guidelines, audit plan, audit methodologies, responsibilities for audit tasks and other items resolved upon at the Audit & Supervisory Board at the beginning of the fiscal year, full-time audit & supervisory board members report on their activities, and opinions are exchanged with directors of the Company and from each Group company. In addition, the Audit & Supervisory Board also gives consent to the election and dismissal of accounting auditors, amounts of remuneration and other matters.

The following became focal points of discussion at Audit & Supervisory Board meetings held during the fiscal year under review.
i. Estimating the reserve for possible loan losses
ii. Recoverability of deferred tax assets

Status of Main Activities of Audit & Supervisory Board Members
In accordance with the auditing duties decided upon at the Audit & Supervisory Board, full-time audit & supervisory board members execute audits objectively and rationally through their attendance at important meetings, inspection of critical documents, auditing visits, and reports from each division of the headquarters.

In addition, auditing effectiveness is enhanced through the exchange of opinions with the internal audit division and each Group company, as well as with accounting auditors. Part-time outside audit & supervisory board members enhance the effectiveness of audits by their participation in Board of Directors' meetings, as well as by exchanging opinions with directors and accounting auditors at Audit & Supervisory Board meetings, and receiving audit activity reports from full-time audit & supervisory board members.

Audit & supervisory board members and accounting auditors perform their audit duties efficiently and effectively by establishing close mutual cooperation through exchanging opinions about various auditing issues at regular meetings to exchange information. In addition, efficient and effective audit duties are also performed by working together with the audit & supervisory board members of subsidiaries, as well as through close mutual cooperation between audit & supervisory board members and the internal audit division such as audit & supervisory board members' attendance at internal audits and the exchange of opinions.

● Internal Audits

The Company has established the Internal Audit Division, which conducts internal audits based on the basic rules of intra-group audits, set out to provide objectives and guidelines of internal audits. The Company's Internal Audit Division comprises 15 members of whom 14 serve concurrently in the Internal Audit Division of the banking subsidiary (as of March 31, 2023). 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. Furthermore, the officer in charge of internal audits regularly reports the results of the audits to the Board of Directors and the Audit & Supervisory Board.

The Company develops an effective internal audit structure that has independence and expertise in order to ensure the soundness and adequacy of operation. The Company also inspects and evaluates the 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.

● Accounting Audits

Name of the auditing firm
Ernst & Young ShinNihon LLC

Successive period of audit services provided
Thirteen years and 6 months (audit contract dating from October 2009 at the time of the Company's founding)

The Bank of Ikeda (currently The Senshu Ikeda Bank) concluded an audit contract with Ernst & Young ShinNihon LLC (then Showa Audit Corporation) in 1976. The Senshu Ikeda Bank, established through a merger between the Bank of Ikeda (currently The Senshu Ikeda Bank) and the Senshu Bank, subsequently continued the audit contract with Ernst & Young ShinNihon LLC.

Certified public accountants who conducted the latest accounting audit
Mr. Hideya Nanba and Mr. Tetsuro Tone

Starting with appointments and replacements for the fiscal years commenced since April 1, 2016, the lead audit engagement partner is not permitted to re-engage in audits after engagement of five consecutive fiscal years, and other audit engagement partners are not permitted to re-engage in audits for five consecutive fiscal years after engagement of seven consecutive fiscal years, which is a rotation rule more stringent than as regulated in laws and regulations.

Composition of assistants for the accounting audit
Assistants for the accounting audit of the Company are 5 certified public accountants and 8 others.

Policy and reasons for selecting the auditing firm
In accordance with the Practical Guidelines for Cooperation with Accounting Auditors, released by the Japan Audit & Supervisory Board Members Association, the Audit & Supervisory Board of the Company regularly checks if the accounting auditors conform to auditing standards, quality control standards, the practical guidelines for auditing, and internal regulations of the auditing firm, to which they should conform as professional specialists, and keeps itself updated on

accounting standards, through inquiries and dialogues. The Company has selected the aforementioned certified public accountants and others as a team responsible for the accounting audit, after comprehensively examining their track record of auditing and execution of duties for the previous fiscal year, which led the Company to determine that the appropriateness and reliability of accounting audits can be ensured.

The Audit & Supervisory Board shall dismiss an accounting auditor, subject to unanimous consent of the audit & supervisory board members, if it determines that the accounting auditor satisfies one or more of the conditions described in the provisions of Article 340, Paragraph 1 of the Companies Act.

If the Audit & Supervisory Board comprehensively examines the status of the execution of duties by the accounting auditors and determines that the appropriateness and reliability of accounting audits cannot be ensured, the Audit & Supervisory Board shall determine the contents of a proposal for a general meeting of shareholders on dismissal or non-reappointment of the accounting auditors.

Content of the Audit & Supervisory Board's evaluation of the auditing firm

In accordance with the Practical Guidelines for Audit & Supervisory Board Members, etc. in developing the Standards for Evaluating and Selecting Accounting Auditors, released by the Japan Audit & Supervisory Board Members Association, the Audit & Supervisory Board has established the Standards for Evaluating and Selecting Accounting Auditors, based on which the Audit & Supervisory Board conducts evaluation.

As a result of the evaluation, it was found that the accounting auditors satisfy none of the conditions described in the provisions of Article 340, Paragraph 1 of the Companies Act. The Company, therefore, reappointed the accounting auditors, taking into account the results of the evaluation on the accounting auditors by the Audit & Supervisory Board.

Status of Outside Officers

The Company has 4 outside directors (After approval of the proposal at the annual shareholders' meeting).

Outside Director Minoru Furukawa holds 30,600 shares of common stock of the Company and has ordinary banking transactions with The Senshu Ikeda Bank. He also concurrently serves as an officer at Hitachi Zosen Corporation, Unitika Corporation, and Osaka International Convention Center Corp. The Senshu Ikeda Bank has ordinary banking transactions with Hitachi Zosen Corporation and Unitika Corporation.

As an outside director of the Company, he performs his duties of supervising the business execution based on his extensive experience and superior insight into 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.

Outside Director Takao Koyama holds 30,600 shares of common stock of the Company and has ordinary banking transactions with The Senshu Ikeda Bank. He previously served as an officer at Hitachi, Ltd. and Hitachi Solutions, Ltd. 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 and superior insight into corporate management as a representative director. He also concurrently serves as a non-executive director (non-full-time) at The Senshu Ikeda Bank.

Outside Director Atsuko Ogasawara holds 7,000 shares of common stock of the Company and has ordinary banking transactions with The Senshu Ikeda Bank.

As an outside director of the Company, she performs her duties of supervising the business execution based on her wide range of experience and achievements in the business world, including serving in key positions at a press firm. She concurrently serves as a non-executive director (non-full-time) at The Senshu Ikeda Bank.

Outside Director Yoshihiro Nakagawa has ordinary banking transactions with The Senshu Ikeda Bank. He also concurrently serves as a representative director and chairman of Hankyu Hanshin Hotels Co., Ltd. which has regular banking transactions with The Senshu Ikeda Bank and other Group companies.

Based on his extensive experience and track record as a manager of a listed company, Outside Director Yoshihiro Nakagawa is expected to supervise business execution and fulfill his role as an outside director of the Company. He also concurrently serves as a non-executive director (non-full-time) at The Senshu Ikeda Bank.

The Company has 2 outside audit & supervisory board members

Outside Audit & Supervisory Board Member Seiji Morinobu has ordinary banking transactions with 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 superior insight as an attorney, and sufficiently high social credibility.

Outside Audit & Supervisory Board Member Kohei Nakanishi holds 12,200 shares of common stock of the Company and has ordinary banking transactions with The Senshu Ikeda Bank. He previously served as an officer at Japan Bank for International Cooperation ("JBIC"). Although The Senshu Ikeda Bank has concluded a memorandum of understanding with JBIC for supporting Japanese firms with expanding overseas, no consideration arises from transactions 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 in corporate management and insight into corporate governance through serving as director of a bank and outside director of corporations, and sufficiently high social credibility.

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 6 outside officers, namely outside directors Minoru Furukawa, Takao Koyama, Atsuko Ogasawara, and Yoshihiro Nagasawa and outside audit & supervisory board members Seiji

Morinobu and Kohei Nakanishi, satisfy the standards for the independence. They have been designated as independent officers and registered with the Tokyo Stock Exchange as such, 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.[1]

1. A person who deems the Group to be a major[2] 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[3] 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[4] 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.[5]
7. A relative[6] 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.

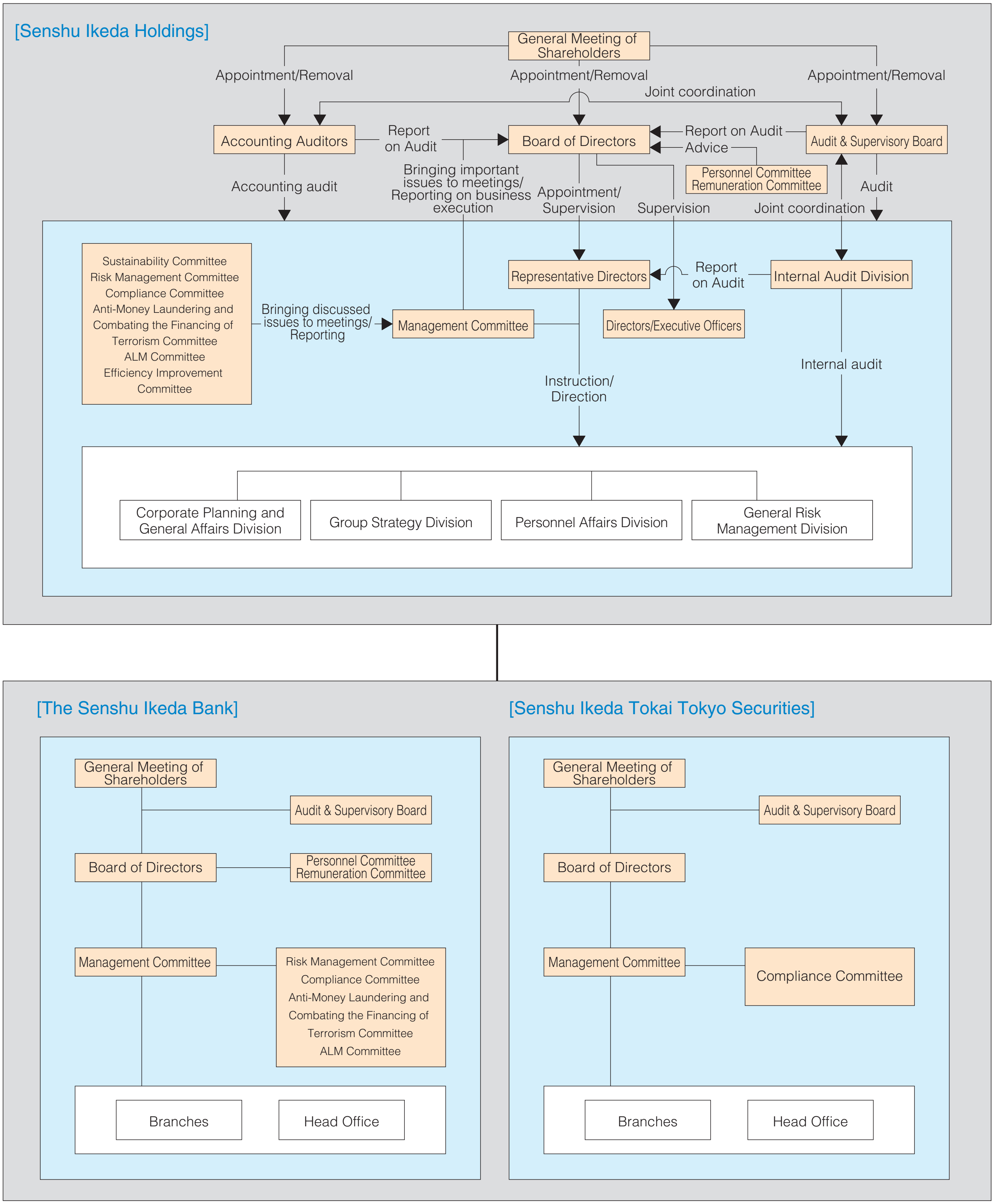
Notes:
1. Definition of "recently": Refers to cases that might be regarded as almost "at present," for example, including the case where said person fell under any infringement requirement item since the content of a proposal for the selection as Outside Director or Outside Audit & Supervisory Board 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."

Supervision or Audit by Outside Directors or Outside Audit & Supervisory Board Members, Interconnection with Internal Auditing, Audits by Audit & Supervisory Board Members, and Accounting Auditing, and Relationship with the Internal Control Division

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, 2023)



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 tasks. 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. The Company and the Group companies also put in place a system to promote compliance by appointing directors who are responsible for compliance, and discuss overall compliance policies and specific measures at the Compliance Committee. 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 a compliance program and compliance manual, and arranging compliance seminars.

<The Group Compliance Hotline>

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.

<Preventing money laundering and the funding of terrorism>

The Company and the Group companies appoint a director responsible for the prevention of money laundering and the funding of terrorism. The Anti-Money Laundering and Combating the Financing of Terrorism Committee discusses overall policies and specific measures. The General Risk Management Division coordinates measures across the Company and the Group companies, while conducting education and training for directors and employees by developing programs and manuals addressing the prevention of money laundering and the funding of terrorism, as well as arranging seminars for the prevention of money laundering and the funding of terrorism.

<Excluding anti-social forces>

The Company and the Group companies have taken an uncompromising stance against anti-social forces and organizations that threaten the order and safety of the community. We resolutely and unyieldingly exclude such forces.

<Preventing insider trading>

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

<Customer protection and other customer management>

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.

In addition, the hotline system is structured to guarantee that the informants who provide the Group Compliance Hotline with compliance-related information are protected from being treated in a disadvantageous manner. Moreover, to complement this arrangement, the Company and the Group companies have established a structure whereby audit & supervisory board members are permitted to attend important meetings such as those of the Board of Directors, the Management Committee, the Compliance Committee, the Anti-Money Laundering and Combating the Financing of Terrorism Committee, the Risk Management Committee, the ALM Committee, the Sustainability Committee, and the Efficiency Improvement Committee.

(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, outside 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 Anti-Money Laundering and Combating the Financing of Terrorism Committee, the Risk Management Committee, the ALM Committee, the Sustainability Committee, and the Efficiency Improvement 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.

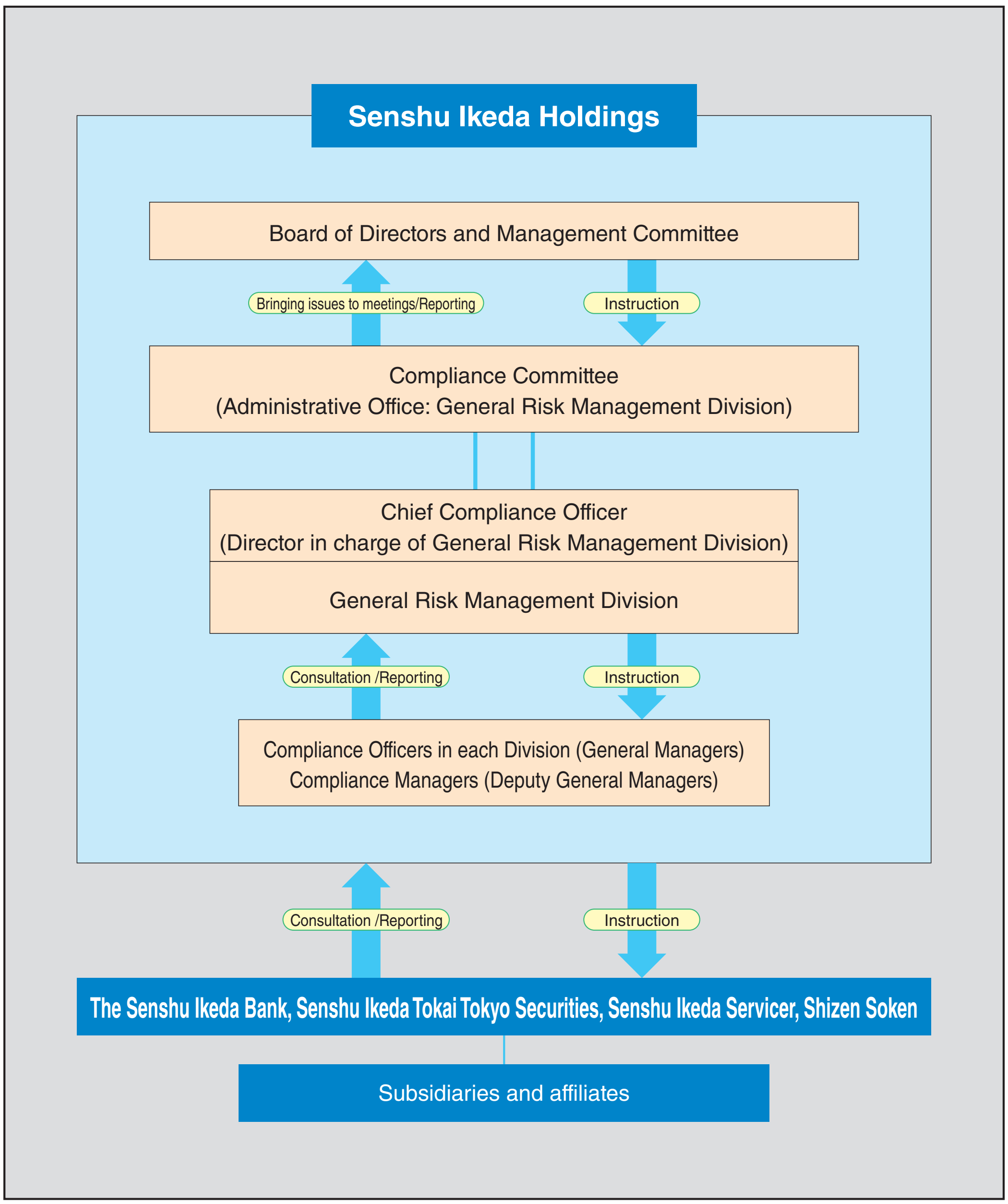
Compliance Structure

The Company and the Group set "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 such as those aimed at preventing harassment, corruption, and misconduct.

We assign "Compliance Officers" and "Compliance Managers" to each division and branch in order to



implement and penetrate compliance. In addition, we check the operations from a compliance point of view and facilitate the conduct of training programs to ensure compliance.

In order to detect compliance problems at early stages and take corrective actions, we have set up and operate a hotline including external contact points to be used by employees of the Company or Group companies to report directly on violations of laws and regulations (e.g., violations of internal regulations, harassment, corruption, bribery) by the Company and Group companies.

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 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.

Structure for preventing Money laundering and the financing of terrorism

The Company and the Group companies recognize that it is their social responsibility to prevent money laundering and the financing of terrorism by complying with the Act on Prevention of Transfer of Criminal Proceeds, the Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism, the Foreign Exchange and Foreign Trade Act, and other related laws and regulations (hereinafter "Criminal Proceeds Act and related laws and regulations"). The Company and the Group companies regard the enactment of countermeasures against money laundering and the financing of terrorism as one of the crucial tasks related to their management strategy and will proactively work on such measures with the proactive and active involvement of management personnel.

● Organizational structure

The Company and the Group companies will appoint the Company's director in charge of preventing money laundering and the financing of terrorism as the Group's Chief Money Laundering and Financing of Terrorism Prevention Officer. Acting as the supervisory body, the General Risk Management Division will work in cooperation with the relevant departments and Group companies to prevent money laundering and the financing of terrorism.

In addition, the Company and the Group companies have established the Anti-Money Laundering and Combating the Financing of Terrorism Committee to deliberate on important matters related to the prevention of money laundering and the financing of terrorism.

● Compliance with laws and regulations

The Company and the Group companies will comply with the Criminal Proceeds Act and related laws and regulations and appropriately implement the necessary measures such as real-time transaction confirmations, reporting suspicious transactions, and confirming measures related to the freezing of assets.

● Risk-based approach

The Company and the Group companies will identify and assess their own risks related to money laundering and the financing of terrorism. In order to effectively reduce the risks, the Company and the Group companies will take a risk-based approach to implement appropriate measures, such as ensuring that measures taken are proportionate to the risks.

● Customer due diligence and the preservation of records

The Company and the Group companies will periodically survey and analyze customer information and transaction details, and implement necessary customer due diligence measures in accordance with the attributes of each customer. In addition, in accordance with applicable laws and regulations, the Company and Group companies will prepare and preserve records of transactions and the real-time transaction confirmations.

● Reporting suspicious transactions

The Company and the Group companies will establish a system to appropriately handle suspicious customers and transactions, etc. as detected by reports from sales branches, etc. or by the system's monitoring and filtering functions, and promptly report suspicious transactions, having appropriately examined and judged the situation.

● Management of correspondent banks

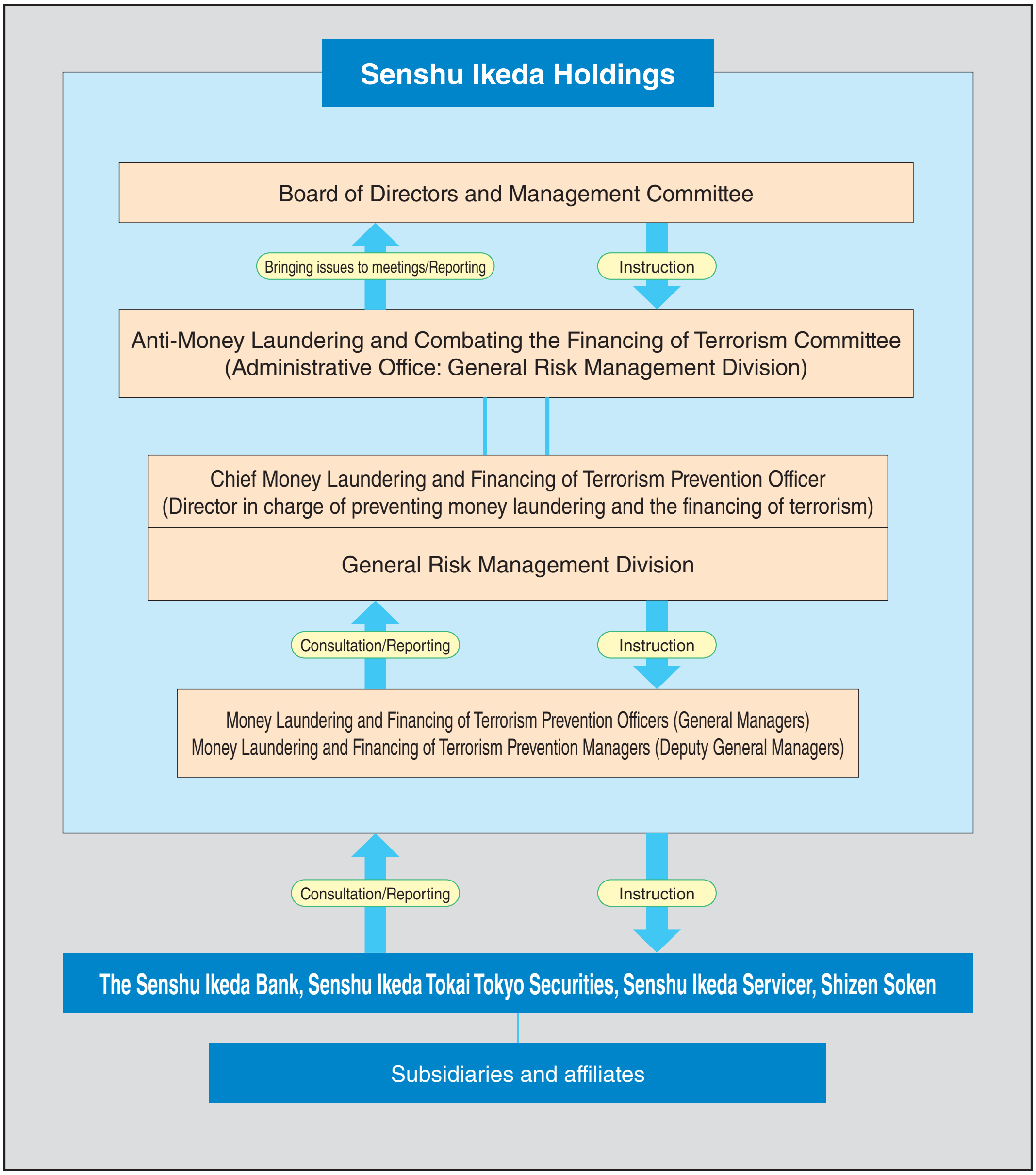
The Company and the Group companies will conduct periodic reviews of correspondent banks to verify and monitor their systems for the prevention of money laundering and the financing of terrorism. If the correspondent bank is a fictitious bank (so-called "shell bank") or if it allows transactions with such fictitious banks, then the Company and the Group companies will not enter into or maintain a correspondent agreement with the correspondent bank in question.

● Training for directors and employees

The Company and the Group companies will provide appropriate and continuous training programs for directors and employees to deepen their understanding of money laundering and the financing of terrorism, as well as maintain and improve legality and expertise.

● Verifying effectiveness

The Company and the Group companies will verify the effectiveness of their measures to prevent money laundering and the financing of terrorism and strive to enhance and upgrade the management system through periodic monitoring conducted by both the director in charge of preventing money laundering and the financing of terrorism and the supervising department as well as periodical audits conducted by an independent internal audit department.


Senshu Ikeda Holdings
Board of Directors and Management Committee
Bringing issues to meetings/Reporting
Instruction
Anti-Money Laundering and Combating the Financing of Terrorism Committee
(Administrative Office: General Risk Management Division)
Chief Money Laundering and Financing of Terrorism Prevention Officer
(Director in charge of preventing money laundering and the financing of terrorism)
General Risk Management Division
Consultation/Reporting
Instruction
Money Laundering and Financing of Terrorism Prevention Officers (General Managers)
Money Laundering and Financing of Terrorism Prevention Managers (Deputy General Managers)
Consultation/Reporting
Instruction
The Senshu Ikeda Bank, Senshu Ikeda Tokai Tokyo Securities, Senshu Ikeda Servicer, Shizen Soken
Subsidiaries and affiliates

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 Directors. 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 of identifying the risk situation within the Group, 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 independents 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.

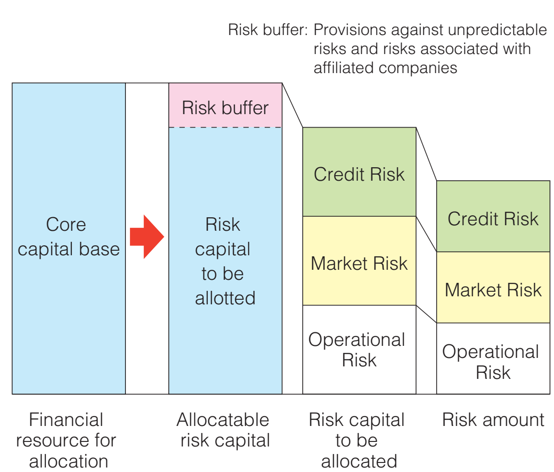
● Risk capital management system

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 and asset calculation for the purpose of the capital ratio regulation, the Group applies the Foundation Internal Ratings-Based Approach for credit



risks and assets and standard measurement methods to calculate the operational risk equivalents.

■ 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 Division 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.

● Risk management related to cyberattacks, etc.

Risk related to cyberattacks, etc., as identified by the Group, is the risk of suffering losses due to cyberattacks, etc., such as targeted email attacks and website defacement.

To prepare for risks such as computer viruses, which have been rapidly increasing recently, and increasingly sophisticated cyberattacks, the Group is implementing various measures such as establishing a system to appropriately manage risks related to cyber security, improving security measures according to the degree of risk impact, and formulating contingency plans.

Furthermore, the Group has established a specialized team for computer security (CSIRT) and is working to strengthen its structure by enhancing various security measures and conducting cyberattack exercises.

● 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.

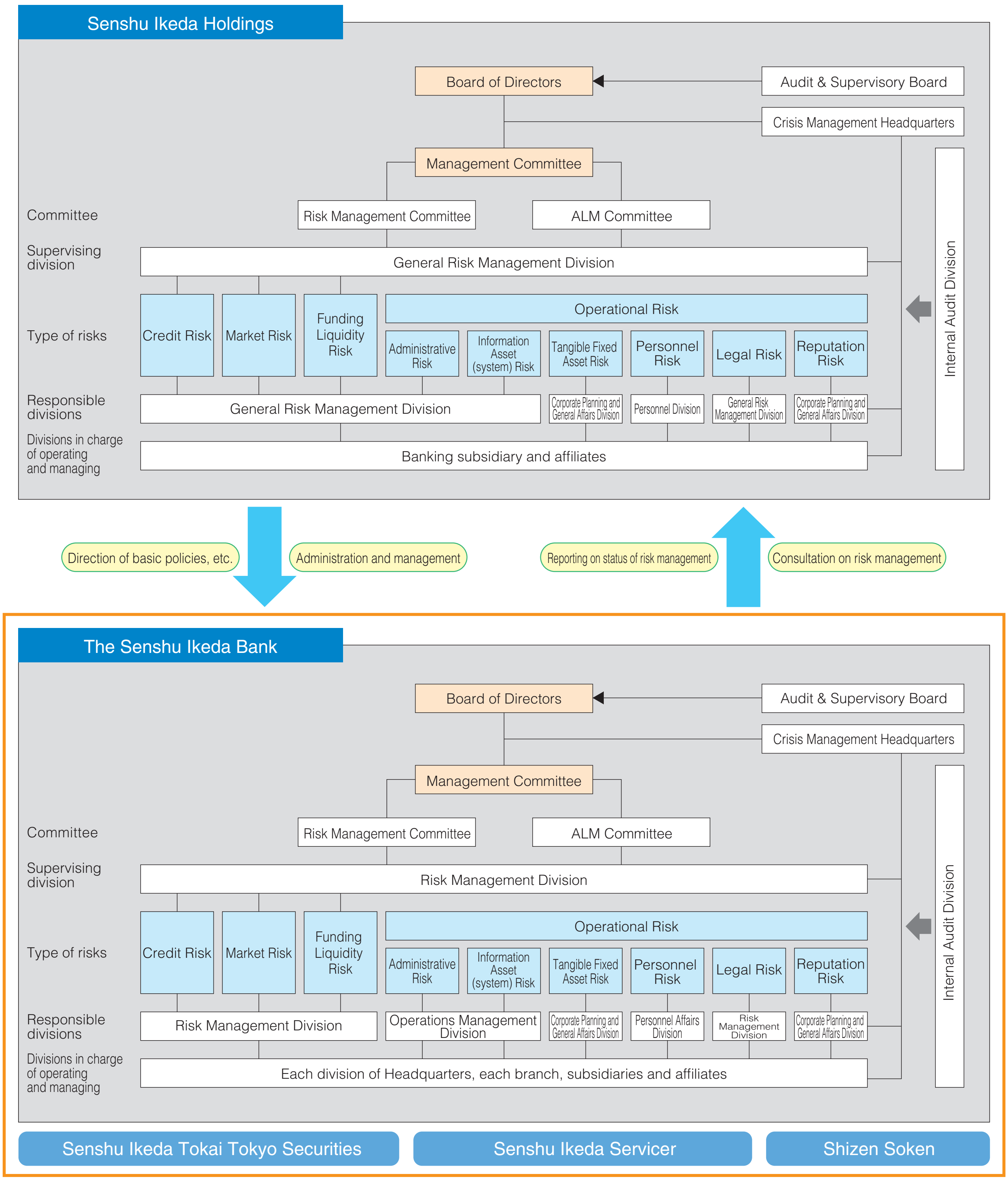
The Group works to avoid reputation risk by disclosing information proactively thorough increases the transparency of its management, taking into consideration the crucial influence on the management of the Group.

■ 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, 2022)



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

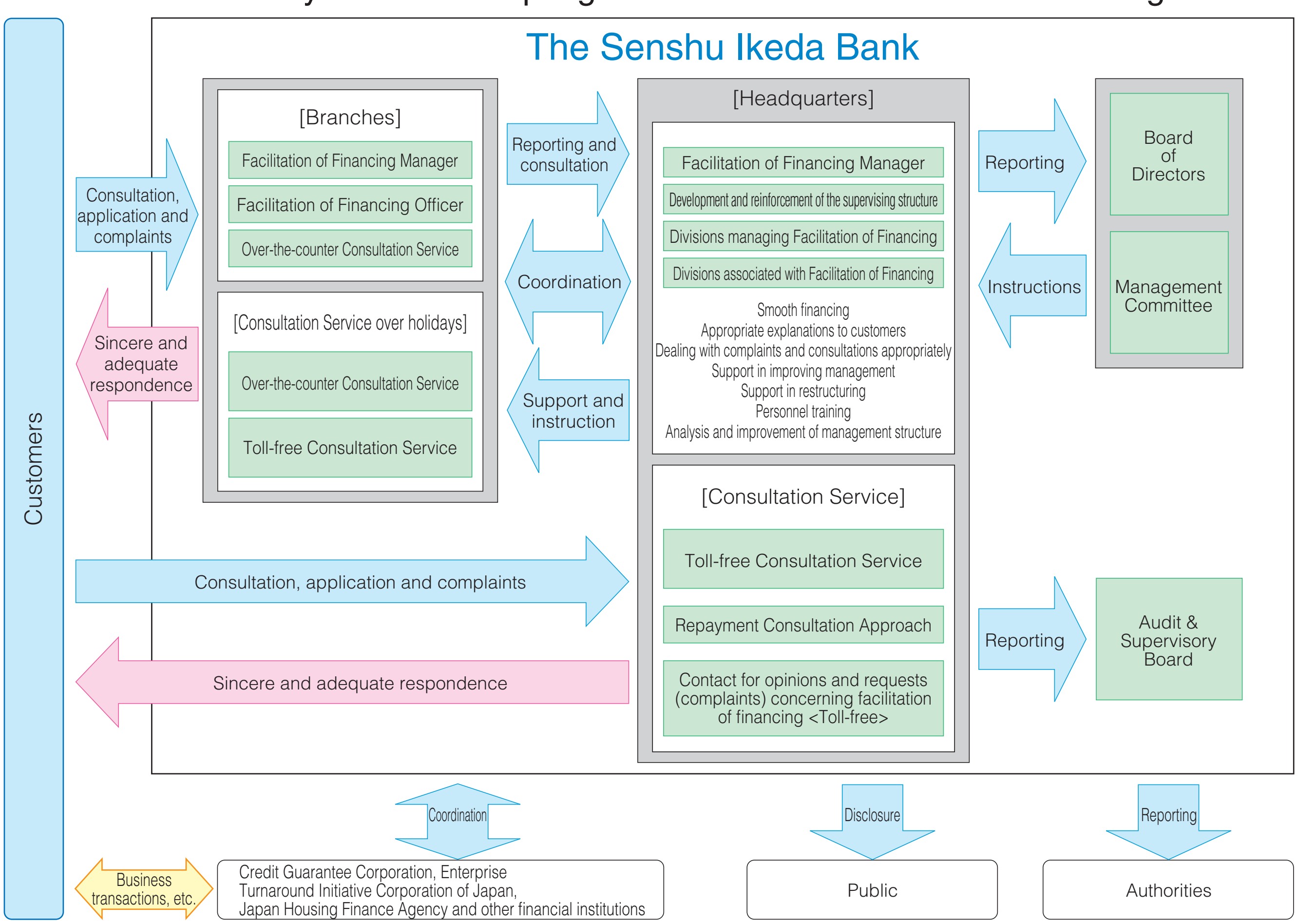
(1) With the purpose to develop a management structure necessary to supply facilitation of financing (hereinafter “Facilitation of Financing Management”) under the Policy, the Bank appoints the Facilitation of Financing Manager to check whether Facilitation of Financing Management is effectively working.

(2) The Bank appoints the director in charge of the Loan Division to the Facilitation of Financing Manager. The 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 Facilitation of Financing 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 work appropriately and proactively to revitalize the local economies and streamline regional financing by making 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) In addition, 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.
(4) 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, and to this end, the Bank's policy will be to not require proprietor guarantee as a general rule.
(5) 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.
(6) 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.
(7) 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 2023)

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:	https://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:	133
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:	https://www.sihd-bk.jp
Share Capital:	¥61.3 billion
Deposits:	¥5.6159 trillion
Loans:	¥4.7863 trillion
Number of Branches:	139
Number of Employees:	2,107
Credit Ratings:	A(Japan Credit Rating Agency, Ltd.)

International Network

Suzhou Representative Office:

399 East Baodai Road,
Wuzhong District, Suzhou,
Jiangsu, China

Phone: 86-(0)512-6585-1791
Facsimile : 86-(0)512-6585-2312

Ho Chi Minh City Representative Office:

7th Floor, Sun Wah Tower,
115 Nguyen Hue Boulevard,
District 1, Ho Chi Minh City,
Vietnam

Phone: 84-(0)28-3821-3295
Facsimile : 84-(0)28-3821-3298

Senshu Ikeda Tokai Tokyo Securities Co.,Ltd.

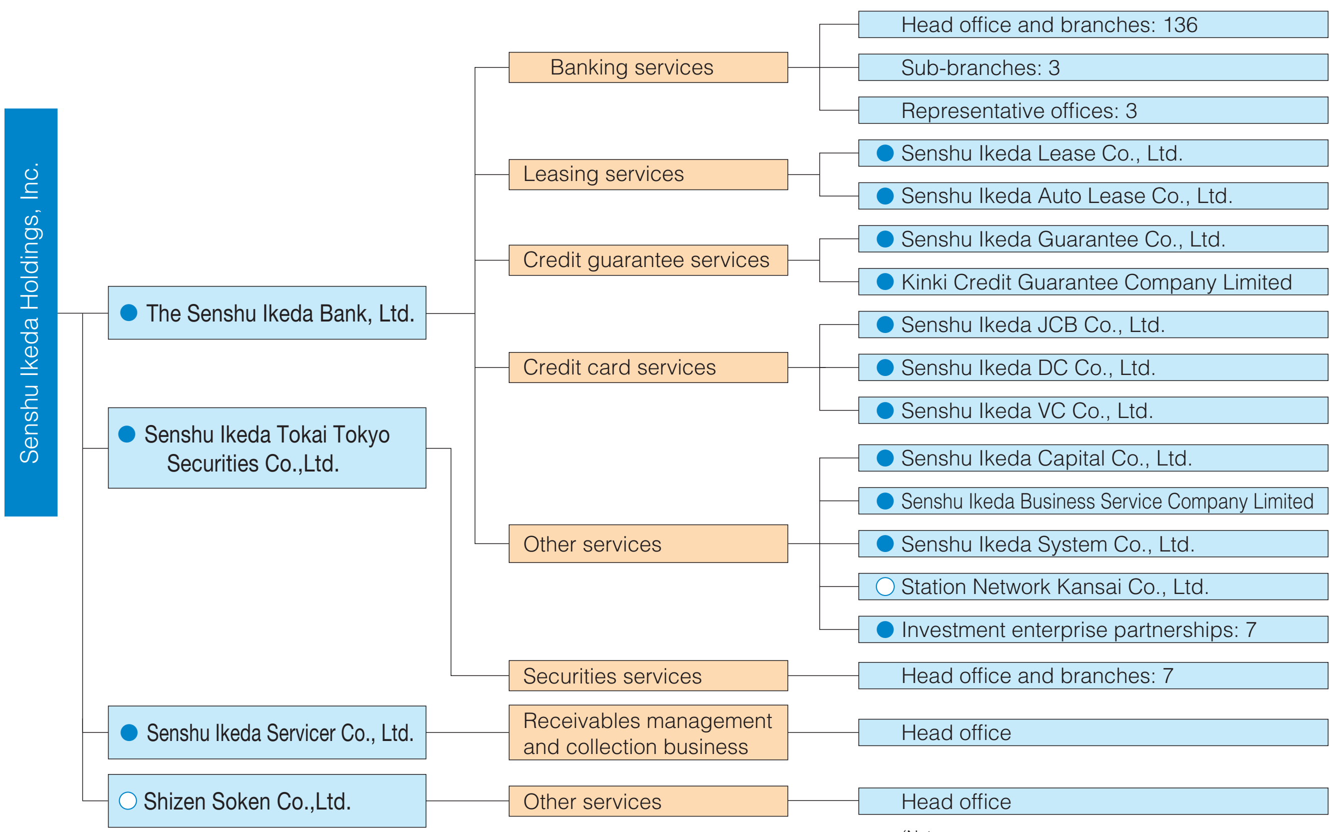
Establishment:	January 30, 2013
Location:	3-2-1 Toyosaki, Kita-ku, Osaka-City, Osaka 530-0013, Japan
Phone:	81-(0)6-6485-0031
URL:	https://www.sittsec.co.jp
Share Capital:	¥1.25 billion
Assets Under Management:	¥183.1 billion
Number of Branches:	7
Number of Employees:	126

Major Shareholders (As of March 31, 2023)

Name	Number of Shares Owned (Thousands)	Proportion of Total Shares (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	31,621	11.27
Custody Bank of Japan, Ltd. (Trust Account)	29,814	10.63
The Senshu Ikeda Bank Employees' Shareholders Association	13,897	4.95
MUFG Bank, Ltd.	5,934	2.11
ITAMI SANGYO CO., LTD.	3,692	1.31
JP MORGAN CHASE BANK 385781 (Standing proxy: Settlement & Clearing Service Division, Mizuho Bank, Ltd.)	3,239	1.15
Custody Bank of Japan, Ltd. (Trust Account 4G)	2,904	1.03
STATE STREET BANK AND TRUST COMPANY 505223 (Standing proxy: Settlement & Clearing Service Division, Mizuho Bank, Ltd.)	2,828	1.00
Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	2,505	0.89
MSCO CUSTOMER SECURITIES (Standing proxy: Morgan Stanley MUFG Securities Co., Ltd.)	2,487	0.88

Business Description of the Group

Organizational Chart of the Group (As of the end of June, 2023)



(Note:
● indicates consolidated subsidiaries and
○ indicates equity-method affiliates)

(Note) Senshu Ikeda Investment Management Co., Ltd. and SI Mirai Fund No. 1 Investment Limited Partnership, which were consolidated subsidiaries, were excluded from the scope of consolidation as their liquidation was completed in December 2022 and March 2023, respectively.
On May 30, 2023, the Company established the Kansai Innovation Network No. 2 Investment Limited Partnership, which will be a consolidated subsidiary.

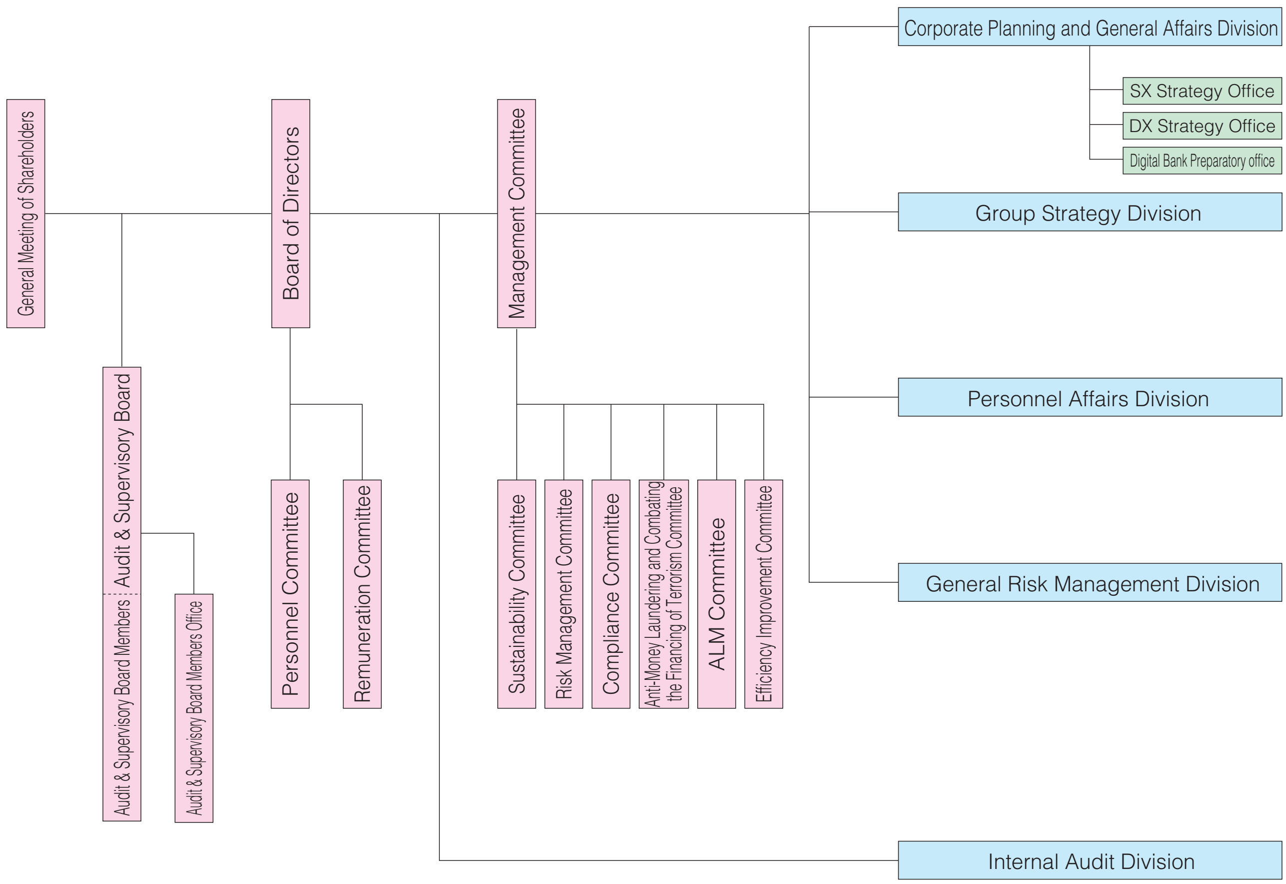
Subsidiaries and Affiliates (As of the end of June, 2023)

	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	–
Subsidiaries	Senshu Ikeda Tokai Tokyo Securities Co.,Ltd.	3-2-1, Toyosaki, Kita-ku, Osaka-city	Securities services	January 30, 2013	1,250	60.00	–
Subsidiaries	Senshu Ikeda Servicer Co., Ltd.	3-1-22, Toyosaki, Kita-ku, Osaka-city	Receivables management and collection business	April 15, 2022	500	100.00	–
Subsidiaries	Senshu Ikeda Lease Co., Ltd.	4-5-36, Miyahara, Yodogawa-ku, Osaka-city	Leasing services	April 1, 1986	50	–	100.00
Subsidiaries	Senshu Ikeda Auto Lease Co.,Ltd.	4-5-36, Miyahara, Yodogawa-ku, Osaka-city	Leasing services	July 10, 1996	80	–	95.00
Subsidiaries	Senshu Ikeda Guarantee Co., Ltd.	3-1-22, Toyosaki, Kita-ku, Osaka-city	Credit guarantee services	July 20, 1973	180	–	100.00
Subsidiaries	Kinki Credit Guarantee Company Limited	3-1-22, Toyosaki, Kita-ku, Osaka-city	Credit guarantee services	April 1, 1975	100	–	100.00
Subsidiaries	Senshu Ikeda JCB Co., Ltd.	3-2-1, Toyosaki, Kita-ku, Osaka-city	Credit card services	February 1, 1983	60	–	100.00
Subsidiaries	Senshu Ikeda DC Co., Ltd.	3-2-1, Toyosaki, Kita-ku, Osaka-city	Credit card services	September 5, 1990	30	–	100.00
Subsidiaries	Senshu Ikeda VC Co., Ltd.	3-2-1, Toyosaki, Kita-ku, Osaka-city	Credit card services	November 2, 1990	40	–	100.00
Subsidiaries	Senshu Ikeda Capital Co., Ltd.	18-14, Chayamachi, Kita-ku, Osaka-city	Investment services	March 6, 1989	90	–	100.00
Subsidiaries	Senshu Ikeda Business Service Company Limited	18-14, Chayamachi, Kita-ku, Osaka-city	Back-office administration	April 1, 1983	30	–	100.00
Subsidiaries	Senshu Ikeda System Co., Ltd.	18-14, Chayamachi, Kita-ku, Osaka-city	Computer software development and sale services	June 10, 1985	50	–	100.00
Affiliates	Shizen Soken Co., Ltd.	2-1-11, Jonan, Ikeda-city	Information offering services	November 1, 1996	80	27.50	–
Affiliates	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, 2023)



■ Board of Directors (As of June 27, 2023)

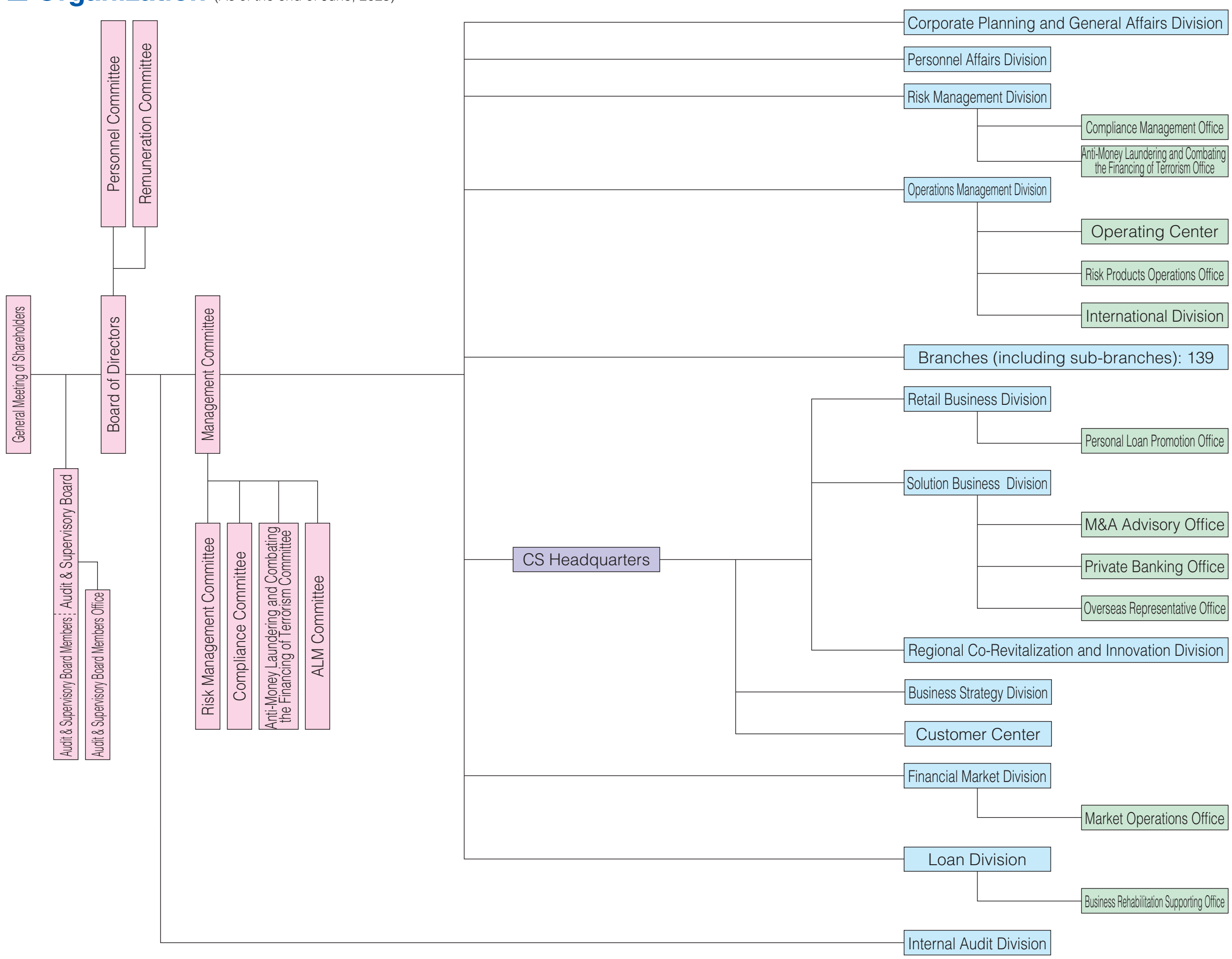
Representative Director and Chairman	Takayuki Ota
Representative Director, President and CEO	Atsushi Ukawa
Director & Senior Managing Executive Officer	Toshiyuki Wada
Director & Senior Managing Executive Officer	Hirohito Sakaguchi
Director & Senior Managing Executive Officer	Osamu Tsukagoshi
Director (Outside)	Minoru Furukawa
Director (Outside)	Takao Koyama
Director (Outside)	Atsuko Ogasawara
Director (Outside)	Yoshihiro Nakagawa
Audit & Supervisory Board Member (Full-time)	Satoshi Kitagawa
Audit & Supervisory Board Member (Full-time)	Hiroo Maeno
Audit & Supervisory Board Member (Outside)	Seiji Morinobu
Audit & Supervisory Board Member (Outside)	Kouhei Nakanishi

■ Executive Officers (As of June 27, 2023)

Senior Managing Executive Officer	Yasuki Hosomi
Senior Managing Executive Officer	Shinji Inoue
Managing Executive Officer	Takayoshi Fujiwara
Managing Executive Officer	Tsutomu Irie
Managing Executive Officer	Kyoko Matsushita
Managing Executive Officer	Tomoyuki Shinohara
Executive Officer	Atsushi Otsuka
Executive Officer	Ryoichi Iimuro
Executive Officer	Kengo Hounoki
Executive Officer	Akira Ishikawa
Executive Officer	Kazuo Nagai
Executive Officer	Yoshinori Narita

The Senshu Ikeda Bank

Organization (As of the end of June, 2023)



Board of Directors (As of June 27, 2023)

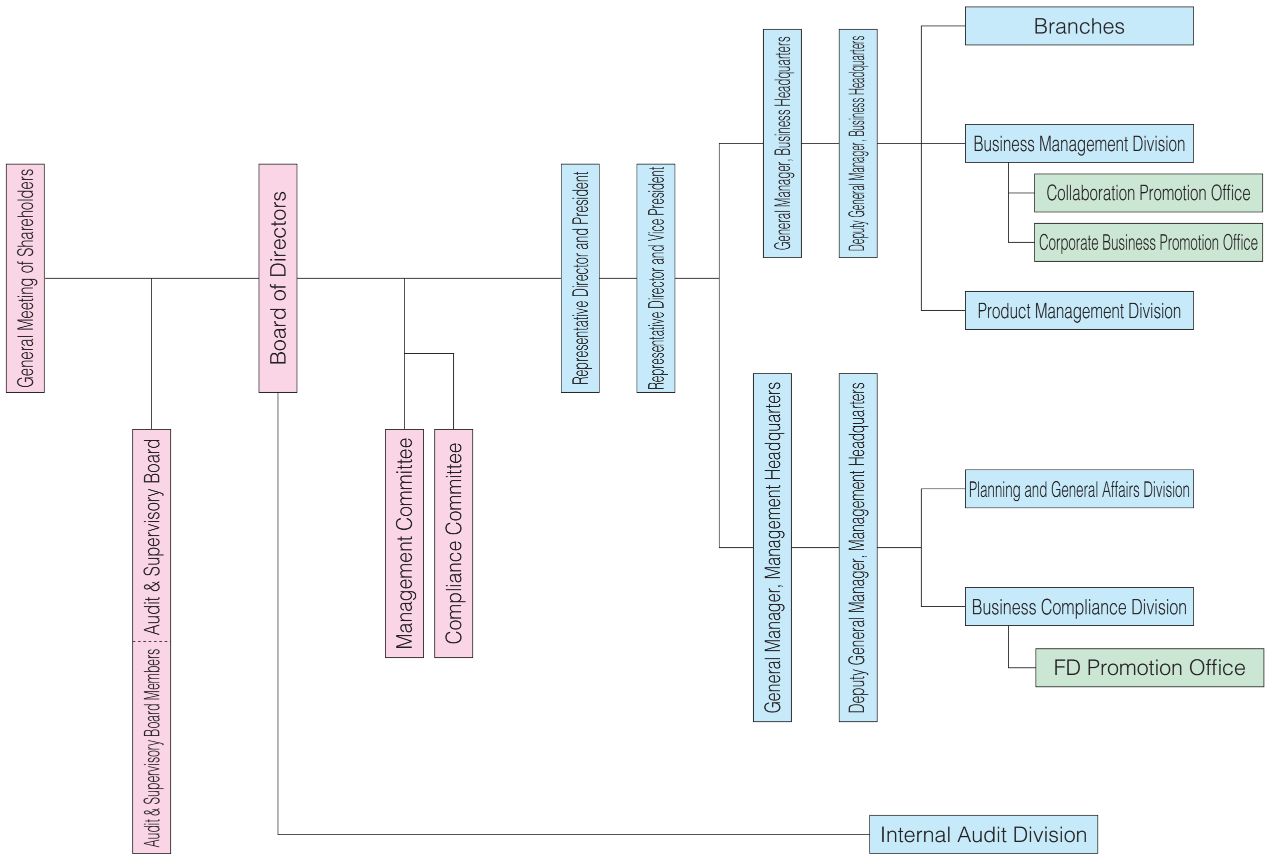
Position	Name
Representative Director and Chairman	Takayuki Ota
Representative Director, President and CEO	Atsushi Ukawa
Director & Senior Managing Executive Officer	Toshiyuki Wada
Director & Senior Managing Executive Officer	Hirohito Sakaguchi
Director & Senior Managing Executive Officer	Osamu Tsukagoshi
Director & Managing Executive Officer	Takayoshi Fujiwara
Director & Managing Executive Officer	Tsutomu Irie
Non-executive Director (Non-full-time)	Minoru Furukawa
Non-executive Director (Non-full-time)	Takao Koyama
Non-executive Director (Non-full-time)	Atsuko Ogasawara
Non-executive Director (Non-full-time)	Yoshihiro Nakagawa
Audit & Supervisory Board Member (Full-time)	Osamu Horiuchi
Audit & Supervisory Board Member (Full-time)	Katsumi Hiramatsu
Audit & Supervisory Board Member (Outside)	Ken-ichi Yoshimoto
Audit & Supervisory Board Member (Outside)	Kazuyuki Tanaka

Executive Officers (As of June 27, 2023)

Position	Name
Senior Managing Executive Officer	Koji Miyata
Senior Managing Executive Officer	Akira Harada
Managing Executive Officer	Kyoko Matsushita
Managing Executive Officer	Shin-ichi Kojima
Managing Executive Officer	Tomoyuki Shinohara
Executive Officer	Atsushi Otsuka
Executive Officer	Hiromu Koujiya
Executive Officer	Yoshi Yamamoto
Executive Officer	Ryoichi Iimuro
Executive Officer	Masahide Inui
Executive Officer	Yasuji Kanbayashi
Executive Officer	Takahiro Doki
Executive Officer	Masayoshi Onishi
Executive Officer	Tsuyoshi Kotani
Executive Officer	Akira Nishikawa
Executive Officer	Kengo Hounoki
Executive Officer	Yasushi Yamanaka
Executive Officer	Akira Ishikawa
Executive Officer	Kazuo Nagai
Executive Officer	Yoshinori Narita
Executive Officer	Tetsuo Yamamoto

Senshu Ikeda Tokai Tokyo Securities

Organization (As of the end of June, 2023)



Board of Directors (As of June 27, 2023)

Representative Director and President	Motoshi Inoue	Audit & Supervisory Board Member (Full-time)	Ken-ichi Hanadate
Representative Director and Vice President	Nozomu Kudou	Audit & Supervisory Board Member (Outside)	Osamu Horiuchi
Senior Managing Director	Muneharu Kurita	Audit & Supervisory Board Member (Outside)	Yasuhiko Ozawa

Executive Officers (As of June 27, 2023)

Managing Executive Officer	Toshiyuki Inoue	Executive Officer	Shigeki Kawamura
Managing Executive Officer	Masaomi Umezawa	Executive Officer	Shinji Nakatani

Consolidated Financial Information of Senshu Ikeda Holdings

Consolidated Balance Sheets

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries
As of March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Assets			
Cash and due from banks (Notes 26 and 32)	¥ 821,649	¥ 1,723,186	$ 6,153,291
Call loans and bills bought (Note 32)	7,692	368	57,605
Monetary claims bought (Note 32)	–	49	–
Money held in trust (Notes 6 and 32)	15,010	24,521	112,409
Securities (Notes 5, 7, 12, 19, 32 and 33)	486,984	648,256	3,647,000
Loans and bills discounted (Notes 8, 31, 32 and 33)	4,737,192	4,503,834	35,476,611
Foreign exchange assets (Notes 9 and 32)	5,856	7,506	43,855
Other assets (Notes 10 and 12)	82,428	76,322	617,299
Tangible fixed assets (Note 11)	35,857	36,452	268,531
Intangible fixed assets	3,837	4,165	28,735
Net defined benefit assets (Note 17)	23,928	23,402	179,195
Deferred tax assets (Note 28)	4,044	3,778	30,285
Customers' liabilities for acceptances and guarantees	6,317	7,437	47,307
Reserve for possible loan losses	(11,301)	(14,865)	(84,632)
Total assets	¥ 6,219,501	¥ 7,044,417	$ 46,577,555
Liabilities and net assets			
Liabilities			
Deposits (Notes 12, 13 and 32)	¥ 5,579,250	¥ 5,557,248	$ 41,782,745
Payables under securities lending transactions (Notes 12 and 32)	4,371	84,792	32,734
Borrowed money (Notes 12, 14, 32 and 33)	338,899	1,082,890	2,537,998
Foreign exchange liabilities (Notes 15 and 32)	314	302	2,351
Borrowed money from trust account	1,660	513	12,431
Other liabilities (Notes 12 and 16)	56,374	55,870	422,182
Provision for employees' bonuses	1,724	2,504	12,910
Provision for directors' bonuses	85	90	636
Net defined benefit liability (Note 17)	144	141	1,078
Accrued retirement benefits for directors and audit & supervisory board members	4	4	29
Reserve for reimbursement of deposits	209	286	1,565
Reserve for point services	–	64	–
Reserve for contingent losses	1,154	1,160	8,642
Reserve under special laws	13	11	97
Deferred tax liabilities (Note 28)	276	237	2,066
Acceptances and guarantees (Note 20)	6,317	7,437	47,307
Total liabilities	5,990,803	6,793,557	44,864,846
Net assets			
Shareholders' equity (Note 20):			
Capital stock	102,999	102,999	771,354
Capital surplus	16,899	42,108	126,555
Retained earnings	95,294	89,320	713,652
Treasury stock	(135)	(145)	(1,011)
Total shareholders' equity	215,057	234,283	1,610,551
Accumulated other comprehensive income:			
Net unrealized gain (loss) on available-for-sale securities (Note 7)	5,558	7,607	41,623
Net unrealized gain (loss) on deferred hedges (Note 33)	45	(24)	337
Remeasurements of defined benefit plans	5,754	6,468	43,091
Total accumulated other comprehensive income	11,358	14,051	85,059
Stock subscription rights (Note 20)	116	86	868
Non-controlling interests	2,164	2,438	16,206
Total net assets	228,697	250,860	1,712,701
Total liabilities and net assets	¥ 6,219,501	¥ 7,044,417	$ 46,577,555

See accompanying notes to consolidated financial statements

Consolidated Statements of Operations

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries
For the years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Income			
Interest income:			
Interest on loans and bills discounted (Note 31)	¥ 39,246	¥ 39,784	$ 293,911
Interest and dividends on securities	5,817	2,906	43,563
Other interest income	1,397	2,619	10,462
Trust fees	26	11	194
Fees and commissions	24,245	21,211	181,569
Other ordinary income (Note 21)	3,625	2,253	27,147
Reversal of provision for possible loan losses	3,229	500	24,181
Recoveries of written-off claims	474	868	3,549
Gain on sales or disposal of fixed assets	1	89	7
Other income (Note 22)	13,920	13,858	104,246
Total income	91,985	84,102	688,871
Expenses			
Interest expenses:			
Interest on deposits	638	902	4,777
Interest on borrowings and rediscounts	35	39	262
Other interest expenses	1,018	72	7,623
Fees and commissions	8,301	7,195	62,165
Other ordinary expenses (Note 23)	11,632	2,120	87,111
General and administrative expenses	43,940	46,155	329,064
Loss on sales or disposal of fixed assets	70	109	524
Loss on impairment of fixed assets	161	177	1,205
Other expenses (Note 24)	14,500	13,491	108,589
Total expenses	80,297	70,263	601,340
Income before income taxes	11,688	13,839	87,530
Income taxes (Note 28)			
Current	1,164	1,640	8,717
Deferred	1,264	622	9,466
Total income taxes	2,429	2,262	18,190
Profit	9,258	11,576	69,332
Profit attributable to non-controlling interests	(244)	176	(1,827)
Profit attributable to owners of the parent	¥ 9,502	¥ 11,400	$ 71,160

See accompanying notes to consolidated financial statements

Consolidated Statements of Comprehensive Income

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries
For the years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Profit	¥ 9,258	¥ 11,576	$ 69,332
Other comprehensive income (Note 29)			
Net unrealized gain (loss) on available-for-sale securities	(2,049)	(3,136)	(15,344)
Net unrealized gain (loss) on deferred hedges	70	108	524
Remeasurements of defined benefit plans	(713)	(1,421)	(5,339)
Total other comprehensive income	(2,692)	(4,449)	(20,160)
Comprehensive income	¥ 6,565	¥ 7,127	$ 49,164
Total comprehensive income attributable to:			
Owners of the parent	6,810	6,950	50,999
Non-controlling interests	(244)	176	(1,827)

Consolidated Statements of Changes in Net Assets

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries
Year Ended March 31, 2023

	Millions of Yen										
						Accumulated other comprehensive income					
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	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	Total net assets
BALANCE, April 1, 2021	**102,999**	**42,107**	**81,087**	**(163)**	**226,030**	**10,744**	**(133)**	**7,889**	**76**	**2,434**	**247,042**
Cumulative effect of change in accounting policy	–	–	(315)	–	(315)	–	–	–	–	(0)	(315)
Balance at the beginning of current period which reflects the change in accounting policy	102,999	42,107	80,772	(163)	225,715	10,744	(133)	7,889	76	2,434	246,727
Cash dividends			(2,851)		(2,851)						(2,851)
Profit attributable to owners of the parent			11,400		11,400						11,400
Acquisition of treasury stock				(0)	(0)						(0)
Disposal of treasury stock		1		18	19						19
Net changes in items other than shareholders' equity					–	(3,136)	108	(1,421)	10	4	(4,435)
Total changes during the period	–	1	8,548	17	8,567	(3,136)	108	(1,421)	10	4	4,132
BALANCE, March 31, 2022	**102,999**	**42,108**	**89,320**	**(145)**	**234,283**	**7,607**	**(24)**	**6,468**	**86**	**2,438**	**250,860**
Purchase of shares of consolidated subsidiaries		6			6						6
Cash dividends			(3,528)		(3,528)						(3,528)
Profit attributable to owners of the parent			9,502		9,502						9,502
Acquisition of treasury stock				(25,216)	(25,216)						(25,216)
Disposal of treasury stock		(0)		10	9						9
Retirement of treasury stock		(25,215)		25,215	–						–
Net changes in items other than shareholders' equity					–	(2,049)	70	(713)	29	(273)	(2,937)
Total changes during the period	–	(25,209)	5,974	10	(19,225)	(2,049)	70	(713)	29	(273)	(22,162)
BALANCE, March 31, 2023	**102,999**	**16,899**	**95,294**	**(135)**	**215,057**	**5,558**	**45**	**5,754**	**116**	**2,164**	**228,697**

	Thousands of U.S. Dollars (Note 1)										
						Accumulated other comprehensive income					
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	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	Total net assets
BALANCE, April 1, 2022	**771,354**	**315,344**	**668,913**	**(1,085)**	**1,754,534**	**56,968**	**(179)**	**48,438**	**644**	**18,258**	**1,878,678**
Purchase of shares of consolidated subsidiaries		44			44						44
Cash dividends			(26,421)		(26,421)						(26,421)
Profit attributable to owners of the parent			71,160		71,160						71,160
Acquisition of treasury stock				(188,841)	(188,841)						(188,841)
Disposal of treasury stock		(0)		74	67						67
Retirement of treasury stock		(188,833)		188,833	–						–
Net changes in items other than shareholders' equity					–	(15,344)	524	(5,339)	217	(2,044)	(21,995)
Total changes during the period	–	(188,789)	44,739	74	(143,975)	(15,344)	524	(5,339)	217	(2,044)	(165,970)
BALANCE, March 31, 2023	**771,354**	**126,555**	**713,652**	**(1,011)**	**1,610,551**	**41,623**	**337**	**43,091**	**868**	**16,206**	**1,712,701**

See notes to consolidated financial statements

Consolidated Statements of Cash Flows

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries
For the years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Cash flows from operating activities			
Income before income taxes	**¥ 11,688**	¥ 13,839	**$ 87,530**
Depreciation	**4,743**	4,650	**35,520**
Loss on impairment of fixed assets	**161**	177	**1,205**
Amortization of goodwill	**–**	27	**–**
(Earnings) losses from investments under the equity method	**(17)**	1	**(127)**
Increase (decrease) in reserve for possible loan losses	**(3,564)**	(1,033)	**(26,690)**
Increase (decrease) in accrued bonuses	**(779)**	848	**(5,833)**
Increase (decrease) in provision for directors' bonuses	**(5)**	90	**(37)**
Decrease (increase) in net defined benefit asset	**(188)**	(331)	**(1,407)**
Increase (decrease) in net defined benefit liability	**2**	(4)	**14**
Increase (decrease) in reserve for reimbursement of deposits	**(76)**	(105)	**(569)**
Increase (decrease) in reserve for point services	**(64)**	6	**(479)**
Increase (decrease) in reserve for contingent losses	**(6)**	(10)	**(44)**
Interest income	**(46,461)**	(45,310)	**(347,944)**
Interest expenses	**1,691**	1,013	**12,663**
(Gain) loss on securities	**9,901**	1,372	**74,148**
(Gain) loss on money held in trust	**(12)**	65	**(89)**
(Gain) loss on foreign exchange	**(13,591)**	(6,634)	**(101,782)**
(Gain) loss on sales or disposal of fixed assets, net	**58**	(70)	**434**
Net (increase) decrease in loans and bills discounted	**(233,358)**	(212,303)	**(1,747,607)**
Net increase (decrease) in deposits	**22,001**	148,403	**164,764**
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	**(743,990)**	109,665	**(5,571,706)**
Net (increase) decrease in due from banks (excluding due from the Bank of Japan)	**4,416**	542	**33,071**
Net (increase) decrease in call loans and bills bought and others	**(7,274)**	9,076	**(54,474)**
Net increase (decrease) in payables under securities lending transactions	**(80,420)**	74,468	**(602,261)**
Net (increase) decrease in foreign exchange (assets)	**1,650**	(2,445)	**12,356**
Net increase (decrease) in foreign exchange (liabilities)	**11**	(185)	**82**
Net increase (decrease) in borrowed money from trust account	**1,147**	513	**8,589**
Interest received	**47,179**	45,471	**353,321**
Interest paid	**(1,843)**	(1,072)	**(13,802)**
Other	**(4,986)**	(1,569)	**(37,339)**
Subtotal	**(1,031,986)**	139,157	**(7,728,495)**
Income taxes paid	**(2,145)**	(352)	**(16,063)**
Net cash provided by (used in) operating activities	**¥ (1,034,131)**	¥ 138,804	**$ (7,744,559)**

Consolidated Statements of Cash Flows

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries
For the years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Cash flows from investing activities			
Purchases of securities	**¥ (96,890)**	¥ (304,026)	**$ (725,604)**
Proceeds from sales of securities	**188,957**	123,123	**1,415,090**
Proceeds from maturity of securities	**68,025**	105,531	**509,436**
Increase in money held in trust	**–**	(4,500)	**–**
Decrease in money held in trust	**9,500**	–	**71,145**
Purchases of tangible fixed assets	**(2,857)**	(2,850)	**(21,395)**
Purchases of intangible fixed assets	**(1,076)**	(1,041)	**(8,058)**
Proceeds from sales of tangible fixed assets	**1**	229	**7**
Net cash provided by (used in) investing activities	**165,660**	(83,534)	**1,240,620**
Cash flows from financing activities			
Cash dividends paid	**(3,528)**	(2,851)	**(26,421)**
Cash dividends paid for non-controlling shareholders	**(18)**	(172)	**(134)**
Purchases of treasury stock	**(25,216)**	**(0)**	**(188,841)**
Proceeds from disposition of treasury stock	**9**	19	**67**
Net cash provided by (used in) financing activities	**(28,753)**	(3,004)	**(215,329)**
Effect of exchange rate changes on cash and cash equivalents	**104**	22	**778**
Net increase (decrease) in cash and cash equivalents	**(897,120)**	52,287	**(6,718,490)**
Cash and cash equivalents at beginning of period	**1,712,443**	1,660,156	**12,824,406**
Cash and cash equivalents at end of period (Note 26)	**¥ 815,323**	¥ 1,712,443	**$ 6,105,916**

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, 2023 and 2022

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 ¥133.53 = U.S.$1.00, the exchange rate prevailing on March 31, 2023. 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 its 19 (20 in 2022) 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 Investment Management Co., Ltd. and SI Mirai Fund No.1 Investment Enterprise Limited Partnership, all of which were consolidated subsidiaries of the Company in the fiscal year ended March 31, 2022 were excluded from the scope of consolidation from the fiscal year ended March 31, 2023, due to completion of their liquidation procedures.
Senshu Ikeda Servicer Co., Ltd. has been included in the scope of consolidation from the fiscal year ended March 31, 2023 as a result of contribution by the Company.

The company has applied the equity method to its investments in 2 affiliates for the years ended March 31, 2023 and 2022, 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 6 subsidiaries is December 31. Appropriate adjustments have been made for significant intervening transactions occurring during the period from December 31 to March 31.

3. Significant Accounting Policies

(1) 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. Available-for-sale securities whose fair values are available 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. Non-marketable equity securities 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.
However, for consolidated subsidiaries engaged in banking business, regarding the effect of exchange rate changes on bonds among available-for-sale securities denominated in foreign currencies, the effect on changes in the market prices of foreign currencies is treated as unrealized gain (loss), and other differences are treated as gain (loss) on foreign exchange.

(2) 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.

(3) Derivatives
Derivatives are stated at fair value.

(4) Tangible fixed assets

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

Buildings··················· 3 to 50 years
Other························· 2 to 20 years

(5) 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 Group and its consolidated subsidiaries.

(6) 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 projected and provided primarily at the amount of estimated losses over a subsequent one-year period or three-year period. Estimated losses are calculated using a loss rate based on the average historical loan-loss ratio over a certain period obtained from historical loan losses for a one-year period or three-year period.

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 ¥24,324 million ($182,161 thousand) and ¥24,645 million for the years ended March 31, 2023 and 2022, respectively.

(7) Provision for employees’ bonuses

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

(8) Provision for directors’ bonuses

Provision for directors’ bonuses is calculated based on an estimated payment amount for directors, which is attributable to the fiscal year, in order to prepare for the payment of performance-linked compensation to directors, etc.

(9) Accrued retirement benefits for directors and audit & supervisory board members

Accrued retirement benefits for directors and audit & supervisory board members are provided at an amount that would be required if all directors and audit & supervisory board members 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 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.

(12) Reserve under special laws

Reserve under special laws consist of the financial instruments transaction liability reserve of ¥13 million ($97 thousand) as of March 31, 2023, 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.

(13) 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 this fiscal year.
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.

(14) 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.

(15) 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 March 31, 2008.

(16) Revenues and expenses

Revenue from contracts with customers is recognized when control of the promised goods or services is transferred to the customer. The amount of revenue recognized from contracts with customers is calculated based on the amount expected to be received in exchange for goods or services. For point programs operated by other companies in which the Company's consolidated subsidiaries participate, the amount expected to be used in the future is recognized as an amount to be collected on behalf of third parties and deducted from fees and commissions.

(17) Revenue recognition for share dividends

Regarding the revenue recognition for share dividends distributed from other retained earnings (limited to cases of cash dividends), they are recorded as follows in accordance with Paragraph 94 of "Practical Guidelines on Accounting for Financial Instruments" (JICPA Accounting System Committee Report No. 14, July 4, 2019).

(1) Shares with a market price
As of the ex-dividend date of each share (the day after the last trading day with dividend rights), the Group estimates and records accrued dividends receivable based on the previous actual dividend or the published forecast dividend per share.

(2) Shares without a market price
Dividends to be paid within the period normally required after the effective date of a resolution regarding dividends passed at a general meeting of shareholders, a meeting of the board of directors, or other body with decision-making authority of the issuing company are recorded in the fiscal year that includes the date of payment.

(18) 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, 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 Committee Practical Guidelines No. 24, March 17, 2022.

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 Committee Practical Guidelines No. 25, October 8, 2020. 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.

(19) 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.

(20) Application of the group tax sharing system

The Company and some of its consolidated subsidiaries have adopted the group tax sharing system as stipulated in the Corporation Tax Act (Act No. 34 of 1965).

(21) Accounting principles and procedures adopted when the provisions of relevant accounting standards, etc. are unclear

Accounting treatment for gain (loss) on cancellation of investment trusts

Gain (loss) on cancellation and redemption of investment trusts is recorded as “Interest and dividends on securities.” In cases where the total amount of profit distribution, etc. from investment trusts during the period is a loss, the amount is recorded as “Loss on redemption of bonds.”

(22) Significant accounting estimates

1. Valuation of loans and bills discounted

(1) Amount recorded in the consolidated financial statements for this fiscal year.

	Millions of yen		Thousands of U.S.dollars
	2023	2022	**2023**
Reserve for possible loan losses	¥ 11,301	¥ 14,865	$ 84,632
Of which, reserve for possible loan losses considering the impact of COVID-19	¥ -	¥ 2,131	$ -
Of which, reserve for possible loan losses considering the risk of downward shift with respect to substantially interest-free and unsecured loans (hereinafter “zero-zero financing (*)”)	¥ 1,203	¥ –	$ 9,009

(*) “Zero-zero financing” refers to loans provided to business borrowers whose performance deteriorated during COVID-19 pandemic, with substantially no interest (for a certain period), no collateral and reduced or exempted guarantee fees, which allowed the borrowers to defer repayment of the principal of loans for up to five years.

(2) Information for an understanding of the nature of significant accounting estimates for the identified items

(i) Calculation method

Reserve for possible loan losses of the banking subsidiaries is calculated by assessing the borrower classification based on the asset self-assessment standards and using a certain calculation method according to the borrower classification as described in “Notes (Significant Accounting Policies for Preparation of Consolidated Financial Statements), 4. Significant Accounting Policies, (4) Standards for recognition of reserve for possible loan losses. With regard to the borrowers requiring caution except for those requiring special caution (hereinafter “other borrowers requiring caution”), the reserve for possible loan losses is calculated by grouping them into two categories based on their credit ratings (the lower rating classification which mainly consist to borrowers with amended loan terms and the higher rating classification which consist of the remaining borrowers).

In addition, with regard to the borrowers of zero-zero financing with deferred principal repayments whose current borrower classification is either normal of the higher rating classification within" other borrowers requiring caution”, The Senshu Ikeda Bank,Ltd. (the “Bank”) considered the risk of such borrowers to move down to the lower rating classification within “other borrowers requiring caution” upon their request of another deferral of principal repayment and an additional allowance for possible loan losses was recorded at the end of this fiscal year as an adjustment to the expected losses.

In prior years, in light of the sharp deterioration of the economic environment due to the COVID-19 pandemic, the Bank had provided a reserve for possible loan losses based on the “deemed borrower classification” to reflect the risk of future downward shifts in the borrower classification.

However, in this fiscal year, since the pandemic has transitioned to Class 5 and its impact on the economic environment has diminished, the Bank reversed the reserve for possible loan losses which had been recorded based on the “deemed borrower classification”.

(ii) Key assumptions

The key assumption in determining the borrower classification for business loan borrowers with deteriorating business conditions is the “Outlook for future business performance of borrowers”. “Outlook for future business performance of borrowers” is determined based on an individual assessment of each borrower’s ability to earn a profit. While the impact of the COVID-19 pandemic on the economic environment has been diminishing as a result of the easing of relevant regulations, there is uncertainty in the future economic environment which includes, but not limited to, the impact of supply chain disruptions and inflation which was triggered by the Russia’s invasion of Ukraine and depreciation of Japanese yen. These effects are taken into account when determining the borrower classification of individual borrowers.

In addition, in adjusting the expected losses with regard to the borrowers of zero-zero financing with deferred principal repayments whose current borrower classification is either normal or the higher rating classification within “other borrowers requiring caution”, the Bank assume that the same level of downward shifts as in the past in borrower classification or credit rating will continue.

(iii) Impact on the consolidated financial statements for the fiscal year ending March 31, 2024

Changes in the business performance of borrowers and the success or failure of their business strategies could have a significant impact on reserve for possible loan losses stated in the consolidated financial statements for the fiscal year ending March 31, 2024.

2. Recoverability of deferred tax assets

(1) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2023

	Millions of yen		Thousands of U.S.dollars
	2023	2022	**2023**
Deferred tax assets (net)	¥ 4,044	¥ 3,778	$ 30,285
(before offsetting with deferred tax liabilities)	¥ 9,854	¥ 11,550	$ 73,796

(2) Information for an understanding of the nature of significant accounting estimates for the identified items

(i) Calculation method

Deferred tax assets are recognized to the extent that it is possible to reduce the future tax burden due to deductible temporary differences and tax losses carried forward as of March 31, 2023, based on the classification of companies as stipulated by the "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, February 16, 2018).
The Group estimates taxable income before adjusting temporary differences based on future profitability.
In calculating future taxable income before adjusting temporary differences for the banking subsidiary, the earnings plan included in the FY2023 Business Plan is adjusted to reflect earnings stress scenarios that take into account future uncertainties, and tax adjustment items that will arise in the future are added or subtracted.
Since the Group has adopted the group tax sharing system, it estimates the income of all companies applying the group tax sharing system, in accordance with the "Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System" (PITF No.42, August 12, 2021, hereinafter "PITF No. 42").

(ii) Key assumptions

The key assumptions used in estimating the taxable income before adjusting temporary differences of the banking subsidiary for the future period during which estimates can be reasonably made (recoverable period) of five years are as follows.

Net interest income	Assume that the average value during the recoverable period will be 4.3% lower than the actual average of the past five years, taking into account the stress scenario in the earnings plan included in the FY2023 Business Plan
Fees and commissions	Assume that the average value during the recoverable period will be 26.1% lower than the actual average of the past five years, taking into account the stress scenario in the earnings plan included in the FY2023 Business Plan
Credit cost	The average value during the recoverable period is assumed to be 0.1% of the business loan balance for each year

(iii) Impact on the consolidated financial statements for the fiscal year ending March 31, 2024

If the assumptions used in the initial estimates change due to changes in the future economic environment, there may be a significant impact on deferred tax assets stated in the consolidated financial statements for the fiscal year ending March 31, 2024.
If the assumptions for future taxable income before adjusting temporary differences during the recoverable period change as shown below and the schedule for reversal of temporary differences during the recoverable period remains unchanged, the estimated amount of impact (sensitivity) for the fiscal year ended March 31, 2023, will be as follows.

Assumption	Expected change	Impact amount (Sensitivity)
Taxable income before adjusting temporary differences	¥1,000 million decrease each year during the recoverable period	Approx. ¥300 million in reversal of deferred tax assets

(23) Change in accounting policies

Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement
The Group has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021, hereinafter "Fair Value Measurement Guidance") from the beginning of the fiscal year. The Group has decided to apply the new accounting policy prescribed under the Fair Value Measurement Guidance prospectively, in accordance with the transitional treatment prescribed under Paragraph 27-2 of the Fair Value Measurement Guidance. This change will have no impact on the consolidated financial statements.
In accordance with Paragraph 27-3 of the Fair Value Measurement Guidance, the notes regarding investment trusts in the "Financial instruments and related disclosures" note regarding the breakdown by level of the fair value of financial instruments, do not include those for the previous fiscal year.

(24) Change in accounting estimates

(Change in estimating the reserve for possible loan losses)
Historically, the general reserve for possible loan losses of The Senshu Ikeda Bank, Ltd.(the "Bank"), a subsidiary, had been recorded based on the expected losses primarily for the next year or the next three years for the loans grouped in accordance with borrower classification.
However, as the first principal repayments of the zero-zero financing become due, for the borrowers of zero-zero financing with deferred principal repayments whose current borrower classification is either normal or the higher rating classification within "other borrowers requiring caution", it is expected that a certain percentage of the borrowers would move down to the lower rating classification within "other borrowers requiring caution" upon their request of another deferral of principal repayment. As the Bank believed that it was necessary to reflect such risk to the reserve for possible loan losses, the Bank revisited our methodology for the estimate. As at the end of this fiscal year, the Bank completed its analysis and ensured the readiness of relevant data, and it enabled the Bank to calculate the expected losses corresponding to the aforementioned risk.

As a result, the Bank changed the estimation methodology for expected losses whereby the Bank group the historical “other borrowers requiring caution” classification into two categories based on credit ratings (lower rating classification which mainly consist of borrowers with amended loan terms and higher rating classification which consist of the remaining borrowers) in estimating the expected losses.
In addition, with respect to the borrowers of zero-zero financing with deferred principal repayments whose credit risk is expected to increase in the future, the impact of the incremental risk is estimated and recorded as an additional adjustment to the expected losses.
As a result of these changes in the method of estimates, the general reserve for possible loan losses as of the end of this fiscal year increased by ¥877 million ($6,567 thousand), and ordinary income and income before taxes decreased by ¥877 million ($6,567 thousand) respectively for this fiscal year.

(25) Additional information

(Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System)
Starting from this fiscal year, the Company and some of its consolidated subsidiaries have transitioned from the consolidated taxation system to the group tax sharing system. Accordingly, the accounting and disclosure of corporate tax, local corporate tax, and tax effect accounting are in accordance with PITF No. 42.
Furthermore, in accordance with Paragraph 32 (1) of PITF No. 42, the application of PITF No. 42 is considered to have no impact of the change in accounting policy.

4. Trading account securities

There were no valuation gain or loss on trading account securities included in income before income taxes and non-controlling interests at March 31, 2023 and 2022, respectively.

5. Securities

Securities at March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Stocks	¥ 27,882	¥ 27,589	$ 208,807
Bonds:			
Government bonds	43,207	68,167	323,575
Local government bonds	115,278	130,055	863,311
Corporate bonds	198,189	227,449	1,484,228
Other	102,427	194,995	767,071
Total	¥ 486,984	¥ 648,256	$ 3,647,000

Stocks in the above table include investments in affiliates of ¥124 million ($928 thousand) and ¥90 million at March 31, 2023 and 2022, respectively.

The securities loaned under unsecured securities lending transactions are included in Government bonds and Corporate bonds under “Securities” in the amount of ¥40,203 million ($301,078 thousand) and ¥30,942 million at March 31, 2023 and 2022, respectively.

There were no held-to-maturity debt securities at March 31, 2023 and 2022.

There were no held-to-maturity debt securities sold during the years ended March 31, 2023 and 2022.

Available-for-sale securities with fair value at March 31, 2023 and 2022 were as follows:

	Millions of yen	
March 31, 2023	Carrying value	Acquisition cost
Equity securities	¥ 21,962	¥ 10,743
Bonds:		
Government bonds	43,207	43,361
Local government bonds	115,278	116,155
Corporate bonds	198,189	201,384
Subtotal	356,675	360,902
Other	94,835	94,927
Total	¥ 473,473	¥ 466,572

	Millions of yen		
March 31, 2023	Difference	Unrealized gain	Unrealized loss
Equity securities	¥ 11,219	¥ 11,477	¥ (258)
Bonds:			
Government bonds	(154)	13	(167)
Local government bonds	(877)	2	(879)
Corporate bonds	(3,195)	11	(3,206)
Subtotal	(4,226)	27	(4,254)
Other	(92)	4,685	(4,777)
Total	¥ 6,900	¥ 16,190	¥ (9,289)

	Millions of yen	
March 31, 2022	Carrying value	Acquisition cost
Equity securities	¥ 21,731	¥ 13,083
Bonds:		
Government bonds	68,167	68,242
Local government bonds	130,055	130,547
Corporate bonds	227,449	228,221
Subtotal	425,672	427,011
Other	188,797	185,983
Total	¥ 636,200	¥ 626,078

	Millions of yen		
March 31, 2022	Difference	Unrealized gain	Unrealized loss
Equity securities	¥ 8,647	¥ 9,146	¥ (499)
Bonds:			
Government bonds	(75)	54	(129)
Local government bonds	(491)	3	(495)
Corporate bonds	(772)	54	(827)
Subtotal	(1,339)	113	(1,452)
Other	2,813	6,240	(3,426)
Total	¥ 10,121	¥ 15,500	¥ (5,378)

March 31, 2023	Carrying value (Thousands of U.S. dollars)	Acquisition cost (Thousands of U.S. dollars)
Equity securities	$ 164,472	$ 80,453
Bonds:		
Government bonds	323,575	324,728
Local government bonds	863,311	869,879
Corporate bonds	1,484,228	1,508,155
Subtotal	2,671,122	2,702,778
Other	710,214	710,903
Total	$ 3,545,817	$ 3,494,136

March 31, 2023	Difference (Thousands of U.S. dollars)	Unrealized gain	Unrealized loss
Equity securities	$ 84,018	$ 85,950	$ (1,932)
Bonds:			
Government bonds	(1,153)	97	(1,250)
Local government bonds	(6,567)	14	(6,582)
Corporate bonds	(23,927)	82	(24,009)
Subtotal	(31,648)	202	(31,858)
Other	(688)	35,085	(35,774)
Total	$ 51,673	$ 121,246	$ (69,564)

Available-for-sale securities sold during the years ended March 31, 2023 and 2022 were as follows:

2023	Proceeds from sales (Millions of yen)	Gain	Loss
Equity securities	¥ 2,631	¥ 273	¥ (37)
Bonds:			
Government bonds	78,594	–	(3,118)
Local government bonds	–	–	–
Corporate bonds	705	0	(12)
Subtotal	79,300	0	(3,130)
Other	106,644	1,547	(8,502)
Total	¥ 188,575	¥ 1,820	¥ (11,670)

2022	Proceeds from sales (Millions of yen)	Gain	Loss
Equity securities	¥ 830	¥ 373	¥ (25)
Bonds:			
Government bonds	24,725	–	(330)
Local government bonds	–	–	–
Corporate bonds	13,062	1	(21)
Subtotal	37,787	1	(351)
Other	74,600	49	(1,765)
Total	¥ 113,218	¥ 424	¥ (2,143)

2023	Proceeds from sales (Thousands of U.S. dollars)	Gain	Loss
Equity securities	$ 19,703	$ 2,044	$ (277)
Bonds:			
Government bonds	588,586	–	(23,350)
Local government bonds	–	–	–
Corporate bonds	5,279	0	(89)
Subtotal	593,874	0	(23,440)
Other	798,651	11,585	(63,671)
Total	$ 1,412,229	$ 13,629	$ (87,396)

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.

There were no losses on devaluation of securities for the years ended March 31, 2023.

Determining whether the fair value is “significantly declined” is based on the fair value determined by the monthly average market price during one month preceding the balance sheet date 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 determined by the monthly average market price during one month preceding the balance sheet date declined between 30% and 50% of the acquisition cost.

6. Money Held in Trust

Money held in trust at March 31, 2023 and 2022 consisted of the following:

Money held in trust for trading purposes

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Carrying value	¥ 15,010	¥ 24,521	$ 112,409
Valuation gain (loss) included in consolidated statements of income	10	17	74

There were no money held in trust owned for other purposes at March 31, 2023 and 2022.

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

Net unrealized gain (loss) on available-for-sale securities at March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Differences between acquisition cost and fair value:			
Available-for-sale securities	¥ 6,966	¥ 10,224	$ 52,168
Deferred tax liabilities	(1,407)	(2,616)	(10,536)
Differences between acquisition cost and fair value, net of taxes	5,558	7,608	41,623
Amounts corresponding to non-controlling interests	(-)	(0)	(-)
Net unrealized gain (loss) on available-for-sale securities, net of taxes	¥ 5,558	¥ 7,607	$ 41,623

8. Loans and Bills Discounted and Risk Monitored Loans

Loans and bills discounted:
Loans and bills discounted at March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Bills discounted	¥ 7,909	¥ 8,245	$ 59,230
Loans on bills	35,311	37,241	264,442
Loans on deeds	4,464,618	4,243,404	33,435,317
Overdrafts	229,184	214,944	1,716,348
Others	169	-	1,265
Total	¥ 4,737,192	¥ 4,503,834	$ 35,476,611

Discounting of bills is accounted for as finance transactions rather than as purchasing of bills in accordance with the JICPA Industry Committee Practical Guidelines 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 March 31, 2023 and 2022 totaled ¥8,118 million ($60,795 thousand) and ¥8,487 million, respectively.
At March 31, 2023 and 2022, 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 ¥9,705 million ($72,680 thousand) and ¥7,973 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 ¥736,931 million ($5,518,842 thousand) and ¥741,183 million at March 31, 2023 and 2022, respectively, including the contracts whose contractual periods were either less than one year or revocable at any time, in the amount of ¥708,375 million ($5,304,987 thousand) and ¥721,415 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 March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Bankruptcy and quasi-bankrupt claim	¥ 2,536	¥ 2,141	$ 18,991
Doubtful claim	43,031	37,573	322,257
Loans past due for 3 months or more	166	86	1,243
Restructured loans	3,021	4,685	22,624
Total	¥ 48,756	¥ 44,486	$ 365,131

Bankruptcy and quasi-bankrupt claim represent the claim to borrowers who have been declared insolvent, on the grounds of the commencement of bankruptcy or rehabilitation proceedings, filing for the proceedings or other similar legal proceedings.

Doubtful claim represent the claim to borrowers who have not yet failed but their financial and business performances have deteriorated, with a high possibility that the principal and interest on these claim will not to be received.

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 "bankruptcy and quasi-bankrupt claim" or "doubtful claim."

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 March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Due from foreign correspondent banks	¥ 5,428	¥ 6,981	$ 40,650
Foreign bills of exchange bought	192	224	1,437
Foreign bills of exchange receivable	235	300	1,759
Total	¥ 5,856	¥ 7,506	$ 43,855

10. Other Assets

Other assets at March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Investment in leased assets	¥ 22,563	¥ 22,210	$ 168,973
Other receivables	23,356	19,983	174,912
Accrued income	2,836	4,155	21,238
Prepaid expenses	706	725	5,287
Other	32,965	29,248	246,873
Total	¥ 82,428	¥ 76,322	$ 617,299

11. Tangible Fixed Assets

At March 31, 2023 and 2022, accumulated depreciation of tangible fixed assets were ¥57,239 million ($428,660 thousand) and ¥55,459 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 March 31, 2023 and 2022 were ¥371 million ($2,778 thousand) and ¥372 million, respectively.

12. Assets Pledged

Assets pledged as collateral at March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Securities	¥ 283,562	¥ 294,017	$ 2,123,582
Loans	271,939	1,170,517	2,036,538
Other assets	739	912	5,534

The liabilities secured by the above pledged assets at March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Deposits	¥ 3,281	¥ 4,239	$ 24,571
Payables under securities lending transactions	4,371	84,792	32,734
Borrowed money	329,515	1,072,295	2,467,722
Other liabilities	51	45	381

At March 31, 2023 and 2022, guarantee deposits of ¥3,647 million ($27,312 thousand) and ¥3,801 million, collateral money deposited for financial instruments of ¥2,167 million ($16,228 thousand) and ¥392 million and margins for Central Counter Party of ¥20,000 million ($149,779 thousand) and ¥20,000 million were included in “Other assets”, respectively.

13. Deposits

Deposits at March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Current deposits	¥ 245,968	¥ 246,680	$ 1,842,042
Ordinary deposits	3,457,033	3,335,508	25,889,560
Savings deposits	23,847	23,983	178,589
Deposits at notice	12,330	18,128	92,338
Time deposits	1,814,031	1,885,008	13,585,194
Other deposits	26,040	47,940	195,012
Total	¥ 5,579,250	¥ 5,557,248	$ 41,782,745

14. Borrowed Money

Borrowed money at March 31, 2023 and 2022 consisted of borrowings from the Bank of Japan and certain other financial institutions.

The average interest rate applicable to borrowed money at March 31, 2023 and 2022 were 0.00%.

The aggregate annual maturities of borrowed money subsequent to March 31, 2023 were summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2024	¥ 127,524	$ 955,021
2025	65,295	488,991
2026	34,943	261,686
2027	110,926	830,719
2028	209	1,565
Total	¥ 338,899	$ 2,537,998

15. Foreign Exchange Liabilities

Foreign exchange liabilities at March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Foreign bills sold	¥ 94	¥ 168	$ 703
Foreign bills of exchange payable	220	134	1,647
Total	¥ 314	¥ 302	$ 2,351

16. Other Liabilities

Other liabilities at March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Accrued expenses	¥ 2,101	¥ 2,245	$ 15,734
Unearned income	13,733	15,408	102,845
Accrued income taxes	861	1,036	6,447
Other	39,677	37,179	297,139
Total	¥ 56,374	¥ 55,870	$ 422,182

The amounts of lease obligations included in "Other" were ¥4 million ($29 thousand) and ¥7 million at March 31, 2023 and 2022, respectively. The average interest rates on lease obligations at March 31, 2023 with maturity dates on or before and subsequent to March 31, 2024 were 3.00%.The average interest rates on lease obligations at March 31, 2022 with maturity dates on or before and subsequent to March 31, 2023 were 3.00%.

The aggregate annual maturities of lease obligations subsequent to March 31, 2023 were summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2024	¥ 2	$ 14
2025	1	7
2026	1	7
2027	-	-
2028	-	-
2029 and thereafter	-	-
Total	¥ 4	$ 29

17. Retirement Benefit Plans

Outline of the retirement benefit plan adopted by the Group

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
	2023	2022	2023
Retirement benefit obligation at beginning of the year	¥ 36,053	¥ 35,928	$ 269,999
Service cost	1,008	1,009	7,548
Interest cost	138	138	1,033
Actuarial gain or loss incurred during the year	318	490	2,381
Payment of retirement benefits	(1,828)	(1,527)	(13,689)
Other	12	12	89
Retirement benefit obligation at end of the year	¥ 35,702	¥ 36,053	$ 267,370

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Pension plan assets at beginning of the year	¥ 59,313	¥ 59,254	$ 444,192
Expected return on plan assets	1,203	1,149	9,009
Actuarial gain or loss incurred during the year	656	99	4,912
Contributions from employer	125	325	936
Payment of retirement benefits	(1,812)	(1,515)	(13,569)
Pension plan assets at end of the year	¥ 59,486	¥ 59,313	$ 445,487

(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
	2023	2022	2023
Funded retirement benefit obligation	¥ 35,558	¥ 35,911	$ 266,292
Pension plan assets	(59,486)	(59,313)	(445,487)
	(23,928)	(23,402)	(179,195)
Unfunded retirement benefit obligation	144	141	1,078
Net amount of liability and asset on consolidated balance sheets	¥ (23,784)	¥ (23,260)	$ (178,117)

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Net defined benefit liability	¥ 144	¥ 141	$ 1,078
Net defined benefit asset	(23,928)	(23,402)	(179,195)
Net amount of liability and asset on consolidated balance sheets	¥ (23,784)	¥ (23,260)	$ (178,117)

(4) Retirement benefit expenses consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Service cost	¥ 1,008	¥ 1,009	$ 7,548
Interest cost	138	138	1,033
Expected return on plan assets	(1,203)	(1,149)	(9,009)
Amortization of actuarial loss	(1,234)	(1,395)	(9,241)
Amortization of prior service cost	(131)	(262)	(981)
Other	1	2	7
Net periodic retirement benefit expenses for defined benefit pension plans	¥ (1,420)	¥ (1,655)	$ (10,634)

(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
	2023	2022	2023
Prior service cost	¥ (131)	¥ (262)	$ (981)
Actuarial gain or loss	(897)	(1,786)	(6,717)
Total	¥ (1,028)	¥ (2,084)	$ (7,698)

(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
	2023	2022	2023
Unrecognized prior service cost	¥ -	¥ (131)	$ -
Unrecognized actuarial gain or loss	(8,289)	(9,186)	(62,075)
Total	¥ (8,289)	¥ (9,317)	$ (62,075)

(7) Matters related to pension plan assets

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

	2023	2022
Bonds	14%	14%
Stocks	59%	59%
Short-term investment fund including cash and deposits	6%	6%
Life insurance company general accounts	4%	4%
Others	17%	17%
Total	100%	100%

Note:
Total pension plan assets included retirement benefit trust of which securities were contributed for the pension plan, which accounts for 41% and 39% of the total at March 31, 2023 and 2022, 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

	2023	2022
Discount rate	0.00%-0.65%	0.00%-0.65%
Expected rate of return on plan assets	2.5%	2.5%
Expected rate of salary increase	1.73%-3.91%	1.73%-3.88%

18. Asset Retirement Obligations

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

19. 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 ¥23,467 million ($175,743 thousand) and ¥26,019 million at March 31, 2023 and 2022, respectively.

20. 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, first series of seventh-class preferred stock and treasury stock during the years ended March 31, 2023 and 2022 were summarized as follows:

	Number of shares (in thousands)				
Year ended March 31, 2023	1st April, 2022	Increase	Decrease	March 31, 2023	Note
Outstanding shares:					
Common stock	281,008	–	–	281,008	
First series of seventh-class preferred stock	25,000	–	25,000	–	1
Total	306,008	–	25,000	281,008	
Treasury stock:					
Common stock	716	1	50	667	2 and 3
First series of seventh-class preferred stock	–	25,000	25,000	–	4 and 5
Total	716	25,001	25,050	667	

Notes:
1. Decrease in outstanding shares of First series of seventh-class preferred stock (25,000 thousand shares) was due to retirement of treasury stock.
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 (1 thousand shares).
3. Decrease in treasury stock of common stock (50 thousand shares) consisted of transfers due to exercise of stock option (50 thousand shares) .
4. Increase in treasury stock of First series of seventh-class preferred stock (25,000 thousand shares) was due to purchase of treasury stock based on resolution of the Board of Directors.
5. Decrease in treasury stock of First series of seventh-class preferred stock (25,000 thousand shares) was due to retirement of treasury stock based on resolution of the Board of Directors.

	Number of shares (in thousands)				
Year ended March 31, 2022	1st April, 2021	Increase	Decrease	March 31, 2022	Note
Outstanding shares:					
Common stock	281,008	–	–	281,008	
First series of seventh-class preferred stock	25,000	–	–	25,000	
Total	306,008	–	–	306,008	
Treasury stock:					
Common stock	804	1	89	716	1 and 2
Total	804	1	89	716	

Notes:
1. 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 (1 thousand shares).
2. Decrease in treasury stock of common stock (89 thousand shares) consisted of transfers due to exercise of stock option (89 thousand shares) .

(2) Stock subscription rights

The Company resolved to grant stock subscription rights (stock option) to certain directors, executive officers and certain directors and executive officers of its subsidiaries at the Board of Directors' meeting held on, July 27, 2022, July 30, 2021, July 31, 2020, July 30, 2019, July 31, 2018, July 31, 2017, July 27, 2016, July 29, 2015, July 30, 2014, July 31, 2013, August 31, 2012, July 28, 2011 and February 24, 2011.

The balance of stock subscription rights granted for stock option program were ¥116 million ($868 thousand) and ¥86 million at March 31, 2023 and 2022, respectively.

Stock option related expenses for the years ended March 31, 2023 and 2022 amounted to ¥39 million ($292 thousand) and ¥29 million, respectively.

The stock option outstanding at March 31, 2023 was as follows:

Date of resolution	February 24, 2011	July 28, 2011
Persons granted	Directors of the subsidiaries: 22 Executive officers of the subsidiaries: 19	Directors of the subsidiaries: 16 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	March 15, 2011	August 31, 2011
Vesting conditions	To exercise within 10 days after retirement	To exercise within 10 days after retirement
Applicable service period	From March 15, 2011 to the date of retirement	From August 31, 2011 to the date of retirement
Exercise period	From March 16, 2011 to July 31, 2041	From September 1, 2011 to July 31, 2041

Date of resolution	August 31, 2012	July 31, 2013
Persons granted	Directors of the subsidiaries: 10 Executive officers of the subsidiaries: 16	Directors of the subsidiaries: 10 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	October 1, 2012	September 2, 2013
Vesting conditions	To exercise within 10 days after retirement	To exercise within 10 days after retirement
Applicable service period	From October 1, 2012 to the date of retirement	From September 2, 2013 to the date of retirement
Exercise period	From October 2, 2012 to July 31, 2042	From September 3, 2013 to July 31, 2043

Date of resolution	July 30, 2014	July 29, 2015
Persons granted	Directors of the subsidiaries: 10 Executive officers of the subsidiaries: 15	Directors of the subsidiaries: 10 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	August 28, 2014	September 1, 2015
Vesting conditions	To exercise within 10 days after retirement	To exercise within 10 days after retirement
Applicable service period	From August 28, 2014 to the date of retirement	From September 1, 2015 to the date of retirement
Exercise period	From August 29, 2014 to July 31, 2044	From September 2, 2015 to July 31, 2045

Date of resolution	July 27, 2016	July 31, 2017
Persons granted	Directors of the subsidiaries: 8 Executive officers of the subsidiaries: 17	Directors of the subsidiaries: 8 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	August 30, 2016	August 31, 2017
Vesting conditions	To exercise within 10 days after retirement	To exercise within 10 days after retirement
Applicable service period	From August 30, 2016 to the date of retirement	From August 31, 2017 to the date of retirement
Exercise period	From August 31, 2016 to July 31, 2046	From September 1,2017 to July 31, 2047

Date of resolution	July 31, 2018	July 30, 2019
Persons granted	Directors of the subsidiaries: 6 Executive officers of the subsidiaries: 18	Directors of the subsidiaries: 6 Executive officers of the subsidiaries: 18
Number of stock option by type of shares (*)	Common stock: 58,500	Common stock: 117,400
Date of grant	August 30, 2018	August 28, 2019
Vesting conditions	To exercise within 10 days after retirement	To exercise within 10 days after retirement
Applicable service period	From August 30, 2018 to the date of retirement	From the August 28, 2019 to the date for retirement
Exercise period	From August 31, 2018 to July 31, 2048	From the August 29, 2019 to July 31, 2049

Date of resolution	July 31, 2020	July 30, 2021
Persons granted	Directors of the subsidiaries: 7 Executive officers of the subsidiaries: 17	Directors: 4 Executive officers: 7 Directors of the subsidiaries: 7 Executive officers of the subsidiaries: 16
Number of stock option by type of shares (*)	Common stock: 156,300	Common stock: 254,900
Date of grant	August 28, 2020	August 27, 2021
Vesting conditions	To exercise within 10 days after retirement	To exercise within 1 year after retirement
Applicable service period	From the August 28, 2020 to the date for retirement	From the August 27, 2021 to the date for retirement
Exercise period	From the August 31, 2020 to July 31, 2050	From the August 30, 2021 to July 31, 2051

Date of resolution	July 27, 2022
Persons granted	Directors: 5 Executive officers: 6 Directors of the subsidiaries: 7 Executive officers of the subsidiaries: 19
Number of stock option by type of shares (*)	Common stock: 216,800
Date of grant	August 30, 2022
Vesting conditions	To exercise within 1 year after retirement
Applicable service period	From the August 30, 2022 to the date for retirement
Exercise period	From the August 31, 2022 to July 31, 2052

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

The stock option activity is as follows:

Date of resolution	February 24, 2011	July 28, 2011	August 31, 2012	July 31, 2013	July 30, 2014
Non-vested:					
March 31, 2022-Outstanding	1,100	1,240	1,700	3,800	6,800
Granted	–	–	–	–	–
Forfeited	–	–	–	–	–
Vested	–	–	–	–	1,300
March 31, 2023-Outstanding	1,100	1,240	1,700	3,800	5,500
Vested:					
March 31, 2022-Outstanding	–	–	–	–	–
Vested	–	–	–	–	1,300
Exercised	–	–	–	–	1,300
Forfeited	–	–	–	–	–
March 31, 2023-Outstanding	–	–	–	–	–

Date of resolution	July 29, 2015	July 27, 2016	July 31, 2017	July 31, 2018	July 30, 2019
Non-vested:					
March 31, 2022-Outstanding	6,400	21,000	24,800	32,100	65,300
Granted	–	–	–	–	–
Forfeited	–	–	–	–	–
Vested	1,200	3,400	2,800	2,600	5,200
March 31, 2023-Outstanding	5,200	17,600	22,000	29,500	60,100
Vested:					
March 31, 2022-Outstanding	–	–	–	–	–
Vested	1,200	3,400	2,800	2,600	5,200
Exercised	1,200	3,400	2,800	2,600	5,200
Forfeited	–	–	–	–	–
March 31, 2023-Outstanding	–	–	–	–	–

Date of resolution	July 31, 2020	July 30, 2021	July 27, 2022
Non-vested:			
March 31, 2022-Outstanding	121,300	254,900	–
Granted	–	–	218,600
Forfeited	–	–	–
Vested	17,500	16,500	–
March 31, 2023-Outstanding	103,800	238,400	218,600
Vested:			
March 31, 2022-Outstanding	–	–	–
Vested	17,500	16,500	–
Exercised	17,500	16,500	–
Forfeited	–	–	–
March 31, 2023-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 August 1, 2012.

Price information is as follows:

Date of resolution	February 24, 2011	July 28, 2011	August 31, 2012	July 31, 2013	July 30, 2014	July 29, 2015
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average stock price at exercise	¥ –	¥ –	¥ –	¥ –	¥ 198	¥ 198
Fair value price at grant date	¥ 490	¥ 535	¥ 449	¥ 430	¥ 497	¥ 474

Date of resolution	July 27, 2016	July 31, 2017	July 31, 2018	July 30, 2019	July 31, 2020	July 30, 2021	July 27, 2022
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average stock price at exercise	¥ 198	¥ 198	¥ 198	¥ 198	¥ 198	¥ 198	¥ –
Fair value price at grant date	¥ 410	¥ 353	¥ 325	¥ 140	¥ 132	¥ 133	¥ 191

Date of resolution	February 24, 2011	July 28, 2011	August 31, 2012	July 31, 2013	July 30, 2014	July 29, 2015
Exercise price	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Average stock price at exercise	$ –	$ –	$ –	$ –	$ 1.48	$ 1.48
Fair value price at grant date	$ 3.66	$ 4.00	$ 3.66	$ 3.22	$ 3.72	$ 3.54

Date of resolution	July 27, 2016	July 31, 2017	July 31, 2018	July 30, 2019	July 31, 2020	July 30, 2021	July 27, 2022
Exercise price	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Average stock price at exercise	$ 1.48	$ 1.48	$ 1.48	$ 1.48	$ 1.48	$ 1.48	$ –
Fair value price at grant date	$ 3.07	$ 2.64	$ 2.43	$ 1.04	$ 0.98	$ 0.99	$ 1.43

Note:

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

The method for estimating the fair value price of 2022 stock option granted in the year ended March 31, 2023 were as follows:

Measurement method: Black-Scholes model

Major fundamental factors and assumptions used to measure fair value

Date of resolution	July 27,2022
Volatility of stock price *1	30.324%
Estimated remaining outstanding period *2	3.427 years
Estimated dividend *3	4.464%
Interest rate with risk free *4	(0.061%)

*1 Actual stock price during the period (from March 27, 2019 to August 30, 2022) 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 ¥10 ($0.07) of latest annual dividend /¥224 ($1.67) 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.

21. Other Ordinary Income

Other ordinary income for the years ended March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Gain on sales of securities and trading account securities	¥ 2,202	¥ 1,526	$ 16,490
Other	1,422	727	10,649
Total	¥ 3,625	¥ 2,253	$ 27,147

22. Other Income

Other income for the years ended March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Gain on sales of equity securities	¥ 317	¥ 812	$ 2,373
Gain on money held in trust	53	33	396
Other	13,549	13,012	101,467
Total	¥ 13,920	¥ 13,858	$ 104,246

23. Other Ordinary Expenses

Other ordinary expenses for the years ended March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Loss on sales of debt securities	¥ 11,632	¥ 2,117	$ 87,111
Other	-	3	-
Total	¥ 11,632	¥ 2,120	$ 87,111

24. Other Expenses

Other expenses for the years ended March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Write-offs of loans and bills discounted	¥ 1,484	¥ 1,359	$ 11,113
Loss on sales of equity securities	71	26	531
Loss on devaluation of equity securities	64	92	479
Loss on money held in trust	41	98	307
Other	12,839	11,914	96,150
Total	¥ 14,500	¥ 13,491	$ 108,589

Note:
“Other”for the year ended March 31, 2023 and 2022 includes ¥140 million ($1,048 thousand) and ¥8 million of one-time costs associated with branch relocations based on a fundamental review of branch functions at the banking subsidiary, The Senshu Ikeda Bank,Ltd.

25. Dividends

Cash dividends paid during the fiscal year ended March 31, 2023

Resolution by annual shareholders’ meeting on June 28, 2022

			Dividend amount		Dividends per share	
Type of stock	Record date	Effective date	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars
Common stock	March 31, 2022	June 29, 2022	¥ 1,751	$ 13,113	¥ 6.25	$ 0.04
First series of seventh-class preferred stock	March 31, 2022	June 29, 2022	¥ 375	$ 2,808	¥ 15.00	$ 0.11

Resolution by Board of Directors on November 11, 2022

			Dividend amount		Dividends per share	
Type of stock	Record date	Effective date	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars
Common stock	September 30, 2022	December 1, 2022	¥ 1,401	$ 10,492	¥ 5.00	$ 0.03

Cash dividends with record dates falling in the fiscal year ended March 31, 2023 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	March 31, 2023	June 28, 2023

	Dividend amount		Dividends per share	
Types of stock	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars
Common stock	¥ 1,401	$ 10,492	¥ 5.00	$ 0.03

Cash dividends paid during the fiscal year ended March 31, 2022

Resolution by annual shareholders’ meeting on June 23, 2021

			Dividend amount		Dividends per share	
Type of stock	Record date	Effective date	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars
Common stock	March 31, 2021	June 24, 2021	¥ 1,050	$ 8,579	¥ 3.75	$ 0.03
First series of seventh-class preferred stock	March 31, 2021	June 24, 2021	¥ 375	$ 3,063	¥ 15.00	$ 0.12

Resolution by Board of Directors on November 11, 2021

			Dividend amount		Dividends per share	
Type of stock	Record date	Effective date	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars
Common stock	September 30, 2021	December 1, 2021	¥ 1,051	$ 8,587	¥ 3.75	$ 0.03
First series of seventh-class preferred stock	September 30, 2021	December 1, 2021	¥ 375	$ 3,063	¥ 15.00	$ 0.12

Cash dividends with record dates falling in the fiscal year ended March 31, 2022 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	March 31, 2022	June 29, 2022
First series of seventh-class preferred stock	Retained earnings	March 31, 2022	June 29, 2022

	Dividend amount		Dividends per share	
Types of stock	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars
Common stock	¥ 1,751	$ 14,306	¥ 6.25	$ 0.05
First series of seventh-class preferred stock	¥ 375	$ 3,063	¥ 15.00	$ 0.12

26. 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 March 31, 2023 and 2022 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Cash and due from banks	¥ 821,649	¥ 1,723,186	$ 6,153,291
Deposits other than deposits with the Bank of Japan	(6,326)	(10,743)	(47,375)
Cash and cash equivalents	¥ 815,323	¥ 1,712,443	$ 6,105,916

27. 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 March 31, 2023 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2024	¥ 855	$ 6,403
2025 and thereafter	4,781	35,804
Total	¥ 5,636	$ 42,207

28. 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 30.6% for the years ended March 31, 2023 and 2022, respectively.

The tax effect of temporary differences which gave rise to significant portions of the deferred tax assets and liabilities at March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Deferred tax assets:			
Reserve for possible loan losses	¥ 8,660	¥ 9,945	$ 64,854
Tax loss carryforwards	3,545	4,555	26,548
Loss on devaluation of securities	2,787	2,739	20,871
Provision for employees' bonuses	530	769	3,969
Depreciation	503	516	3,766
Impairment loss	105	102	786
Net defined benefit liability	49	48	366
Net unrealized loss on available-for-sale securities	0	122	0
Other	2,883	3,083	21,590
Gross deferred tax assets	19,067	21,883	142,791
Valuation allowance for tax loss carryforwards (Note2)	(590)	(1,805)	(4,418)
Valuation allowance for total deductible temporary differences	(8,623)	(8,527)	(64,577)
Valuation allowance subtotal(Note1)	(9,213)	(10,333)	(68,995)
Total deferred tax assets	9,854	11,550	73,796
Deferred tax liabilities:			
Net defined benefit asset	(4,447)	(4,442)	(33,303)
Net unrealized gain on available-for-sale securities	(1,449)	(2,721)	(10,851)
Non-taxable accrued dividend income	(91)	(102)	(681)
Stocks returned of retirement benefit trust	–	(647)	–
Other	(98)	(95)	(733)
Total deferred tax liabilities	(6,086)	(8,009)	(45,577)
Net deferred tax assets	¥ 3,767	¥ 3,541	$ 28,210

Notes:
1. Valuation allowance decreased by ¥1,119 million ($8,380 thousand), mainly due to the decrease of valuation allowance for tax loss carryforward.
2. Tax loss carryforwards and deferred tax assets by expiration of carryforward are as follows:

Fiscal year ended March 31, 2023

Millions of yen	One year or less	After one year through two years	After two years through three years	After three years through four years	After four years through five years	After five years	Total
Tax loss carryforwards (*1)	–	2,364	–	35	–	1,145	3,545
Valuation allowance	–	(368)	–	–	–	(221)	(590)
Deferred tax assets	–	1,996	–	35	–	923	(*2)2,955

Thousands of U.S. dollars	One year or less	After one year through two years	After two years through three years	After three years through four years	After four years through five years	After five years	Total
Tax loss carryforwards (*1)	–	17,703	–	262	–	8,574	26,548
Valuation allowance	–	(2,755)	–	–	–	(1,655)	(4,418)
Deferred tax assets	–	14,947	–	262	–	6,912	(*2)22,129

(*1) Amounts of tax loss carryforwards are multiplied by the statutory tax rate.
(*2) Deferred tax assets of ¥2,955 million ($22,129 thousand) are recorded for tax loss carryforward of ¥3,545 million ($26,548 thousand). This tax loss carryforward is deemed to be recoverable as it is expected that there will be taxable income in the future.

A reconciliation of the statutory tax rate to the effective tax rate for the years ended March 31, 2023 and 2022 were as follows:

	2023	2022
Statutory tax rate	30.6%	30.6%
Permanently non–taxable income	(2.0)	(0.0)
Permanently non–deductible expenses	0.6	0.3
Per capita portion of inhabitants' taxes	0.9	0.7
Valuation allowance	(9.0)	(14.8)
Overdue deductible for losses carried forward	0.6	–
Amortization of goodwill	–	0.0
Consolidation adjustment to gain on sale of shares of consolidated subsidiaries	0.2	–
Tax rate difference with consolidated subsidiaries	0.5	0.6
Tax credit	(0.8)	–
Other	(0.8)	(1.1)
Effective tax rate	20.8%	16.3%

Accounting for corporate and local corporate taxes or accounting of tax effect accounting related to these taxes
Starting from this fiscal year, the Company and some of its consolidated subsidiaries have adopted the group tax sharing system. In addition, the Company and relevant consolidated subsidiaries follow PITF No. 42 for accounting and disclosure of corporate tax, local corporate tax and tax effect accounting.

29. Comprehensive Income

Reclassification adjustments and tax effect amounts of other comprehensive income for the year ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Unrealized gain (loss) on available-for-sale securities:			
Amount for the year	¥ (13,106)	¥ (5,858)	$ (98,150)
Reclassification adjustment	9,848	1,783	73,751
Amount before tax effect	(3,257)	(4,074)	(24,391)
Tax effect amount	1,208	938	9,046
Net unrealized gain (loss) on available-for-sale securities	(2,049)	(3,136)	(15,344)
Unrealized gain (loss) on deferred hedges			
Amount for the year	(56)	73	(419)
Reclassification adjustment	158	82	1,183
Amount before tax effect	101	156	756
Tax effect amount	(31)	(47)	(232)
Net unrealized gain on deferred hedges	70	108	524
Remeasurements of defined benefit plans:			
Amount for the year	337	(391)	2,523
Reclassification adjustment	(1,365)	(1,657)	(10,222)
Amount before tax effect	(1,028)	(2,048)	(7,698)
Tax effect amount	314	626	2,351
Remeasurements of defined benefit plans	(713)	(1,421)	(5,339)
Total other comprehensive income	¥ (2,692)	¥ (4,449)	$ (20,160)

30. Revenue recognition

1. Disaggregation of revenue from contracts with customers
   Revenue recognition for the fiscal years ended March 31, 2023 and 2022 was summarized as follows.

Millions of yen

2023

	Reportable segments			Other (Note 2)	Consolidated financial statement amount
	Banking (Note 1)	Leasing	Total		
Revenue from contracts with customers					
Deposit/loan business	3,146	–	3,146	–	3,146
Exchange business	2,054	–	2,054	–	2,054
Securities-related business	881	–	881	1,214	2,095
Agency business	318	–	318	–	318
Safe custody and safe-deposit box business	459	–	459	–	459
Investment trust and insurance sales business	4,155	–	4,155	–	4,155
Other	1,451	394	1,846	2,379	4,226
Total	12,467	394	12,861	3,594	16,456
Other revenue (Note 3)	61,635	12,863	74,498	1,029	75,528
Total	74,102	13,258	87,360	4,624	91,984

Millions of yen

2022

	Reportable segments			Other (Note 2)	Consolidated financial statement amount
	Banking (Note 1)	Leasing	Total		
Revenue from contracts with customers					
Deposit/loan business	2,962	–	2,962	–	2,962
Exchange business	2,177	–	2,177	–	2,177
Securities-related business	1,365	–	1,365	1,665	3,031
Agency business	306	–	306	–	306
Safe custody and safe-deposit box business	479	–	479	–	479
Investment trust and insurance sales business	4,313	–	4,313	–	4,313
Other	710	366	1,076	2,098	3,175
Total	12,314	366	12,681	3,764	16,445
Other revenue (Note 3)	53,440	11,962	65,403	2,163	67,567
Total	65,755	12,328	78,084	5,928	84,012

Thousands of U.S. dollars

2023

	Reportable segments			Other (Note 2)	Consolidated financial statement amount
	Banking (Note 1)	Leasing	Total		
Revenue from contracts with customers					
Deposit/loan business	23,560	–	23,560	–	23,560
Exchange business	15,382	–	15,382	–	15,382
Securities-related business	6,597	–	6,597	9,091	15,689
Agency business	2,381	–	2,381	–	2,381
Safe custody and safe-deposit box business	3,437	–	3,437	–	3,437
Investment trust and insurance sales business	31,116	–	31,116	–	31,116
Other	10,866	2,950	13,824	17,816	31,648
Total	93,364	2,950	96,315	26,915	123,238
Other revenue (Note 3)	461,581	96,330	557,912	7,706	565,625
Total	554,946	99,288	654,235	34,628	688,863

Notes:
1. "Banking" includes credit guarantee services.
2. "Other" includes business segments which are not included in the reportable segments and comprises credit cards business and securities business.
3. "Other revenue" mainly includes the following transactions.
   a. Transactions related to financial instruments within the scope of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019)
   b. Lease transactions included in the scope of the Accounting Standard for Lease Transactions (ASBJ Statement No. 13, March 30, 2007)
   c. Commission received when structuring or acquiring financial instruments

2. Useful information in understanding revenue from contracts with customers

(1) Timing of recording revenue

Revenue is recognized when control of a promised good or service is transferred to a customer. For cases where performance obligations are satisfied over time, revenue is recognized as the obligations are fulfilled.

(2) Recorded amount of revenue

The recorded amount of revenue is calculated based on the amount expected to be received in exchange for goods or services. Regarding point programs operated by other companies in which consolidated subsidiaries participate, the amount expected to be used in the future is recognized as the amount collected for the benefit of a third party and deducted from fees and commissions.

3. Reconciliation of satisfaction of performance obligations within contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue arising from customers existing at the end of this fiscal year expected to be recognized after the end of this fiscal year.

(1) Beginning and ending balances of receivables, contract assets and contract liabilities from contracts with customers

	Millions of yen	
	2023	
	Beginning of fiscal year (April 1, 2022)	End of fiscal year (March 31, 2023)
Receivables from contracts with customers	626	767
Contract assets	212	218
Contract liabilities	555	455

	Millions of yen	
	2022	
	Beginning of fiscal year (April 1, 2021)	End of fiscal year (March 31, 2022)
Receivables from contracts with customers	799	626
Contract assets	26	212
Contract liabilities	646	555

	Thousands of U.S. dollars	
	2023	
	Beginning of fiscal year (April 1, 2022)	End of fiscal year (March 31, 2023)
Receivables from contracts with customers	4,688	5,744
Contract assets	1,587	1,632
Contract liabilities	4,156	3,407

Notes:
In the balance sheets, receivables and contract assets from contracts with customers are included in “Other assets” and contract liabilities are included in “Other liabilities.”

(2) Revenue recognized during the fiscal year that was included in the contract liabilities balance at the beginning of the year

	Millions of yen
	Fiscal year (From April 1, 2022 to March 31, 2023)
Revenue recognized during the fiscal year that was included in the contract liabilities balance at the beginning of the year	419

	Millions of yen
	Fiscal year (From April 1, 2021 to March 31, 2022)
Revenue recognized during the fiscal year that was included in the contract liabilities balance at the beginning of the year	420

	Thousands of U.S. dollars
	Fiscal year (From April 1, 2022 to March 31, 2023)
Revenue recognized during the fiscal year that was included in the contract liabilities balance at the beginning of the year	3,137

(3) Transaction price allocated to the remaining performance obligations

The total transaction price allocated to the remaining performance obligations and the time frame the Group expects to recognize the amount as revenue are as follows.

	Millions of yen
	Fiscal year (March 31, 2023)
Within one year	375
Over one year	80
Total	455

	Millions of yen
	Fiscal year (March 31, 2022)
Within one year	402
Over one year	152
Total	555

	Thousands of U.S. dollars
	Fiscal year (March 31, 2023)
Within one year	2,808
Over one year	599
Total	3,407

31. Segment Information and Related Information

(1) Segment Information

The Group's reportable segments are determined on the basis that separate financial information for such segments is available and examined periodically by the Board of Directors to make decisions regarding the allocation of management resources and assess the business performances of the segments within the Group. The Group mainly provides banking services and operate other financial services including leasing. The Group sets two reportable segments of banking business and leasing business.

Banking business engages in banking services and credit guarantee services, while leasing business engages in leasing and other services, etc..

(2) Basis of measurement for reported segment profit (loss), segment assets, segment liabilities and other material items

The accounting methods used for reportable business segments are presented in accordance with Note 3,“Significant Accounting Policies”. The reportable segment profit figures are based on operating profit. Income arising from intersegment transactions is based on arm’s length prices.

(3) Information about reportable segment profit (loss), segment assets, segment liabilities and other material items

Segment information for the fiscal years ended March 31, 2023 and 2022 was summarized as follows:

	Millions of yen						
	2023						
	Reportable segments						
	Banking	Leasing	Total	Other	Total	Adjustment	Consolidated
Ordinary income:							
Outside customers	¥ 74,102	¥ 13,258	¥ 87,360	¥ 4,624	¥ 91,984	¥ –	¥ 91,984
Intersegment income	1,568	121	1,689	2,275	3,965	(3,965)	–
Total	75,670	13,379	89,049	6,899	95,949	(3,965)	91,984
Segment profit	12,093	504	12,598	(254)	12,343	(281)	12,061
Segment assets	6,210,021	35,899	6,245,920	28,997	6,274,917	(55,416)	6,219,501
Segment liabilities	5,970,260	33,532	6,003,793	42,427	6,046,220	(55,416)	5,990,803
Others:							
Depreciation	3,381	1,295	4,677	66	4,743	–	4,743
Interest income	46,867	1	46,868	110	46,979	(518)	46,461
Interest expense	1,660	111	1,772	148	1,920	(229)	1,691
Extraordinary gain	32	–	32	–	32	(31)	1
Extraordinary loss	368	1	370	4	374	–	374
Tax expense	2,053	156	2,210	219	2,429	–	2,429
Increase in tangible and intangible fixed assets	2,872	978	3,850	82	3,933	–	3,933

Notes:

1. Ordinary income ("Total income" less extraordinary gain included in "Other income" in the consolidated statements of income) is presented in place of net sales of operating companies of other industry groups.
2. "Other" includes business segments which are not included in the reportable segments and comprises credit cards business and securities business.
3. Adjustments are as below:
   (1) Adjustment of segment profit of negative ¥281 million is the elimination of intersegment transactions.
   (2) Adjustment of segment assets of negative ¥55,416 million is the elimination of intersegment transactions.
   (3) Adjustment of segment liabilities of negative ¥55,416 million is the elimination of intersegment transactions.
   (4) Adjustment of interest income of negative ¥518 million is the elimination of intersegment transactions.
   (5) Adjustment of interest expense of negative ¥229 million is the elimination of intersegment transactions.
   (6) Adjustment of extraordinary gain of negative ¥31 million is the elimination of intersegment transactions.
4. Segment profit is reconciled to ordinary profit, which represents ordinary income less ordinary expenses. Ordinary expenses represent "Total expenses" less extraordinary loss included in "Other expenses" in the consolidated statements of income. Therefore, consolidated segment profit, which shows ordinary profit, is reconciled to "Income before income taxes" through the addition/deduction of extraordinary gain/loss, net.

	Millions of yen						
	2022						
	Reportable segments						
	Banking	Leasing	Total	Other	Total	Adjustment	Consolidated
Ordinary income:							
Outside customers	¥ 65,755	¥ 12,328	¥ 78,084	¥ 5,928	¥ 84,012	¥ –	¥ 84,012
Intersegment income	1,855	173	2,029	2,184	4,213	(4,213)	–
Total	67,611	12,502	80,114	8,112	88,226	(4,213)	84,012
Segment profit	13,139	428	13,568	813	14,381	(334)	14,047
Segment assets	7,012,325	34,385	7,046,711	29,709	7,076,420	(32,003)	7,044,417
Segment liabilities	6,776,087	32,361	6,808,448	17,112	6,825,560	(32,003)	6,793,557
Others:							
Depreciation	3,235	1,343	4,579	71	4,650	–	4,650
Interest income	45,626	48	45,675	76	45,751	(441)	45,310
Interest expense	979	105	1,084	69	1,154	(140)	1,013
Extraordinary gain	114	–	114	–	114	(24)	89
Extraordinary loss	294	0	295	2	298	–	298
Tax expense	2,002	139	2,141	120	2,262	–	2,262
Increase in tangible and intangible fixed assets	2,833	1,033	3,866	25	3,892	–	3,892

Notes:

1. Ordinary income ("Total income" less extraordinary gain included in "Other income" in the consolidated statements of income) is presented in place of net sales of operating companies of other industry groups.
2. "Other" includes business segments which are not included in the reportable segments and comprises credit cards business and securities business.
3. Adjustments are as below:
   (1) Adjustment of segment profit of negative ¥334 million is the elimination of intersegment transactions.
   (2) Adjustment of segment assets of negative ¥32,003 million is the elimination of intersegment transactions.
   (3) Adjustment of segment liabilities of negative ¥32,003 million is the elimination of intersegment transactions.
   (4) Adjustment of interest income of negative ¥441 million is the elimination of intersegment transactions.
   (5) Adjustment of interest expense of negative ¥140 million is the elimination of intersegment transactions.
   (6) Adjustment of extraordinary gain of negative ¥24 million is the elimination of intersegment transactions.
4. Segment profit is reconciled to ordinary profit, which represents ordinary income less ordinary expenses. Ordinary expenses represent "Total expenses" less extraordinary loss included in "Other expenses" in the consolidated statements of income. Therefore, consolidated segment profit, which shows ordinary profit, is reconciled to "Income before income taxes" through the addition/deduction of extraordinary gain/loss, net.

Thousands of U.S. dollars

	2023						
	Reportable segments						
	Banking	Leasing	Total	Other	Total	Adjustment	Consolidated
Ordinary income:							
Outside customers	$ 554,946	$ 99,288	$ 654,235	$ 34,628	$ 688,863	$ –	$ 688,863
Intersegment income	11,742	906	12,648	17,037	29,693	(29,693)	–
Total	566,689	100,194	666,883	51,666	718,557	(29,693)	688,863
Segment profit	90,563	3,774	94,345	(1,902)	92,436	(2,104)	90,324
Segment assets	46,506,560	268,845	46,775,406	217,157	46,992,563	(415,007)	46,577,555
Segment liabilities	44,711,001	251,119	44,962,128	317,733	45,279,862	(415,007)	44,864,846
Others:							
Depreciation	25,320	9,698	35,025	494	35,520	–	35,520
Interest income	350,984	7	350,992	823	351,823	(3,879)	347,944
Interest expense	12,431	831	13,270	1,108	14,378	(1,714)	12,663
Extraordinary gain	239	–	239	–	239	(232)	7
Extraordinary loss	2,755	7	2,770	29	2,800	–	2,800
Tax expense	15,374	1,168	16,550	1,640	18,190	–	18,190
Increase in tangible and intangible fixed assets	21,508	7,324	28,832	614	29,454	–	29,454

Notes:

1. Ordinary income ("Total income" less extraordinary gain included in "Other income" in the consolidated statements of income) is presented in place of net sales of operating companies of other industry groups.
2. "Other" includes business segments which are not included in the reportable segments and comprises credit cards business and securities business.
3. Adjustments are as below:
   (1) Adjustment of segment profit of negative $2,104 thousand is the elimination of intersegment transactions.
   (2) Adjustment of segment assets of negative $415,007 thousand is the elimination of intersegment transactions.
   (3) Adjustment of segment liabilities of negative $415,007 thousand is the elimination of intersegment transactions.
   (4) Adjustment of interest income of negative $3,879 thousand is the elimination of intersegment transactions.
   (5) Adjustment of interest expense of negative $1,714 thousand is the elimination of intersegment transactions.
   (6) Adjustment of extraordinary gain of negative $232 thousand is the elimination of intersegment transactions.
4. Segment profit is reconciled to ordinary profit, which represents ordinary income less ordinary expenses. Ordinary expenses represent "Total expenses" less extraordinary loss included in "Other expenses" in the consolidated statements of income. Therefore, consolidated segment profit, which shows ordinary profit, is reconciled to "Income before income taxes" through the addition/deduction of extraordinary gain/loss, net.

(5) Information on impairment loss on fixed assets for each reportable segment

Millions of yen

	2023			
	Reportable segments			
	Banking	Leasing	Other	Total
Impairment loss	¥ 161	¥ -	¥ -	¥ 161

Millions of yen

	2022			
	Reportable segments			
	Banking	Leasing	Other	Total
Impairment loss	¥ 177	¥ –	¥ –	¥ 177

Thousands of U.S. dollars

	2023			
	Reportable segments			
	Banking	Leasing	Other	Total
Impairment loss	$ 1,205	$ -	$ -	$ 1,205

(6) Information on amortization of goodwill and its remaining balance for each reportable segment

There is no information to be reported on amortization of goodwill and its remaining balance for the year ended March 31, 2023.

Millions of yen

	2022			
	Reportable segments			
	Banking	Leasing	Other	Total
Amortization of goodwill	¥ –	¥ 27	¥ –	¥ 27
Remaining balance	¥ –	¥ –	¥ –	¥ –

(7) Information on gain on negative goodwill for each reportable segment

There is no information to be reported on gain on negative goodwill.

(8) Related information

a. Information about services

For the year ended March 31, 2023

Millions of yen

	Lending	Securities trading and investment	Leasing	Other	Total
Income from external customers	¥ 39,246	¥ 7,770	¥ 13,192	¥ 31,775	¥ 91,984

For the year ended March 31, 2022

Millions of yen

	Lending	Securities trading and investment	Leasing	Other	Total
Income from external customers	¥ 39,784	¥ 3,803	¥ 12,400	¥ 28,025	¥ 84,012

Note:

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

For the year ended March 31, 2023

	Thousands of U.S. dollars				
	Lending	Securities trading and investment	Leasing	Other	Total
Income from external customers	$ 293,911	$ 58,189	$ 98,794	$ 237,961	$ 688,863

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 March 31, 2023 and 2022.

(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 March 31, 2023 and 2022.

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 March 31, 2023 and 2022.

32. 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 Group 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 Group 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 ¥34.5 billion ($258.3 million) for interest rate and ¥6.5 billion ($48.6 million) for stocks at March 31, 2023. The value of market risk as a whole with correlation in consideration was ¥37.3 billion ($279.3 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 includes the value based on the market price as well as the value reasonably calculated when there is no market price. Since certain assumptions are used in calculating the fair value of financial instruments , 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 March 31, 2023 and 2022 are summarized in the following tables:
Shares and other securities without a quoted market price and investments in partnerships are not included in the following table (see Note 1). In addition, cash and due from banks, call loans and bills bought, monetary claims bought, foreign exchange (assets and liabilities), payables under securities lending transactions and borrowed money from trust account are omitted because their fair values approximate their carrying values due to their short maturities.

Millions of yen

March 31, 2023	Carrying value	Fair value	Difference
Money held in trust	¥ 15,010	¥ 15,010	¥ –
Securities:			
Available-for-sale securities(*3)	473,473	473,473	–
Loans and bills discounted	4,737,192		
Reserve for possible loan losses (*1)	(9,841)		
	4,727,351	4,724,068	(3,282)
Total assets	¥5,215,835	¥5,212,552	¥ (3,282)
Deposits	¥5,579,250	¥5,579,213	¥ (37)
Borrowed money	338,899	338,867	(32)
Total liabilities	¥5,918,150	¥5,918,080	¥ (69)
Derivative transactions (*2)			
To which hedge accounting is not applied	¥ 95	¥ 95	¥ –
To which hedge accounting is applied	(1,051)	(1,051)	–
Total derivative transactions	¥ (955)	¥ (955)	¥ –

Millions of yen

March 31, 2022	Carrying value	Fair value	Difference
Money held in trust	¥ 24,521	¥ 24,521	¥ –
Securities:			
Available-for-sale securities	636,200	636,200	–
Loans and bills discounted	4,503,834		
Reserve for possible loan losses (*1)	(13,121)		
	4,490,712	4,493,559	2,846
Total assets	¥5,151,434	¥5,154,280	¥ 2,846
Deposits	¥5,557,248	¥5,557,214	¥ (34)
Borrowed money	1,082,890	1,082,881	(8)
Total liabilities	¥6,640,139	¥6,640,096	¥ (42)
Derivative transactions (*2)			
To which hedge accounting is not applied	¥ (112)	¥ (112)	¥ –
To which hedge accounting is applied	(611)	(611)	–
Total derivative transactions	¥ (724)	¥ (724)	¥ –

Thousands of U.S. dollars

March 31, 2023	Carrying value	Fair value	Difference
Money held in trust	$ 112,409	$ 112,409	$ –
Securities:			
Available-for-sale securities(*3)	3,545,817	3,545,817	–
Loans and bills discounted	35,476,611		
Reserve for possible loan losses (*1)	(73,698)		
	35,402,913	35,378,326	(24,578)
Total assets	$ 39,061,147	$ 39,036,561	$ (24,578)
Deposits	$ 41,782,745	$ 41,782,468	$ (277)
Borrowed money	2,537,998	2,537,759	(239)
Total liabilities	$ 44,320,751	$ 44,320,227	$ (516)
Derivative transactions (*2)			
To which hedge accounting is not applied	$ 711	$ 711	$ –
To which hedge accounting is applied	(7,870)	(7,870)	–
Total derivative transactions	$ (7,151)	$ (7,151)	$ –

(*1) General and specific reserves for loan losses corresponding to loans are deducted.
(*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.
(*3) "Available-for-sale securities" include investment trusts to which the treatment in Paragraph 24-9 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) is applied, where the base price is deemed to be the fair value.

(Note 1) Carrying amounts of shares and other securities without a quoted market price and investments in partnerships recorded in the consolidated balance sheets were as follows. They are not included in "Available-for-sale securities" under "Assets" as part of the fair value information on financial instruments.

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31, 2023	March 31, 2022	March 31, 2023
Unlisted equity securities (*1, 2)	5,801	5,774	43,443
Investments in partnerships(*3)	7,585	6,192	56,803
Total	13,386	11,966	100,247

(*1) Unlisted equity securities are not subject to fair value disclosure, in accordance with Paragraph 5 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020).
(*2) The Group recognized impairment losses on unlisted equity securities in the amount of ¥64 million ($479 thousand) and ¥53 million for the year ended March 31, 2023 and 2022, respectively.
(*3) Investments in partnerships are not subject to fair value disclosure, in accordance with Paragraph 24-16 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021).

(Note 2) Repayment schedule of monetary receivables and securities with contractual maturities

March 31, 2023	Due in one year or less	Due after one year through three years	Due after three years through five years
	Millions of yen		
Due from banks	¥ 760,636	¥ –	¥ –
Call loans and bills bought	7,692	–	–
Securities:	34,181	104,484	74,447
Available-for-sale securities with maturities:	34,181	104,484	74,447
Government bonds	4,300	19,000	10,000
Local government bonds	13,868	44,093	25,880
Corporate bonds	15,834	40,849	33,408
Other	179	542	5,158
Loans and bills discounted (*1, 2)	956,525	690,617	565,485
Foreign exchanges assets	5,856	–	–
Total	¥ 1,764,894	¥ 795,101	¥ 639,932

March 31, 2023	Due after five years through seven years	Due after seven years through ten years	Due after ten years
	Millions of yen		
Due from banks	¥ –	¥ –	¥ –
Call loans and bills bought	–	–	–
Securities:	36,416	73,772	109,800
Available-for-sale securities with maturities:	36,416	73,772	109,800
Government bonds	–	10,000	–
Local government bonds	8,968	23,240	–
Corporate bonds	9,726	6,000	95,554
Other	17,721	34,532	14,245
Loans and bills discounted (*1, 2)	432,044	522,668	1,525,652
Foreign exchanges assets	–	–	–
Total	¥ 468,460	¥ 596,441	¥ 1,635,452

March 31, 2022	Due in one year or less	Due after one year through three years	Due after three years through five years
	Millions of yen		
Due from banks	¥ 1,659,909	¥ –	¥ –
Call loans and bills bought	368	–	–
Monetary claims bought	49	–	–
Securities:	57,823	159,146	75,316
Available-for-sale securities with maturities:	57,823	159,146	75,316
Government bonds	–	13,300	20,000
Local government bonds	14,422	50,361	28,580
Corporate bonds	43,072	43,221	25,583
Other	327	52,264	1,153
Loans and bills discounted (*1, 2)	952,220	664,139	563,504
Foreign exchanges assets	7,506	–	–
Total	¥ 2,677,877	¥ 823,285	¥ 638,821

March 31, 2022	Due after five years through seven years	Due after seven years through ten years	Due after ten years
	Millions of yen		
Due from banks	¥ –	¥ –	¥ –
Call loans and bills bought	–	–	–
Monetary claims bought	–	–	–
Securities:	34,502	115,006	138,981
Available-for-sale securities with maturities:	34,502	115,006	138,981
Government bonds	–	31,100	–
Local government bonds	6,800	30,208	–
Corporate bonds	13,762	8,870	93,590
Other	13,940	44,828	45,390
Loans and bills discounted (*1, 2)	409,540	520,835	1,355,273
Foreign exchanges assets	–	–	–
Total	¥ 444,042	¥ 635,841	¥ 1,494,255

March 31, 2023	Thousands of U.S. dollars Due in one year or less	Due after one year through three years	Due after three years through five years
Due from banks	$ 5,696,367	$ –	$ –
Call loans and bills bought	57,605	–	–
Securities:	255,979	782,475	557,530
Available-for-sale securities with maturities:	255,979	782,475	557,530
Government bonds	32,202	142,290	74,889
Local government bonds	103,856	330,210	193,814
Corporate bonds	118,580	305,916	250,190
Other	1,340	4,059	38,628
Loans and bills discounted (*1, 2)	7,163,371	5,171,998	4,234,891
Foreign exchanges assets	43,855	–	–
Total	$ 13,217,209	$ 5,954,474	$ 4,792,421

March 31, 2023	Thousands of U.S. dollars 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	–	–	–
Securities:	272,717	552,475	822,287
Available-for-sale securities with maturities:	272,717	552,475	822,287
Government bonds	–	74,889	–
Local government bonds	67,160	174,043	–
Corporate bonds	72,837	44,933	715,599
Other	132,711	258,608	106,680
Loans and bills discounted (*1, 2)	3,235,557	3,914,236	11,425,537
Foreign exchanges assets	–	–	–
Total	$ 3,508,275	$ 4,466,719	$ 12,247,824

(*1) Loans and bills discounted do not include ¥44,199 million ($331,004 thousand) and ¥38,321 million of receivables such as those due from bankrupt, effectively bankrupt or likely to become bankrupt borrowers at March 31, 2023 and 2022, 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 3) Repayment schedule of bonds, borrowed money and other interest bearing liabilities.

March 31, 2023	Millions of yen Due in one year or less	Due after one year through three years	Due after three years through five years
Deposits (*1)	¥ 5,374,853	¥ 170,230	¥ 13,574
Payables under securities lending transactions	4,371	–	–
Borrowed money	127,524	100,239	111,136
Total	¥ 5,506,749	¥ 270,470	¥ 124,711

March 31, 2023	Millions of yen Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*1)	¥ 141	¥ 233	¥ –
Payables under securities lending transactions	–	–	–
Borrowed money	–	–	–
Total	¥ 141	¥ 233	¥ –

March 31, 2022	Millions of yen Due in one year or less	Due after one year through three years	Due after three years through five years
Deposits (*1)	¥ 5,338,731	¥ 185,749	¥ 12,444
Payables under securities lending transactions	84,792	–	–
Borrowed money	910,335	137,613	34,941
Total	¥ 6,333,859	¥ 323,362	¥ 47,386

March 31, 2022	Millions of yen Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*1)	¥ 177	¥ 138	¥ –
Payables under securities lending transactions	–	–	–
Borrowed money	–	–	–
Total	¥ 177	¥ 138	¥ –

March 31, 2023	Thousands of U.S. dollars Due in one year or less	Due after one year through three years	Due after three years through five years
Deposits (*1)	$ 40,252,025	$ 1,274,844	$ 101,655
Payables under securities lending transactions	32,734	–	–
Borrowed money	955,021	750,685	832,292
Total	$ 41,239,788	$ 2,025,537	$ 933,954

March 31, 2023	Thousands of U.S. dollars Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*1)	$ 1,055	$ 1,744	$ –
Payables under securities lending transactions	–	–	–
Borrowed money	–	–	–
Total	$ 1,055	$ 1,744	$ –

(*1) Demand deposits were disclosed under "Due in one year or less" of deposits.
Deposits did not include ¥20,216 million ($151,396 thousand) and ¥20,006 million of time deposits beyond maturity at March 31, 2023 and 2022, respectively.

3. The breakdown of fair value of financial instruments by level, etc.

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to determine fair value.

Level 1: Fair value determined based on quoted market prices for assets or liabilities for which such fair value is calculated that are formed in an active market, among the inputs for the determination of observable fair value
Level 2: Fair value determined using inputs related to observable fair value other than Level 1 inputs
Level 3: Fair value determined using unobservable inputs for fair value calculations

When multiple inputs that have a significant impact on the determination of fair value are used, fair value is classified as the level with the lowest priority in the determination of fair value among the levels to which each of those inputs belongs.

(1) Financial instruments recorded at fair value in the consolidated balance sheets

Millions of yen

Category	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Money held in trust	11,502	3,508	–	15,010
Securities				
Available-for-sale securities				
Government bonds, local government bonds, etc.	43,207	115,278	–	158,486
Corporate bonds	–	174,758	23,430	198,189
Shares	21,962	–	–	21,962
Foreign securities	5,439	–	–	5,439
Investments trusts	1,292	63,838	–	65,130
Derivative transactions				
Currency-related	–	2,868	–	2,868
Total assets	83,404	360,252	23,430	467,087
Derivative transactions				
Currency-related	–	3,824	–	3,824
Total liabilities	–	3,824	–	3,824

Millions of yen

Category	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Money held in trust	20,700	2,190	–	22,890
Securities				
Available-for-sale securities				
Government bonds, local government bonds, etc.	68,167	130,055	–	198,223
Corporate bonds	–	201,443	26,005	227,449
Shares	21,731	–	–	21,731
Foreign securities	55,021	33,841	–	88,863
Derivative transactions				
Currency-related	–	1,128	–	1,128
Total assets	165,620	368,659	26,005	560,285
Derivative transactions				
Currency-related	–	1,852	–	1,852
Total liabilities	–	1,852	–	1,852

(*) Investment trusts to which the transitional treatment prescribed in Paragraph 26 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019) is applied are not included in the table above. Carrying amounts of such investment trusts included in money held in trust and included in securities in the consolidated balance sheets were ¥1,631 million ($12,214 thousand) and ¥99,933 million ($748,393 thousand), respectively.

Thousands of U.S. dollars

Category	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Money held in trust	86,137	26,271	–	112,409
Securities				
Available-for-sale securities				
Government bonds, local government bonds, etc.	323,575	863,311	–	1,186,894
Corporate bonds	–	1,308,754	175,466	1,484,228
Shares	164,472	–	–	164,472
Foreign securities	40,732	–	–	40,732
Investments trust	9,675	478,079	–	487,755
Derivative transactions				
Currency-related	–	21,478	–	21,478
Total assets	624,608	2,697,910	175,466	3,497,992
Derivative transactions				
Currency-related	–	28,637	–	28,637
Total liabilities	–	28,637	–	28,637

(*1) "Securities" do not include investment trusts to which the treatment in Paragraph 24-9 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) is applied, where the base price is deemed to be the fair value. The amount recorded on the consolidated balance sheet of investment trusts to which the treatment in Paragraph 24-9 has been applied is ¥24,264 million($181,711 thousand)
(*2) Reconciliation of the beginning balance to the end balance of investment trusts, etc. to which the treatment in Paragraph 24-9 has been applied

Millions of yen

Beginning balance	Profit or loss or other comprehensive income for the year		Purchases, sales, issuances, and settlements	The amount by which the base price of the investment trust was deemed to be the fair value	The amount by which the base price of the investment trust was not deemed to be the fair value	End balance	Valuation gain or loss of investment trusts held at the consolidated balance sheet date of the amount recorded in profit or loss for the year (*1)
	Recorded in profit or loss (*1)	Recorded in other comprehensive income (*2)					
26,087	823	(1,134)	(1,512)	-	-	24,264	-

Thousands of U.S. dollars

Beginning balance	Profit or loss or other comprehensive income for the year		Purchases, sales, issuances, and settlements	The amount by which the base price of the investment trust was deemed to be the fair value	The amount by which the base price of the investment trust was not deemed to be the fair value	End balance	Valuation gain or loss of investment trusts held at the consolidated balance sheet date of the amount recorded in profit or loss for the year (*1)
	Recorded in profit or loss (*1)	Recorded in other comprehensive income (*2)					
195,364	6,163	(8,492)	(11,323)	-	-	(181,711)	-

(*1) Included in “Other ordinary income” in the consolidated statements of income.
(*2) Included in “Net unrealized gain (loss) on available-for-sale securities” under “Other comprehensive income” in the consolidated statements of comprehensive income.

(2) Financial instruments other than those recorded at fair value in the consolidated balance sheets

Millions of yen

Category	2023 Fair value Level 1	Level 2	Level 3	Total
Loans and bills discounted	–	123,265	4,600,803	4,724,068
Total assets	–	123,265	4,600,803	4,724,068
Deposits	–	5,579,213	–	5,579,213
Borrowed money	–	334,150	4,716	338,867
Total liabilities	–	5,913,363	4,716	5,918,080

Millions of yen

Category	2022 Fair value Level 1	Level 2	Level 3	Total
Loans and bills discounted	–	14,556	4,479,002	4,493,559
Total assets	–	14,556	4,479,002	4,493,559
Deposits	–	5,557,214	–	5,557,214
Borrowed money	–	1,077,232	5,648	1,082,881
Total liabilities	–	6,634,447	5,648	6,640,096

Thousands of U.S. dollars

Category	2023 Fair value Level 1	Level 2	Level 3	Total
Loans and bills discounted	–	923,125	34,455,201	35,378,326
Total assets	–	923,125	34,455,201	35,378,326
Deposits	–	41,782,468	–	41,782,468
Borrowed money	–	2,502,433	35,317	2,537,759
Total liabilities	–	44,284,902	35,317	44,320,227

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

Assets:

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. The fair value of securities for which unadjusted quoted market prices in active markets are available is classified as Level 1, that for which the impact of unobservable inputs is significant is classified as Level 3, and that for which the impact of unobservable inputs is not significant is classified as Level 2.
Note that information on money held in trust by holding purposes is presented under the “Money Held in Trust” section.

Securities
The fair value of securities for which unadjusted quoted market prices in active markets can be used is classified as Level 1. Such securities mainly include listed equity securities and government bonds.
If the market is not active even when published market prices are used, the fair value is classified as Level 2. Such securities mainly include local government bonds and corporate bonds.
In addition, for investment trusts for which there is no market transaction price, if there are no significant restrictions that would require market participants to compensate for the risk of redemption or requrchase requests, the fair value is classified as Level2.
When quoted market prices are not available, fair value is determined using such valuation methods as the method for discounted present value of future cash flows. The valuation makes maximum use of observable inputs, which include credit spreads and expected loss ratios. When significant unobservable inputs are used in the determination, the fair value is classified as Level 3.

Loans and bills discounted
The fair value of loans 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 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. 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 recorded on the consolidated balance sheets at the closing date, 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. Such fair value is classified as Level 3.
The fair value of loans with embedded derivative is determined using quoted the prices provided by counterparty financial institutions, etc. Such fair value is classified as Level 2.

Liabilities:

Deposits
The amount payable on demand as of the consolidated balance sheet date is presented as 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 (one year or less) is presented as the fair value since the fair value approximates the carrying value. Such fair value is classified as Level 2.

Borrowed money
The present value of borrowed money is determined by discounting the aggregated value of principal and interest of such borrowings, grouped by certain maturity lengths, by the interest rate assumed for similar borrowings. 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, and also the creditworthiness of the consolidated subsidiaries has not significantly changed since the borrowed money was originated and accordingly fair value approximates the carrying value. The carrying value of borrowed money with short contractual terms (one year or less) is presented as fair value since the fair value approximates the carrying value. Fair value for which the impact of unobservable inputs is significant is classified as Level 3, and that for which the impact of unobservable inputs is not significant is classified as Level 2.

Derivative transactions:

The fair value of derivative transactions for which unadjusted quoted market prices in active markets can be used is classified as Level 1. These transactions mainly include bond futures and interest rate futures transactions.
However, since most derivatives transactions are over-the-counter transactions and there are no published quoted market prices, fair value is determined using such valuation methods as discounted present value or the Black-Scholes model, depending on the type of transaction and the maturity length. The main inputs used in those valuation methods include interest rates, exchange rates, and volatility. If unobservable inputs are not used or their impact is not significant, the fair value is classified as Level 2. Such transactions include plain vanilla interest rate swap transactions and foreign exchange forward contracts. If significant unobservable inputs are used, the fair value is classified as Level 3. Such transactions include stock options transactions.

(Note 2) Information on the fair value of Level 3 for financial instruments recorded in the consolidated balance sheets at fair value

(1) Quantitative information on significant unobservable inputs

March 31, 2023

Category	Valuation methods	Significant unobservable inputs	Scope of inputs	Weighted average of inputs
Securities				
Available-for-sale securities				
Private placement bonds	Discounted cash flow method	Credit spreads	(0.271%) to 0.169%	0.079%
	Cash flow deduction method	Expected loss ratios	100%	100%

March 31, 2022

Category	Valuation methods	Significant unobservable inputs	Scope of inputs	Weighted average of inputs
Securities				
Available-for-sale securities				
Private placement bonds	Discounted cash flow method	Credit spreads	0.064% to 0.257%	0.162%
	Cash flow deduction method	Expected loss ratios	100%	100%

(2) Reconciliation of the beginning balance to the end balance and valuation gain or loss recognized in profit or loss for the year

Millions of yen

2023

	Beginning balance	Profit or loss or other comprehensive income for the year: Recorded in profit or loss(*1)	Recorded in other comprehensive income(*2)	Purchases, sales, issuances, and settlements	Transfer into Level 3	Transfer out of Level 3	End balance	Valuation gain or loss of financial assets and financial liabilities held at the consolidated balance sheet date of the amount recorded in profit or loss for the year
Securities								
Available-for-sale securities								
Private placement bonds	26,005	(0)	(3)	(2,571)	-	-	23,430	-

Millions of yen

2022

	Beginning balance	Profit or loss or other comprehensive income for the year: Recorded in profit or loss(*1)	Recorded in other comprehensive income(*2)	Purchases, sales, issuances, and settlements	Transfer into Level 3	Transfer out of Level 3	End balance	Valuation gain or loss of financial assets and financial liabilities held at the consolidated balance sheet date of the amount recorded in profit or loss for the year
Securities								
Available-for-sale securities								
Private placement bonds	26,823	(0)	(41)	(775)	–	–	26,005	–

Thousands of U.S. dollars

2023

	Beginning balance	Profit or loss or other comprehensive income for the year: Recorded in profit or loss(*1)	Recorded in other comprehensive income(*2)	Purchases, sales, issuances, and settlements	Transfer into Level 3	Transfer out of Level 3	End balance	Valuation gain or loss of financial assets and financial liabilities held at the consolidated balance sheet date of the amount recorded in profit or loss for the year
Securities								
Available-for-sale securities								
Private placement bonds	194,750	(0)	(22)	(19,254)	-	-	175,466	-

(*1) Included in "Other ordinary income" and "Other ordinary expenses" in the consolidated statements of income.
(*2) Included in "Net unrealized gain (loss) on available-for-sale securities" under "Other comprehensive income" in the consolidated statements of comprehensive income.

(3) A description of valuation processes used for fair value measurements

At consolidated subsidiaries, the risk control department establishes policies and procedures for measuring fair value, and the back office measures fair value accordingly. The middle office verifies whether the fair value obtained is measured by using valid valuation methods and inputs as well as whether they are classified into an appropriate level of the fair value hierarchy in order to ensure that the policies and procedures for measuring fair value are appropriate.
In measuring fair value, the Group uses a valuation model that most appropriately reflects the nature, characteristics and risks of each asset. In addition, when using quoted prices obtained from third parties, the Group verifies whether the prices are valid by using appropriate methods, such as confirming the valuation methods and inputs used and comparing them with the fair value of similar financial instruments.

(4) A description of the effect on the fair value of changes in significant unobservable inputs

Significant unobservable inputs used in measuring the fair value of private placement bonds are credit spreads and expected loss ratios. Credit spread is the difference between the weighted average interest rate of the newly executed rate for each credit rating and the market interest rate, and it is an estimated value calculated based on the results within six months from the settlement date. Significant increases (decreases) in this input would result in a significantly lower (higher) fair value measurement. Expected loss ratio is the ratio of the loss expected to occur in the event of bankruptcy to the amount of bonds or loans minus the amount expected to be recoverable through the valuation of collateral and guarantees. Significant increases (decreases) in this input would result in a significantly lower (higher) fair value measurement.

33. 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 are as follows. Note that contract amounts do not represent the market risk exposure of derivative transactions.

(1) Currency related derivatives at March 31, 2023 and 2022

	Millions of yen			
	Contract amount /notional principal			
March 31, 2023	Total	Over one year	Fair value	Valuation gain (loss)
Over-the-counter transactions:				
Currency swaps	¥ 42,336	¥ 36,396	¥ 51	¥ 51
Forward foreign exchange contracts:				
Selling	6,994	-	30	30
Buying	3,442	-	13	13
Currency options:				
Selling	52,338	37,346	(2,388)	(105)
Buying	52,338	37,346	2,388	629
Total	–	–	¥ 95	¥ 619

	Millions of yen			
	Contract amount /notional principal			
March 31, 2022	Total	Over one year	Fair value	Valuation gain (loss)
Over-the-counter transactions:				
Currency swaps	¥ 50,347	¥ 29,127	¥ 47	¥ 47
Forward foreign exchange contracts:				
Selling	4,784	5	(272)	(272)
Buying	2,517	–	112	112
Currency options:				
Selling	18,317	11,710	(626)	247
Buying	18,317	11,710	626	(71)
Total	–	–	¥ (112)	¥ 63

	Thousands of U.S. dollars			
	Contract amount /notional principal			
March 31, 2023	Total	Over one year	Fair value	Valuation gain (loss)
Over-the-counter transactions:				
Currency swaps	$ 317,052	$ 272,567	$ 381	$ 381
Forward foreign exchange contracts:				
Selling	52,377	-	224	224
Buying	25,776	-	97	97
Currency options:				
Selling	391,956	279,682	(17,883)	(786)
Buying	391,956	279,682	17,883	4,710
Total	–	–	$ 711	$ 4,635

Note:
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. 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 are as follows. Note that contract amount or notional principal does not represent the market risk exposure of derivative transactions

Currency related derivatives at March 31, 2023 and 2022

March 31, 2023			Millions of yen		
			Contract amount /notional principal		
Hedge accounting method	Transaction type	Major hedged item	Total	Over one year	Fair value
Deferral hedge accounting	Currency swaps	Loans denominated in foreign currencies	¥ 6,409	¥ 5,074	¥ (1,051)
	Forward foreign exchange contracts	–	–	–	–
Total			–	–	¥ (1,051)

March 31, 2022			Millions of yen		
			Contract amount /notional principal		
Hedge accounting method	Transaction type	Major hedged item	Total	Over one year	Fair value
Deferral hedge accounting	Currency swaps	Loans denominated in foreign currencies	¥ 5,874	¥ 5,874	¥ (611)
	Forward foreign exchange contracts	–	–	–	–
Total			–	–	¥ (611)

March 31, 2023			Thousands of U.S. dollars		
			Contract amount /notional principal		
Hedge accounting method	Transaction type	Major hedged item	Total	Over one year	Fair value
Deferral hedge accounting	Currency swaps	Loans denominated in foreign currencies	$ 47,996	$ 37,998	$ (7,870)
	Forward foreign exchange contracts	–	–	–	–
Total			–	–	$ (7,870)

Derivatives in the table above are mainly accounted for hedge accounting (deferral hedge accounting) in accordance with JICPA Industry Committee Practical Guidelines No.25 “Accounting and Auditing Treatment Relating to the Adoption of the Accounting Standard for Foreign Currency Transactions for Banks.”

34. Amounts per Share

Amounts per share at March 31, 2023 and 2022 and for the years then ended were summarized as follows:

	Yen		U.S. dollars
	2023	2022	**2023**
Net assets	¥ 807.64	¥ 795.45	$ 6.04
Net income:			
Basic	33.89	37.99	0.25
Diluted	32.05	34.07	0.24
Cash dividends			
Common stock	¥ 10	¥ 10	$ 0.07
First series of seventh-class preferred stock	¥ -	¥ 30	$ -

Net assets per share as of March 31, 2023 and 2022 were computed based on the following information:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Total net assets	¥ 228,697	¥ 250,860	$ 1,712,701
Payment for first series of seventh-class preferred stock	(-)	(25,000)	(-)
Dividends for first series of seventh-class preferred stock	(-)	(375)	(-)
Stock subscription rights	(116)	(86)	(868)
Non-controlling interests	(2,164)	(2,438)	(16,206)
Amounts to be deducted from total net assets	(2,281)	(27,900)	(17,082)
Net assets attributable to common stock as of March 31, 2023 and 2022	¥ 226,416	¥ 222,959	$ 1,695,618
Number of shares of common stock as of March 31, 2023 and 2022 used to compute net asset per share (Unit: thousand shares)	280,341	280,292	

Net income per share for the years ended March 31, 2023 and 2022 were computed based on the following information:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Net income attributable to owners of the parent for the year	¥ 9,502	¥ 11,400	$ 71,160
Dividends for first series of seventh-class preferred stock based on the resolution by Board of Directors	(-)	(375)	(-)
Dividends for first series of seventh-class preferred stock based on the resolution at the regular general shareholders' meeting	(-)	(375)	(-)
Amounts not attributed to common stock share	(-)	(750)	(-)
Net income attributable to owners of the parent attributable to common stock	¥ 9,502	¥ 10,650	$ 71,160
Average outstanding number of shares of common stock (Unit: thousand shares)	280,329	280,272	
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	-
Dividends for first series of seventh-class preferred stock based on the resolution at the regular general shareholders' meeting	-	375	-
Adjustment to net income attributable to owners of the parent	¥ -	¥ 750	$ -
Number of increased common stock (Unit: thousand shares)	16,096	54,299	
Of which, stock subscription rights	596	420	
Of which, for first series of seventh-class preferred stock	15,499	53,879	
Summary of potential shares excluded from the calculation of diluted net income per share due to their anti-dilutive effect (Unit: thousand shares)	-	-	

Note:

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

Independent Auditor's Report

The Board of Directors
Senshu Ikeda Holdings, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Senshu Ikeda Holdings, Inc. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31,2023, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

(1) Determination of borrower classification, which serves as the basis for assessing the reserve for possible loan losses for business loan borrowers who are preparing business improvement plans, and (2) change in estimate related to the method for calculating estimated losses	
Description of Key Audit Matter	**Auditor's Response**
The Group is engaged in the lending business mainly through The Senshu Ikeda Bank, Ltd. As at March 31, 2023, outstanding loans on the consolidated balance sheet were ¥4,737,192 million which included ¥1,799,664 million for business loans to small and medium enterprises and ¥1,913,579 million for housing loans. These loans represent a significant portion of the Group's consolidated total assets amounting to ¥6,219,501 million.	We mainly performed the following audit procedures for The Senshu Ikeda Bank, Ltd. to assess the determination of borrower classification, which serves as the basis for assessing the reserve for possible loan losses for business loan borrowers who are preparing business improvement plans as well as the timeliness and appropriateness of the change in estimates related to the method of calculating estimated losses:

The credit risk of loans is affected by factors such as economic trends, borrowers' business conditions and fluctuations in the real estate market and in stock prices. To manage such credit risk, the Group recognized a reserve for possible loan losses of ¥11,301 million in the consolidated financial statements as at March 31, 2023. The details of the applicable accounting policies for the reserve for possible loan losses are described in Note 3 Significant Accounting Policies, (6) Reserve for possible loan losses, and the details of the estimation of the reserve for possible loan losses are described in Note 3 Significant Accounting Policies, (22) Significant accounting estimates, 1. Valuation of loans and bills discounted. (1) Determination of borrower classification, which serves as the basis for assessing the reserve for possible loan losses for business loan borrowers who are preparing business improvement plans The reserve for possible loan losses is recognized in accordance with the prescribed policies for self-assessment of asset quality, write-offs and allowances. The calculation process includes the determination of the borrower classification, which is assessed according to the relevant borrower's ability to repay loans. In addition to the repayment status, their financial position, business performance, future prospects thereof, and the like are important factors in determining the borrower classification for business loan borrowers. The reasonableness and feasibility of business improvement plans are particularly important in determining the borrower classification for business loan borrowers whose repayment status, financial position or business performance is deteriorating and who are preparing business improvement plans that include assumptions about the outlook for future performance of business loan borrowers.	(1) Determination of the borrower classification, which serves as the basis for assessing the reserve for possible loan losses for business loan borrowers who are preparing business improvement plans ・ We evaluated the internal controls for determining borrower classification. The controls tested included but were not limited to controls for ensuring the reliability of the information used in determining the borrower classification and controls involving the underlying credit rating data of the borrower. ・ In selecting samples, we took into account the following: - The quantitative impact of changes in borrower classification on the amount recorded in the reserve for possible loan losses - The industries that are susceptible to the impact of COVID-19 - The degree of deterioration in the repayment status, financial position or the business performance of business loan borrowers - The involvement of the Business Rehabilitation Supporting Office within the Loan Division ・ For the selected samples, we performed the following procedures to obtain an understanding of the recent status of deterioration in the repayment status, financial position or business performance of the business loan borrowers: - We inspected evidence related to self–assessment of asset quality. - We performed analytical review over major profit and loss items. - We made inquiries of the Loan Division and inspected business logs and evidence of approval as necessary. ・ For business loan borrowers whose repayment status, financial position, or business performance is deteriorating and who are preparing business improvement plans, we performed the following procedures to assess the reasonableness and feasibility of their business improvement plans:

The reasonableness and feasibility of business improvement plans are affected by factors such as change in the business performance of business loan borrowers and the success or failure of their business strategies. In addition, with regard to changes in the economic environment, while the impact of the COVID-19 pandemic on the economic environment has been diminishing as a result of the easing of relevant regulations, there is uncertainty in the future economic environment which includes, but not limited to, the impact of supply chain disruptions and inflation which was triggered by the Russia's invasion of Ukraine and depreciation of Japanese yen. Accordingly, the assessment of the reasonableness and feasibility of business improvement plans involves significant estimation uncertainty and relies greatly on management's judgment. Based on the above factors, we determined that the determination of the borrower classification, which serves as the basis for assessing the reserve for possible loan losses for business loan borrowers whose repayment status, financial position, or business performance is deteriorating and who are preparing business improvement plans is a key audit matter. (2) Change in estimate related to the method for calculating estimated losses As described in Note 24 Change in accounting estimates, The Senshu Ikeda Bank, Ltd. (the "Bank") made a change in estimate related to the method for calculating estimated losses for the reserve for possible loan losses. Specifically, the Bank changed the estimation methodology for expected losses whereby the Bank group the historical "other borrowers requiring caution" classification into two categories based on credit ratings (lower rating classification which mainly consist of borrowers with amended loan terms and higher rating classification which consist of the remaining borrowers) in estimating the expected losses. In addition, with respect to the borrowers of zero-zero financing with deferred principal repayments whose credit risk is expected to increase in the future, the impact of the incremental risk is estimated and recorded as an additional adjustment to the expected losses.	- For the key components of business improvement plans, we analyzed trends in historical business performance and plans as well as the degree of achievement of objectives of business improvement plans in previous years. - We compared business improvement plans with relevant available external information such as market trends in the industry to which business loan borrowers belong as necessary and discussed with management. (2) Change in estimates related to the method of calculating estimated losses • We made inquiries of management regarding the status of data analysis, data maintenance and the verification system, which were cited as the reasons for the changes in estimates at March 31, 2023, and evaluated related internal controls. We also inspected minutes of important committees for approval of the change. • We made inquiries of management regarding the rationale for selecting the method of grouping borrowers for the calculation of estimated losses, which also included inquiries on alternative estimation methods, analyzed the data used, and considered the consistency between the results of our analysis and management's explanations. • We made inquiries of management regarding the rationale for selecting the method of calculating estimated losses for borrowers who deferred principal repayments on zero-zero financing, which also included inquiries on alternative estimation methods, analyzed the data used, and considered the consistency between the results of our analysis and management's explanations.

This change is the result of becoming possible to estimate the expected loss amount for this credit risk of the zero-zero financing, since the data analysis and preparation were completed at the end of fiscal year by the Bank having deemed it necessary that the reserve must account for this credit risk, and therefore conducted an investigation. Also, as the first principal repayments of the zero-zero financing become due, for the borrowers of zero-zero financing with deferred principal repayments whose current borrower classification is either normal or the higher rating classification within "other borrowers requiring caution", it is expected that a certain percentage of the borrowers would move down to the lower rating classification within “other borrowers requiring caution” upon their request of another deferral of principal repayment. As a result of these changes in the method of estimates, the general reserve for possible loan losses as of the end of this fiscal year increased by ¥877 million, and ordinary income and income before taxes decreased by ¥877 million respectively for this fiscal year. Of this amount, reserve for possible loan losses considering the risk of downward transition in the classification of zero-zero loan borrowers was ¥1,203 million, and in calculating this amount, the Bank assumes that the same level of downward shifts in borrower classification or credit rating will continue as in the past. However, in the fiscal year ended March 31, 2023, the Bank has abolished the reserve for possible loan losses that was recorded for the fiscal year ended March 31, 2022, based on the “deemed borrower classification,” which takes into account the possibility of a future downward shift in the borrower classification in light of the sharp deterioration of the economic environment due to the COVID-19 pandemic. In the fiscal year ended March 31, 2022, the Bank assumed that there is the risk of future downward shifts in the borrower classification without a recovery in business performance if certain conditions are met for financial position or business performance, which differs from the assumption used for the fiscal year ended March 31, 2023. This change is due to the pandemic being transitioned to Class 5 and a diminished its impact on the economic environment.	• Regarding the assumption that the same level of downward shifts as in the past in borrower classification or credit rating will continue in the future used for the method of calculating estimated losses for borrowers of zero-zero financing with deferred principal repayments, we made inquiries of management regarding the reason for using this assumption, analyzed the data used, and considered the consistency between the results of our analysis and management’s explanations. Further, we made inquiries of management regarding the rationale for not using the assumption that was used for the fiscal year ended March 31, 2022, and considered the consistency between available external information and management’s explanations.

The determination of grouping of borrowers for calculating the estimated losses and methodology to calculate the adjustment for incremental expected losses which correspond to the borrowers of zero-zero financing with deferred principal repayments, as well as the timeliness of the change in estimate, rely greatly on management's judgment. In addition, the aforementioned assumption underlying this calculation method is affected by the business performance of the relevant borrowers and the success or failure of their business strategies and thus involves significant estimation uncertainty and relies greatly on management's judgment. Based on the above factors, we determined that the change in estimate related to the method for calculating estimated losses is a key audit matter.	

Recoverability of Deferred Tax Assets	
Description of Key Audit Matter	**Auditor's Response**
As at March 31, 2023, the Group recorded deferred tax assets ("DTA") of ¥4,044 million in the consolidated financial statements. As noted in the table of the tax effect of temporary differences which gave rise to significant portions of the deferred tax assets and liabilities in Note 28 Income Taxes, the gross DTA before being offset by deferred tax liabilities (DTL) were ¥9,854 million, of which DTA related to tax loss carryforwards were ¥2,955 million, net of corresponding valuation allowance of ¥590 million. As described in Note 3 Significant Accounting Policies, (22) Significant accounting estimates, 2. Recoverability of deferred tax assets, the Group recognizes DTA for deductible temporary differences and tax losses carried forwards to the extent that it is considered to reduce the future tax burden. In determining the recoverability, the Group estimates its future taxable income before adjusting temporary differences based on the Group's profitability.	We mainly performed the following audit procedures to assess the recoverability of DTA of The Senshu Ikeda Bank, Ltd.: • We compared the balance of deductible temporary differences and tax loss carryforwards to the Bank's tax returns, and engaged our tax specialists to evaluate the tax returns. • With regard to the business performance forecast, which serves as the basis for the estimate of future taxable income before adjusting temporary differences during the recoverable period, we made inquiries of management and considered the consistency of the forecast with the FY2023 Business Plan approved by the Board of Directors. • In order to evaluate the effectiveness of management's process for estimating future taxable income before adjusting temporary differences, we compared past estimates of business performance forecasts, which served as the basis for future taxable income before adjusting temporary differences, with the actual results.

In calculating future taxable income before adjusting temporary differences during the recoverable period for The Senshu Ikeda Bank, Ltd., the earnings plan included in the FY2023 Business Plan is adjusted to reflect earnings stress scenarios that take into account future uncertainties. The significant assumptions underlying such scenarios are forecasts of outstanding bank loan balances, loan interest rates, yield on securities, commissions on sale of assets under custody, housing loan processing fees, personnel expenses included in ordinary expenses and credit costs of The Senshu Ikeda Bank, Ltd. Given that the significant assumptions underlying the estimate of future taxable income before adjusting temporary differences during the recoverable period in determining the recoverability of DTA involve significant estimation uncertainty and rely greatly on management's judgment, we have determined that this is a key audit matter.	• We performed the following procedures to examine the significant assumptions underlying the estimate of the business performance forecast, which serves as the basis for future taxable income before adjusting temporary differences during the recoverable period: - We compared forecasts of outstanding bank loan balances, loan interest rates, and commissions on sale of assets under custody with our estimates based on historical trends and with available external information, including market trends and information published by other banks. - For yield on securities, we compared the forecast of interest and dividends by type of security with historical data and, as necessary, compared the forecasted yield by type of security with available external information. - We compared the forecast of housing loan processing fees with historical data, and compared the forecasted housing loan origination figure that serves as the basis for the forecast of housing loan processing fees with forecasted housing loan origination figure that serves as the basis for the forecast of outstanding bank loan balances. - For ordinary expenses, we compared personnel expenses in particular with our estimate based on historical trends, and compared the forecasted number of employees, which serves as the basis for the forecast of personnel expenses, with the forecasted number of required sales personnel, which serves as the basis for the forecast of commissions on sale of assets under custody. - We compared the forecast of credit cost with historical credit cost data and with the amount recorded in the reserve for possible loan losses for the fiscal year ended March 31, 2023.

Other Information

The other information comprises the information included in the Annual Report that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Audit & Supervisory Board Member and the Audit & Supervisory Board are responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, the Audit & Supervisory Board Member and the Audit & Supervisory Board for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit & Supervisory Board Member and the Audit & Supervisory Board are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Board Member and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit & Supervisory Board Member and the Audit & Supervisory Board with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit & Supervisory Board Member and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

September 14, 2023

南 波 秀 哉

/s/Hideya Nanba
Designated Engagement Partner
Certified Public Accountant

刀 禰 哲 朗

/s/Tetsuro Tone
Designated Engagement Partner
Certified Public Accountant

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

Non-consolidated Balance Sheets (Unaudited)

The Senshu Ikeda Bank, Ltd.
As of March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Assets			
Cash and due from banks	**¥ 815,791**	¥ 1,717,216	**$ 6,109,421**
Call loans and bills bought	**7,692**	368	**57,605**
Monetary claims bought	**–**	49	**–**
Money held in trust	**15,010**	24,521	**112,409**
Securities	**492,408**	654,157	**3,687,620**
Loans and bills discounted	**4,786,346**	4,526,877	**35,844,724**
Foreign exchange assets	**5,856**	7,506	**43,855**
Other assets	**35,446**	32,749	**265,453**
Tangible fixed assets	**31,425**	31,860	**235,340**
Intangible fixed assets	**3,742**	4,080	**28,023**
Prepaid pension cost	**15,639**	14,085	**117,119**
Deferred tax assets	**5,919**	5,859	**44,327**
Customers' liabilities for acceptances and guarantees	**6,299**	7,419	**47,172**
Reserve for possible loan losses	**(9,029)**	(12,305)	**(67,617)**
Total assets	**¥ 6,212,550**	¥ 7,014,445	**$ 46,525,499**
Liabilities and net assets			
Liabilities			
Deposits	**¥ 5,615,913**	¥ 5,568,118	**$ 42,057,312**
Negotiable certificates of deposit	**2,000**	31,000	**14,977**
Payables under securities lending transactions	**4,371**	84,792	**32,734**
Borrowed money	**329,655**	1,073,435	**2,468,771**
Foreign exchange liabilities	**314**	302	**2,351**
Borrowed money from trust account	**1,660**	513	**12,431**
Other liabilities	**28,106**	26,259	**210,484**
Provision for employees' bonuses	**1,511**	2,275	**11,315**
Provision for directors' bonuses	**67**	69	**501**
Accrued retirement benefits for directors and audit & supervisory board members	**4**	4	**29**
Reserve for reimbursement of deposits	**209**	286	**1,565**
Reserve for point services	**–**	64	**–**
Reserve for contingent losses	**1,154**	1,160	**8,642**
Acceptances and guarantees	**6,299**	7,419	**47,172**
Total liabilities	**5,991,271**	6,795,701	**44,868,351**
Net assets			
Shareholders' equity:			
Capital stock	**61,385**	61,385	**459,709**
Capital surplus	**88,862**	88,862	**665,483**
Retained earnings	**66,008**	61,481	**494,330**
Total shareholders' equity	**216,256**	211,730	**1,619,531**
Net unrealized gain (loss) on available-for-sale securities	**4,976**	7,038	**37,265**
Net unrealized gain (loss) on deferred hedges	**45**	(24)	**337**
Total valuation and translation adjustments	**5,022**	7,013	**37,609**
Total net assets	**221,278**	218,743	**1,657,140**
Total liabilities and net assets	**¥ 6,212,550**	¥ 7,014,445	**$ 46,525,499**

Non-consolidated Statements of Operations (Unaudited)

The Senshu Ikeda Bank, Ltd.
For the years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Income			
Interest income:			
Interest on loans and bills discounted	**¥ 39,433**	¥ 39,878	**$ 295,311**
Interest and dividends on securities	**6,341**	3,848	**47,487**
Other interest income	**1,384**	2,608	**10,364**
Trust fees	**26**	11	**194**
Fees and commissions	**19,799**	16,883	**148,273**
Other ordinary income	**2,961**	760	**22,174**
Reversal of provision for possible loan losses	**3,102**	159	**23,230**
Recoveries of written-off claims	**284**	443	**2,126**
Gain on sales or disposal of fixed assets	**1**	89	**7**
Other income	**670**	1,010	**5,017**
Total income	**74,005**	65,692	**554,220**
Expenses			
Interest expenses:			
Interest on deposits	**638**	902	**4,777**
Interest on borrowings and rediscounts	**5**	5	**37**
Other interest expenses	**1,017**	72	**7,616**
Fees and commissions	**9,691**	8,718	**72,575**
Other ordinary expenses	**11,632**	2,120	**87,111**
General and administrative expenses	**39,107**	41,234	**292,870**
Loss on sales or disposal of fixed assets	**66**	101	**494**
Loss on impairment of fixed assets	**161**	177	**1,205**
Other expenses	**2,078**	1,836	**15,562**
Total expenses	**64,399**	55,168	**482,281**
Income before income taxes	**9,605**	10,524	**71,931**
Income taxes			
Current	**201**	631	**1,505**
Deferred	**1,126**	438	**8,432**
Total income taxes	**1,327**	1,070	**9,937**
Net income	**¥ 8,277**	¥ 9,454	**$ 61,986**

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