

An aerial photograph of a large dam and its reservoir, overlaid with several bright, glowing yellow energy lines that curve across the scene. The background is a deep blue, and the overall image has a high-tech, futuristic feel.

# ANNUAL REPORT 2012

Year Ended March 31, 2012

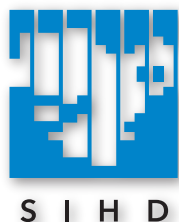


**SENSHU IKEDA HOLDINGS, INC.**



**THE SENSHU IKEDA BANK, LTD.**





## Profile

(As of March 31, 2012)

### Senshu Ikeda Holdings, Inc.

Establishment: October 1, 2009  
Location: 18-14 Chayamachi, Kita-ku, Osaka-City, Osaka  
Share Capital: ¥72.3 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.  
Number of Employees: 122  
Stock Listing: Tokyo Stock Exchange, Osaka Securities Exchange

### The Senshu Ikeda Bank, Ltd.

Establishment: September 1, 1951  
Location: 18-14 Chayamachi, Kita-ku, Osaka-City, Osaka  
Share Capital: ¥50.7 billion  
Deposits: ¥4.4077 trillion  
Loans: ¥3.5274 trillion  
Number of Branches: 141  
Number of Employees: 2,799



# CONTENTS

Message from the President .....	3
To be the “No.1 Reliable Bank for the Regional Communities and Customers” .....	5
Management Strategies of The Senshu Ikeda Bank .....	7
Raising Support Capability of the Asia and China Business .....	9
In Pursuit of Sustained Development for Regional Communities .....	9
Business Overview of Senshu Ikeda Holdings .....	10
Business Overview of The Senshu Ikeda Bank .....	11
Soundness of The Senshu Ikeda Bank’s Operation .....	14
Corporate Governance .....	17
Compliance Structure .....	21
Risk Management Structure .....	23
Approach to Facilitation of Financing .....	27
Approach to “Community-based Financing” .....	29
Business Description of the Group .....	30
Organization and Board of Directors .....	31
Consolidated Financial Information of Senshu Ikeda Holdings .....	33
Non-consolidated Financial Information of The Senshu Ikeda Bank (Unaudited) .....	68
Corporate Data .....	70

## *To be the “No.1 Reliable Bank for the Regional Communities and Customers”*

I sincerely thank you for your continued support and patronage of the Senshu Ikeda Bank.

Effective June 28, 2012, I, Hirohisa Fujita, assumed the position of President of both Senshu Ikeda Holdings and the Senshu Ikeda Bank.

As a regional bank leading the Kansai region, we have been persistently aiming to be the “bank that serves all of the regional communities and customers.” Above all, we have actively promoted independent “growth strategies,” “collaborative networking” and other progressive initiatives.

I pledge to firmly carry on these “community-oriented” and “customer-oriented” initiatives, while raising the speed necessary to achieve solid results. With a particular focus on the three headquarters of the “Asia and China Business,” “Advanced Technology Business Supporting” and the “Private Banking,” we will work hard to provide our regional customers with greater service thorough further reinforcing our “capabilities to offer proposals.”

“Kindness and Innovation”

Based on the unwavering commitment of our “founding spirit,” we will continue to make every effort to ensure our standing as the “No. 1 Reliable Bank for the Regional Communities and Customers.”

We look forward to serving you with the best services for many years to come.

July 2012



**Hirohisa Fujita**

Senshu Ikeda Holdings Representative Director and President  
Senshu Ikeda Bank Representative Director and President





S I H D

This symbol in the shape of Kansai's six prefectures is suitable for the new financial group, leading the Kansai region characterized by a spirit of openness. The vertical lines stretching upward express the spread of the various networks linking the Kansai area that were created with the birth of the new financial group.

The brand color is associated with water, a clear blue that symbolizes the growth potential of the new financial group and the corporate culture of unrestricted freedom.



### Management Principle

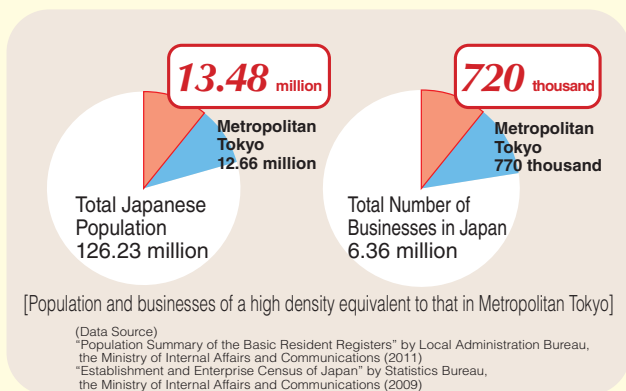
Strive to become a financial group that is “loved” by the regional community by providing services tailored to customers’ needs, while valuing “broad networks of relationships” and “an enterprising spirit.”

### Management Policy

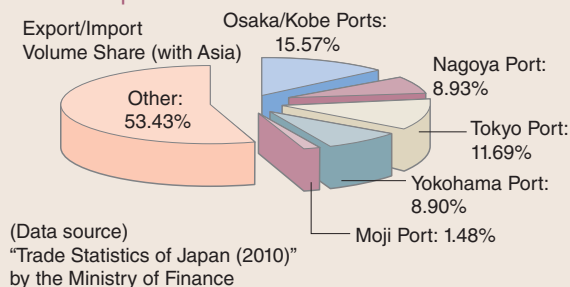
1. Create a “most trusted by customers” financial group which respects personal relationships and promotes honest and approachable banking.
2. Create a financial group with a commanding regional presence by researching and predicting trends to provide advanced, high-quality services.
3. Pursue transparent 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 community 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.



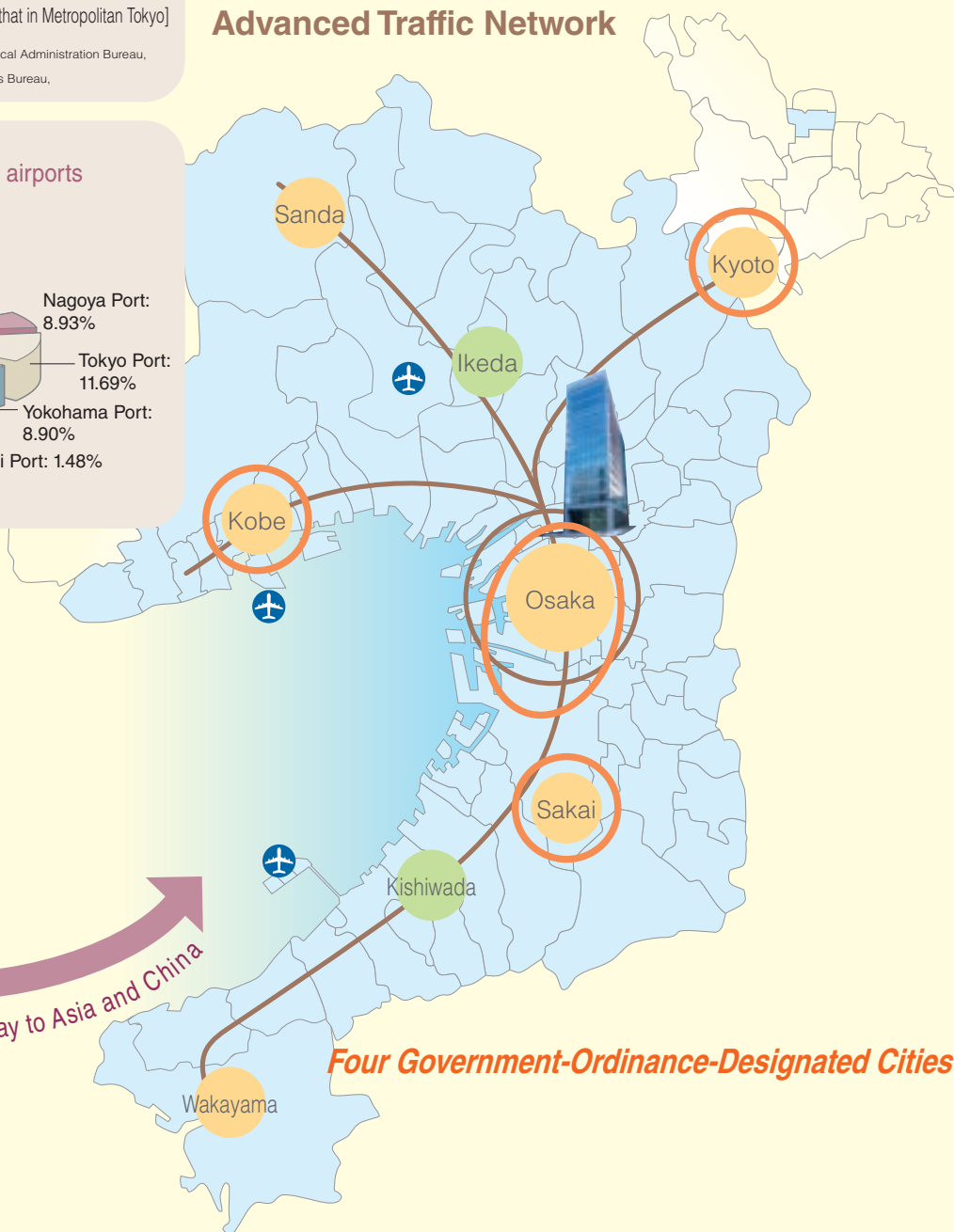
# We aim to be the “No.1 Reliable Bank for the Regional Communities and Customers” in Japan’s leading market area.



Ports of Osaka and Kobe, and three airports in the area  
No. 1 in Japan for Asia trade



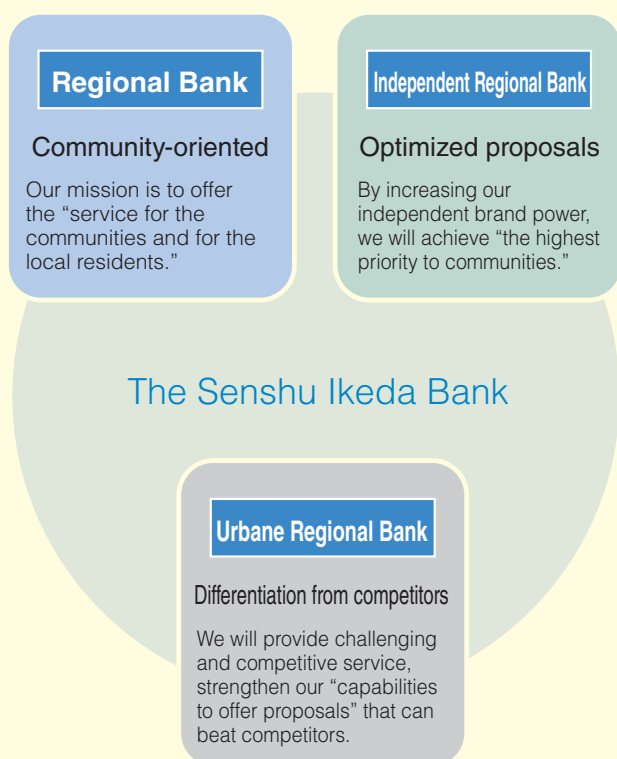
## Advanced Traffic Network



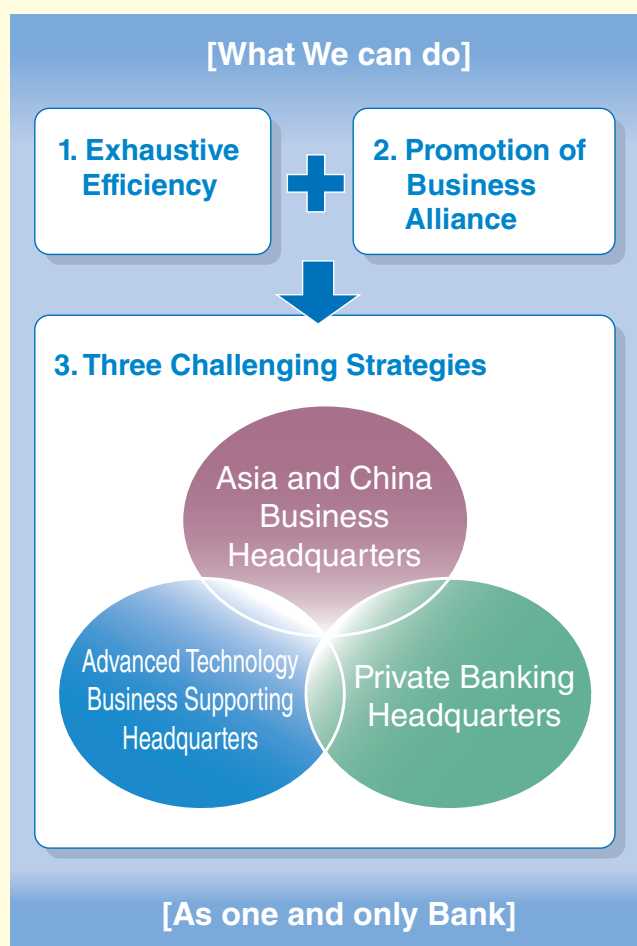
The business area we cover comprises an advanced traffic network and includes four government-ordinance-designated cities. The number of business offices within this area along with the population is comparable with that of Metropolitan Tokyo, with the Ports of Osaka and Kobe and its three airports which themselves provide a gateway into Asia and China, regarded as Japan's leading market area. Furthermore, in addition to the existing well-balanced industrial structure, large-scale projects are underway, including Umekita, Kintetsu Abenobashi Terminal Building. The area is expected to grow further and has extremely high potential, so-called "Regional Power."

In this environment, we will use its signature strategies, "Three Survival Strategies" and "Three Challenging Strategies," to create a "new regional bank model," to be the "No.1 Reliable Bank for the Regional Communities and Customers," and becoming as Japan's leading regional bank.

## Strengths of the Senshu Ikeda Bank



## Three Survival Strategies



# Management Strategies of The Senshu Ikeda Bank

## Three Challenging Strategies

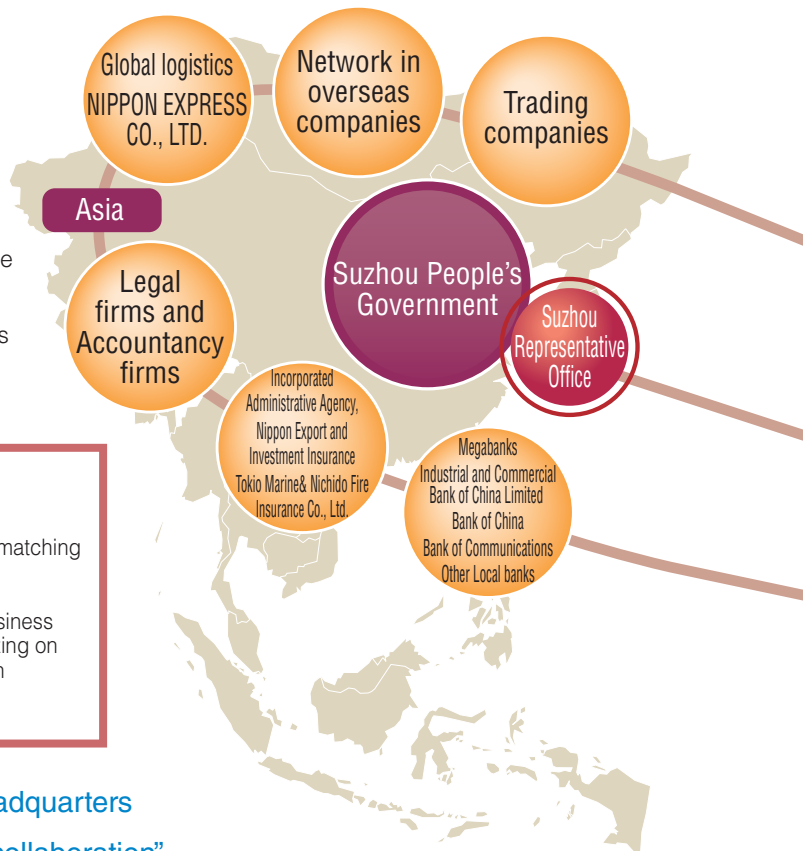
### 1 Asia and China Business Headquarters

**Reinforce “Asia and China businesses” through utilizing the local benefits and advantages of the region**

In order to strengthen our functions in the “gateway to Asia and China” utilizing the local benefits and advantages of the region including the Kansai Bay Area, the Ports of Osaka and Kobe, and the region’s three airports, the network with clients with whom we have close ties will be utilized such as the regional bank’s sole expatriate Suzhou Representative Office. We will significantly strengthen our capability to respond and support Asia and China businesses.

#### Enthusiastic Support for New Advances into Foreign Markets and Business

- Providing information and mediation of business matching between companies and governments
- Supporting overseas visits
- Making various proposals related to overseas business
- Further expansion of our unique network capitalizing on the strength of an independent financial institution
- Capable to offer proposals at branches
- Personnel training



### 2 Advanced Technology Business Supporting Headquarters

**“Promotion of industrial-academia-government collaboration” and “support for advanced technologies”**

Through the employment of hitherto established close-knit business-academia-government network with Kansai’s leading universities and public organizations and so on, and support for the next generation of industry and technology, the Advanced Technology Business Supporting Headquarters will work enthusiastically to utilize advanced technologies to provide new products and services such as a new and more convenient multi-functional IC cash cards.

#### Advanced Technology Business Supporting Headquarters

Our advanced technology business network is made up of more than 1000 companies.

- Accumulation of information about the “companies with excellent technologies and/or business models” that apply for our New Business Grant Program or Consortium-based R&D Grant Program
- Network of the appraisers including universities, institutions, municipalities, trading companies, and media that evaluate the above applications

- Supporting the growing companies with advanced technologies
- Mediation of businesses concerning advanced technologies between governments and companies, as well as those between companies
- Provision of new products and services capitalizing on innovative technologies
- Expansion of business-academia-government collaborative networks

### 3 Private Banking Headquarters

**Promote “Private Banking Business” which meets various needs of our customers**

The Private Banking Headquarters will provide advanced corporate and individual integrated services, which in addition to the provision of asset management advice to individual customer, comprise the utilization of our broad network of experts to extensively fulfill the diversity of advanced needs of company owners pertaining to, for example, business succession, inheritance measures, fund procurement associated therewith, and M&A (mergers and acquisitions).





## Alliance Strategies

As an independent regional bank, we are building the “original business network that possesses great flexibility beyond conglomerate groups,” and we offer our customers improved and superior products and services without any restriction. This allows us to provide customer-oriented products and services meeting the various different needs of our customers.

Actively capitalizing on the friendly relationship between Ikeda-city, the Bank's hometown, and Suzhou city  
\*Other friendly collaborations between local municipalities and overseas municipalities  
Sakai-city – Vietnam, Kishiwada-city – China (Shantou)

Japan-China business promotion  
Economic and cultural exchange

Public Assistance Agencies  
The Kansai Bureau of Economy, Trade and Industry  
National Institute of Advanced Industrial Science and Technology  
Organization for Small & Medium Enterprises and Regional Innovation, JAPAN

Management support, technology development support  
The business-academia collaboration

Universities  
Kyoto University, Osaka University, Kobe University, Wakayama University, Osaka Prefecture University, Osaka City University, University of Hyogo, Kwansei Gakuin University, Konan University, Doshisha University, Kansai University, Kinki University and Ryukoku University, etc.

Life and Non-life Insurance  
Life Insurance: Domestically and internationally  
Non-life Insurance: Domestically and internationally

Product provision (Insurance)

Lease and Credit  
Mitsubishi UFJ Lease & Finance Company Limited  
IBJ Leasing Company, Limited  
JACCS CO., LTD.  
JCB Co., Ltd.  
Visa Inc.

Asset based lending, card, leasing

Securities Companies and Investment Companies  
Securities companies  
Investment companies: Domestically and internationally

Banks  
Megabanks  
Development Bank of Japan Inc.  
Japan Bank for International Cooperation  
Other regional banks  
Public financial institutions

Think Tank  
Mitsubishi Research Institute, Inc.  
Japan Economic Research Institute Inc.  
Mitsubishi UFJ Research and Consulting Co., Ltd.

Experts  
Lawyers  
Accountants  
Tax accountants

Local governments  
Sakai-city, Minoh-city, Itami-city, Kishiwada-city, Toyonaka-city, Kawanishi-city, Ikeda-city, Suita-city, Settsu-city, Izumi-city

Collaboration for regional industrial promotion

Responding to sophisticated needs

Proposals to local government bodies

Total support in alliance  
Personnel exchange, personnel training  
Investment promotion, coordinated investment

Product provision (Investment trusts)

Promotion of collaborations with local governments, universities, financial institutions both at home and abroad  
Networks newly added since 2011  
(Ten local governments, two universities, four financial institutions both at home and abroad, two abroad insurers and one global logistics operator)

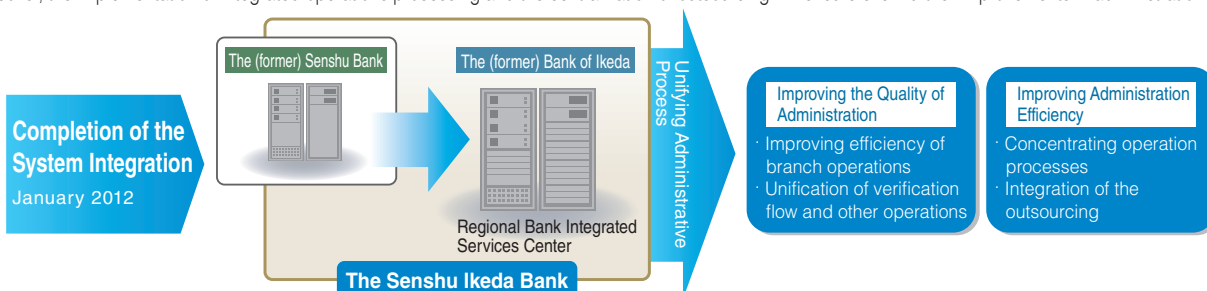
Senshu Ikeda Bank Group

## Improved Efficiency Strategies

### Completion of the System Integration

The improved efficiency in business branch operations, together with the credit screening flow and the integration of other operations afforded by the system integration completed in January 2012 will give rise to improved operational quality.

Moreover, the implementation of integrated operations processing and the centralization of outsourcing will ensure even further improvements in administration efficiency.



### Demonstration of Synergistic Effect

A synergistic effect will be swiftly demonstrated and will be evidenced in low-cost operations.

We implement system integration to provide products and services on a common platform, and this will additionally reinforce the Bank's operational strength.

## Raising Support Capability of the “Asia and China Business”

### Business Alliances with Two Major Chinese Banks

On September 2, 2011, we entered into alliances with two major Chinese banks – Industrial and Commercial Bank of China Limited (head office Beijing; offering China's largest branch network) and Bank of Communications (head office Shanghai; founded in 1908 and China's oldest bank). To provide more flexible responses to renminbi settlement needs, we have also opened a renminbi settlement account at the Tokyo branch of the Bank of China (head office Beijing; known for its long history in trade and foreign exchange operations even among Chinese financial institutions).



Industrial and Commercial Bank of China (Shanghai branch)



Bank of Communications (head office)

### Overseas Business Support Seminar with Nippon Export and Investment Insurance

On December 1, 2011, we entered into a Business Cooperation Agreement with Incorporated Administrative Agency, Nippon Export and Investment Insurance (NEXI), which was the first regional bank in the Kinki district, in order to support overseas advances, expansion of sales channels and other efforts by local companies.

On March 6, 2012, we held an overseas business support seminar with NEXI cosponsored by the Kansai Bureau of Economy, Trade and Industry. We invited speakers from the Kansai Bureau of Economy, Trade and Industry, as well as from Hong Kong, Taiwan to give lectures, and over 200 corporate representatives attended the lectures. Our customers can receive various benefits such as discounts on certain insurance product premiums through the cooperation with NEXI.



### Support for Client Exhibits at the First “China International Import Expo”

From March 29 to 31, 2012, the “China International Import Expo” was held in Kunshan City, Jiangsu Province. The Expo was the China's first national level exhibition specialized in import product, and 677 companies from 46 countries exhibited articles. The event was a large-scale expo drawing participation from a large number of Chinese companies eager to import goods, with 72 thousand people visiting the venue during its 3-day run. We supported the exhibition of our 13 client companies.



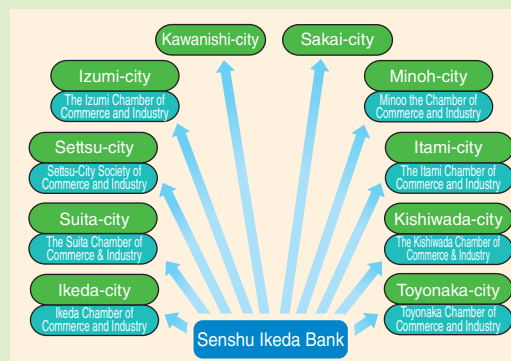
## Promoting Collaboration with Local Governments and other Partners in Pursuit of Sustained Regional Development

We are moving to conclude “Collaborative Agreements for Regional Industrial Promotion” toward the sustained development of region communities.

We have concluded such agreements with 10 local cities and other partners, starting with Sakai City in March 2011.

Utilizing individual “Industrial Promotion Funds” formed on the occasion of the signing of these agreements, we will respond to the fund procurement needs of our regional businesses.

In addition to industrial promotion, we will also make every effort to revitalize local shopping districts, support child raising, and build environmental-friendly communities through optimizing our wide-area network and know-how.



Partners concluded with “Collaborative Agreements for Regional Industrial Promotion” (as of the end of July 2012)

# Business Overview of Senshu Ikeda Holdings

## Consolidated

### Summary of Profit and Loss

(¥ million)

Items	Fiscal year 2010	Fiscal year 2011
Ordinary revenue	117,255	115,952
Ordinary expenses	109,723	105,047
Ordinary income	7,532	10,905
Net income	7,690	3,810

### Business Environment

Although the Japanese economy in the consolidated fiscal year 2011 slumped hugely in the aftermath of the Great East Japan Earthquake in March last year, it showed gradual recovery thereafter, with bottoming out of capital expenditure and picking up of personal consumption. Nonetheless future prospect have still remained uncertain, and faced an unpredictable and tough situation because of the downside risks in the overseas economies including the European debt crisis and soaring resource prices, as well as prolonged tight supply of electricity and adverse trend of exchange rate.

With respect to prices, consumer prices (excluding fresh food) showed almost zero change from the prices of the previous fiscal year.

In the financial markets, the unsecured overnight call rate generally stayed at a level below 0.1% because the Bank of Japan continued to provide sufficient funds to the market. Meanwhile, risk-hedging behavior of investors in fear of the European sovereign debt crisis mildly dragged down the rate of return on 10-year Japanese government bonds, to the level largely around 1.0%.

Although overall stock prices sagged mostly through the fiscal year due primarily to the impact of the flood disaster in Thailand and deteriorating profitability of the exporting industries under the further soaring yen, the monetary easing by the Bank of Japan in February 2012 triggered cheaper yen and bolstered stock market, and pushed up the Nikkei Stock Average at March end above the 10,000 yen mark.

### Business Performance

With regard to consolidated performance of Senshu Ikeda Holdings Group ("the Group"), consolidated ordinary revenue for the fiscal year under review decreased ¥1.3 billion from the fiscal year 2010 to ¥115.9 billion, as a result of an increase in other operating income due primarily to posting of gains on sales of securities, surpassed by a decrease in interest income due primarily to decline in yields on loans and gain on securities. On the other hand, consolidated ordinary expenses decreased ¥4.7 billion from the fiscal year 2010 to ¥105.0 billion, because of the combined effect of an increase in other operating expenses due primarily to posting of loss on redemption and devaluation of debt securities, along with a decrease in interest expenses resulting from lower yields on funding, primarily deposits and negotiable certificates of deposit.

As a result of the preceding factors, consolidated ordinary income for the fiscal year under review increased ¥3.4 billion from the fiscal year 2010 to ¥10.9 billion. However, net income for the fiscal year decreased ¥3.8 billion from the fiscal year 2010 to ¥3.8 billion, due primarily to the ¥6.0 billion reversal of deferred tax assets, as necessitated by the reduction of corporate tax rate applicable from the fiscal year starting on or after April 1, 2012.

On a non-consolidated basis, Senshu Ikeda Holdings ("the Company") posted operating revenue of ¥7,206 million, mainly due to dividends from its subsidiary bank. At the same time, the Company recorded operating expenses, including selling, general and administrative expenses of ¥808 million, resulting in operating income of ¥6,397 million. Furthermore, non-operating expenses

## Non-consolidated

### Summary of Profit and Loss

(¥ million)

Items	Fiscal year 2010	Fiscal year 2011
Operating revenue	6,793	7,206
Operating expenses	881	808
Operating income	5,912	6,397
Ordinary income	5,806	6,340
Net income	5,802	6,334

reached ¥64 million mainly due to costs related to integration, consequently posting net income of ¥6,334 million for the fiscal year 2011.

### Matters to Be Addressed

The Group's operating bases called the Osaka Bay area are regarded as Japan's leading market area, with the Ports of Osaka and Kobe and three airports, and the population and businesses of a high density equivalent to that in Metropolitan Tokyo.

Our mission is to facilitate regional revitalization as a regional financial institution group through fulfilling "Regional Power (economic potential)" and to that end, we have committed to pursuing our "business model (community-based financing)" through actively taking the initiative in enhancing the "Regional Power," and thereby we will be able to grow up with the region.

In order to put this business model into practice, we set up the Group's management strategies; "Exhaustive Efficiency," "Promotion of Business Alliances" and "the Three Challenging Strategies to Enhance Competitiveness (Growth Strategies)."

As for "Exhaustive Efficiency," we intend to realize low-cost operation by an integrated review of the administrative framework and personnel strategy, along with operational streamlining including elimination of duplicate process through reviewing the work process.

With regard to "Promotion of Business Alliance," we will provide high quality products and services meeting needs of our customers through capitalizing on our original network that possesses great flexibility beyond conglomerate groups, as an independent financial institution.

In pursuit of "the Three Challenging Strategies to Enhance our Competitiveness (Growth Strategies)," we are committed to enhancing our customer services by focusing on our challenging strategies of "community-oriented" and "capabilities to offer original proposals" through the efforts of the three strategic headquarters (Asia and China Business Headquarters, Private Banking Headquarters and Advanced Technology Business Supporting Headquarters), under the motto of "Kindness and Innovation."

### Dividend Policy

With a view to its highly public nature as a bank's holding company, the Company has a basic policy of positively returning profits to our shareholders, whilst sustaining a sound financial standing through the enhancement of an adequate retained earnings base and keeping up the policy of stable dividends.

In respect of the dividend of retained earnings for the fiscal year under review, based on the basic policy and in consideration of its overall business performance and the current management environment, the Company decided to pay dividend of ¥3.00 per common stock. With regard to first-class preferred stock and second-class preferred stock, the Company plans to pay the amount of ¥196.00 divided by 18.5 and ¥204.00 divided by 18.5 for each stock respectively, in accordance with the provisions of the Articles of Incorporation.

Meanwhile, the Company intends to utilize its retained earnings for future business developments or improve its financial strength.



# Business Overview of The Senshu Ikeda Bank

\* Results for fiscal year 2009 and results at the end of March 2009 were the sum simply combining the figure for the former Bank of Ikeda and that for the former Senshu Bank. Figures for the fiscal year 2010 include the former Senshu Bank's single month results in April 2010.

## Consolidated

### Summary of Profit and Loss

(¥ million)

Items	Fiscal year 2010	Fiscal year 2011
Ordinary revenue	117,308	116,007
Ordinary expenses	109,827	105,214
Ordinary income	7,481	10,792
Net credit costs	15,937	12,189
Net income	7,652	3,770

### Net income (loss)

(¥ million)



## Non-consolidated

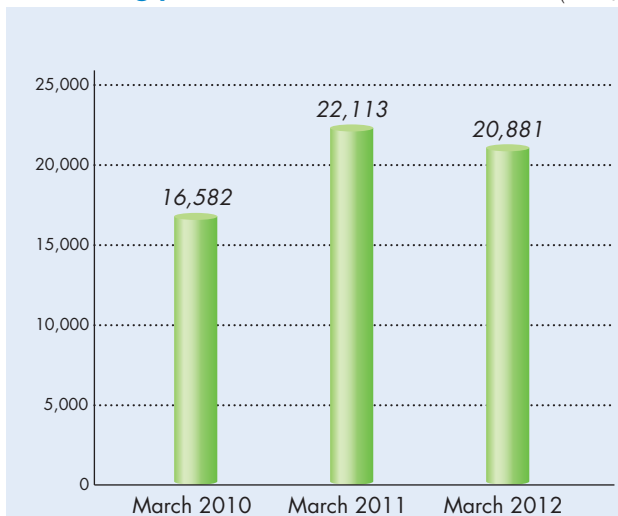
### Summary of Profit and Loss

(¥ million)

Items	Fiscal year 2010	Fiscal year 2011
Gross profit	76,809	74,051
Net interest income	63,240	60,143
Net fees and commissions income	3,377	2,911
Net other operation income	10,191	10,995
Expenses	51,276	50,759
Personnel expenses	24,597	24,760
Non-personnel expenses	24,070	23,252
Core banking profit	16,477	14,031
Banking profit	22,113	20,881
Ordinary income	5,748	7,716
Net credit costs	13,194	9,379
Net income (loss)	6,321	2,050

### Banking profit

(¥ million)



### Core banking profit

(¥ million)



### Net income (loss)

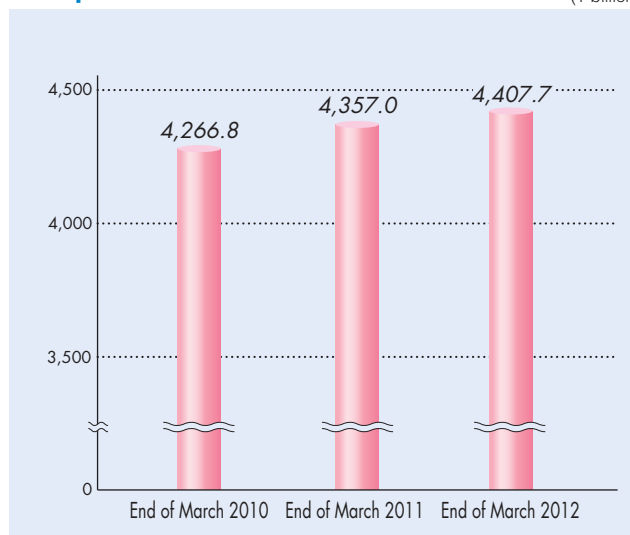
(¥ million)



## Non-consolidated

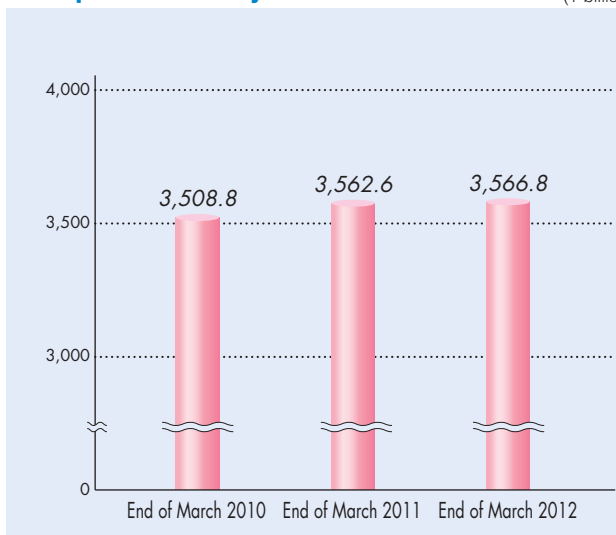
## ■ Deposits

(¥ billion)



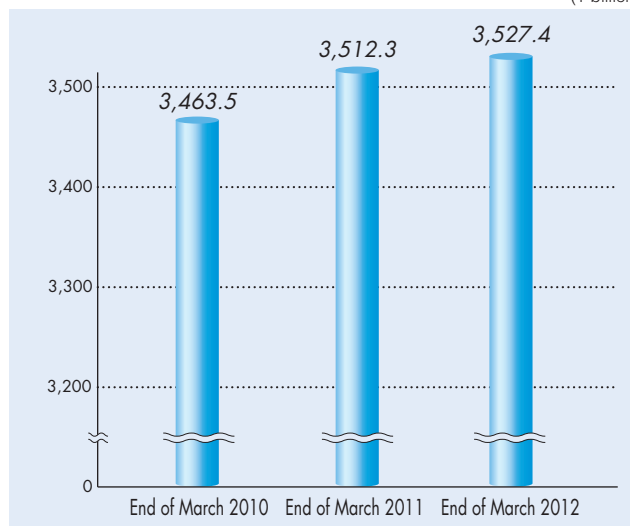
## ■ Deposits held by individuals

(¥ billion)



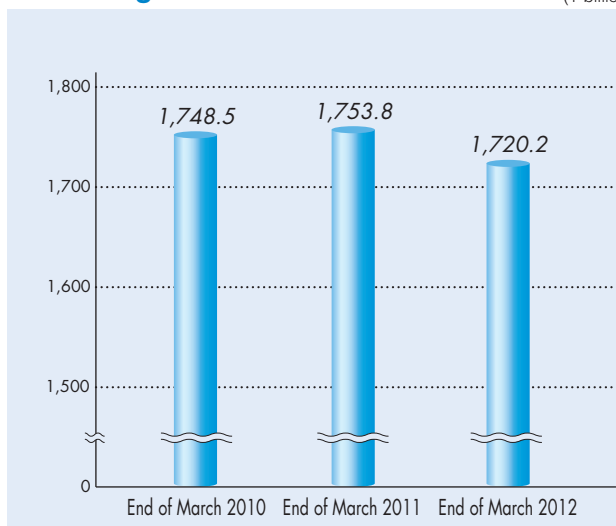
## ■ Loans and bills discounted

(¥ billion)



## ■ Housing loans

(¥ billion)



## Business Performance

## (Summary of Profit and Loss)

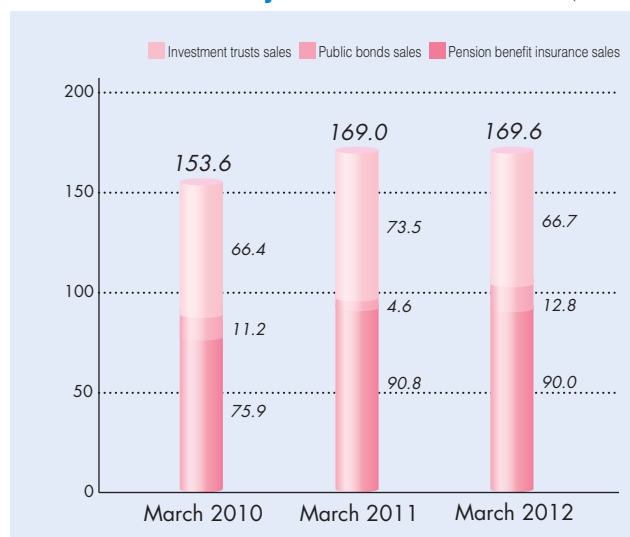
With regard to consolidated performance of the Senshu Ikeda Bank Group ("the Bank Group"), ordinary revenue for the consolidated fiscal year under review was ¥116,007 million, including interest income of ¥70,910 million, fees and commissions of ¥16,277 million, other operating income of ¥18,132 million, and other ordinary revenue of ¥10,687 million. Ordinary expenses were ¥105,214 million, including interest expenses of ¥10,764 million, fees and commissions expenses of ¥6,192 million, other operating expenses of ¥6,977 million, general and administrative expenses of ¥55,567 million, and other ordinary expenses of ¥25,713 million.

As a result of the factors above, the Bank Group posted ordinary income of ¥10,792 million, and income before income taxes and minority interests was ¥10,606 million after recording extraordinary income or loss. Net income for the fiscal year was ¥3,770 million after allocated total income taxes of ¥6,686 million and minority interests in income of ¥148 million.

On a non-consolidated basis, gross profit was ¥74,051 million. After deducting personnel expenses and non-personnel expenses, as well as provision for general reserve for possible loan losses, banking profit was ¥20,881 million.

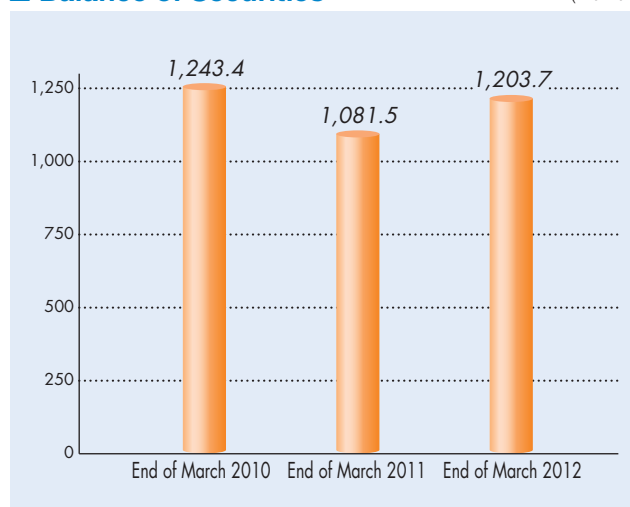
## ■ Assets in custody sales

(¥ billion)



## ■ Balance of Securities

(¥ billion)



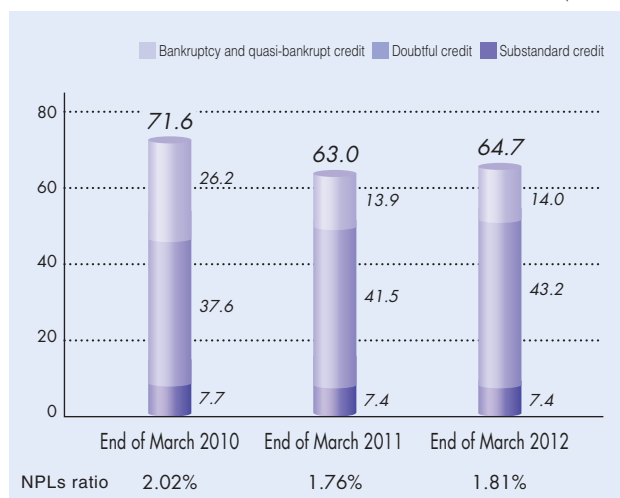
The Bank posted ordinary income of ¥7,716 million after moderated NPL write-offs and nonrecurring income or loss, such as gains or losses on stock to banking profit. After allocating extraordinary income or loss and income taxes, net income for the fiscal year under review was ¥2,050 million.

### (Assets and Liabilities)

The balance of deposits at the end of the consolidated fiscal year under review was ¥4,395.6 billion.

## ■ Disclosure under the Financial Revitalization Law

(¥ billion)



NPLs ratio 2.02% 1.76% 1.81%

### Coverage of credits (End of March 2012)

(¥ billion)

	Amount of loans	Secured amount	Coverage ratio
Bankruptcy and quasi-bankrupt credit	14.0	14.0	100.00%
Doubtful credit	43.2	38.7	89.74%
Substandard credit	7.4	4.1	56.34%
Total	64.7	57.0	88.12%
Normal credit	3,508.2		

Coverage amount: Amount of coverage by collaterals, etc.  
+ Reserve for possible loan losses

#### Bankruptcy and quasi-bankrupt credit

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

#### Doubtful credit

Doubtful credits represent the credits held by borrowers who have not yet failed but their financial conditions and business performances have deteriorated, with a high possibility that the principal and interest on these credits are not received as per agreement.

#### Substandard credit

Substandard credits represent the credits that are past due three months or more, and considered as restructured loans among the credits requiring special caution. (Borrowers requiring special caution: Borrowers who have concerns in lending conditions, exercising their obligations and financial situation, requiring special caution on their future situations.)

#### Normal credit

Normal credits represent the credits held by borrowers who show no particular problems regarding financial conditions and business performances; therefore they are classified other than the aforementioned credits.

The balance of loans and bills discounted at the end of the consolidated fiscal year under review was ¥3,516.1 billion.

The balance of securities at the end of the consolidated fiscal year under review was ¥1,199.9 billion.

On a non-consolidated basis, the balance of deposits increased ¥50.7 billion from the end of the previous fiscal year to ¥4,407.7 billion. The balance of loans and bills discounted increased ¥15.1 billion from the end of the previous fiscal year to ¥3,527.4 billion, and the balance of securities increased ¥122.2 billion to ¥1,203.7 billion.



## Soundness of The Senshu Ikeda Bank's Operation

### ■ Self-assessment results, and categories and coverage by disclosure standard

#### (1) Self-assessment

In order to ensure soundness of the operation, the Bank classifies its claims according to its in-house rule based on the "Financial Inspection Manual" prepared by the Financial Services Agency. This process is called "self-assessment".

At first part of the self-assessment, the Bank classifies borrowers into five classifications of "bankrupt borrowers," "effectively bankrupt borrowers," "potentially bankrupt borrowers," "borrowers requiring caution (including borrowers requiring special caution and others)" and "normal borrowers" (See Table 1) according to their

financial standing and management condition. Then the claims held by the Bank are classified into four categories of "No asset classification," "Category II," "Category III" and "Category IV," in reference to the above five classifications of borrowers but also based on the probability of recovery through security and/or guarantee (See Table 2).

The Bank can grasp the value of its claims by such classification/category of claims according to its own standards.

#### ● Five classifications of borrowers (Table 1)

Classification	Description
Bankrupt	Borrowers who are in bankrupt legally and formally.
Effectively bankrupt	Borrowers who are not yet in bankrupt legally or formally, but are recognized that they have no prospect of reconstruction or rehabilitation of their business.
Potentially bankrupt	Borrowers who are not yet in bankrupt, but are in financial difficulties and the progress of management improvement plans is not good so that the future bankruptcy possibility is highly concerned.
Watch list	Borrowers whose lending conditions is concerned, and repayment of principal or payment for interest is not according to the schedule as contracted, or financial situation is not prosperous that their situation requires to be addressed and managed.
Requiring special caution	Loans past due three months or more, or restructured loans.
Others	Other borrowers requiring caution.
Normal	Borrowers whose business is prosperous and their financial situation has no particular concerns.

#### ● Four categories of assets (Table 2)

Category	Definition	Description
No asset classification	Assets with no risk of becoming irrecoverable or of its asset value impaired	Claims provided to "normal borrowers," or Claims provided to borrowers other than "normal borrowers" that are backed up by superior security or guarantee including deposits as collateral
Category II	Assets such as claims with higher than normal perceived risk of becoming irrecoverable due primarily to the reasons such as the conditions for ensuring the recovery of claim not fully met, or quality of credit being questionable	Claims provided to "watch list borrowers" classified as other than No asset classification, or Claims provided to "potentially bankrupt borrowers," "effectively bankrupt borrowers" and "bankrupt borrowers" secured by general collateral or guarantee such as mortgage collateral
Category III	Assets with high risk of involving loan loss because of serious concerns about its eventual collectability or value, and that such loss is not reasonably estimable	Claims provided to "potentially bankrupt borrowers" that fall into neither of No asset classification nor Category II, or Difference between estimated collateral value and estimated disposable value, of the claims provided to "effectively bankrupt borrowers" and "bankrupt borrowers"
Category IV	Assets determined as irrecoverable or of no value	Claims provided to "effectively bankrupt borrowers" and "bankrupt borrowers" that fall into neither of No asset classification, Category II nor Category III

## ● Relationship between borrower classification and asset category

Classification	Category			
	No asset classification	Category II	Category III	Category IV
Bankrupt	Claims provided to borrowers other than “normal borrowers” that are backed up by superior security or guarantee including deposits as collateral	Claims provided to “bankrupt borrowers,” “effectively bankrupt borrowers” and “potentially bankrupt borrowers” secured by general collateral or guarantee such as mortgage collateral	Difference between estimated collateral value and estimated disposable value, of the claims provided to “bankrupt borrowers” and “effectively bankrupt borrowers”	Claims provided to “bankrupt borrowers” and “effectively bankrupt borrowers” that fall into neither of No asset classification, Category II nor Category III
Effectively bankrupt				
Potentially bankrupt			Claims that fall into neither of No asset classification nor Category II	
Watch list		Claims classified as other than No asset classification		
Normal	Claims provided to “normal borrowers”			

## (2) Reserves and write-offs based on the results of self-assessment

Reserves are set aside based on the results of the self-assessment (reserves for possible loan losses are set aside in the event the loan goes irrecoverable).

“Specific reserves for possible loan losses” are provided for bankrupt borrowers, effectively bankrupt borrowers and potentially bankrupt borrowers, while “general reserves for possible loan losses” are provided to watch list borrowers and normal borrowers.

Meanwhile, the Bank may need write-off (reduction of balance sheet assets which is posted as loss). Results of self-assessments as well as reserves and write-offs, are subject to internal audit by the independent Internal Audit Division as well as external audit by the audit corporation, in order to ensure objectivity.

## ● Standard for reserves and write-offs

Classification		Category			
		No asset classification	Category II	Category III	Category IV
Bankrupt		Secured by collateral and/or guarantee	Amount equivalent to the expected loss which is assumed by the size of whole claim for each borrower, can be set aside as specific reserves for possible loan losses, or can be directly written off.		
Effectively bankrupt					
Potentially bankrupt			Estimating expected loss for the next three years for each borrower, based on the information including the historical loan-loss ratio, amount equivalent to which is posted as specific reserves for possible loan losses.		
Watch list	Requiring special caution	Estimating expected loss for the next three years, or the average remaining outstanding period based on the information including the historical loan-loss ratio, amount equivalent to which is posted as general reserves for possible loan losses.			
	Other borrowers requiring caution	Estimating expected loss for the next one year, or the average remaining outstanding period based on the information including the historical loan-loss ratio, amount equivalent to which is posted as general reserves for possible loan losses.			
Normal		Estimating expected loss for the next one year based on the information including the historical loan-loss ratio, amount equivalent to which is posted as general reserves for possible loan losses.			

### (3) Relationship between self-assessment and the disclosed claims

Claims disclosed under the Financial Revitalization Law (claims disclosed according to Financial Revitalization Law), risk-monitored loans (claims disclosed under the Banking Law) and the claim corresponding to the borrower classification under

the Bank's self-assessment, are different from one another in their scopes of claims and classification methods. Their trilateral relationship is as follows.

#### ● Relationships between self-assessment, claims disclosed under the Financial Revitalization Law and Risk-Monitored Loans (End of March 2012)

(¥ billion)

Borrower classification under self-assessment guidelines (Credit exposures)					Claims disclosed under the Financial Revitalization Law (Credit exposures)				Risk monitored loans under the Banking Law		
Classification Outstanding loans		Category				Classification Outstanding loans	Secured or guaranteed	Reserve	Coverage ratio	Classification	Outstanding balance of loans
		No asset classification	Category II	Category III	Category IV						
Bankrupt 5.4		0.5	4.8	— (0.1)	— (—)	Bankruptcy and quasi-bankrupt 14.0	12.7	1.3	100.00%	Loans to bankrupt borrowers	5.4
Effectively bankrupt 8.6		2.3	6.3	— (1.1)	— (0)					Delinquent loans  51.5	
Potentially bankrupt 43.2		18.5	20.1	4.4 (11.5)		Doubtful 43.2	27.2	11.5	89.74%		
Watch list	Requiring special caution 20.6	1.1	19.4			Substandard 7.4	2.2	1.9	56.34%		Loans past due three months or more 0
	Other borrowers requiring caution 283.1	100.3	182.7			Subtotal 64.7	42.1	14.8	88.12%	Restructured loans 7.4	
Normal 3,211.9		3,211.9				Normal 3,508.2	Notes: 1. Credits include: Corporate Bonds (when financial institutions holding the bonds guarantee all or part of the repayment of principal and payments of interest, when such bonds are issued through private placement in accordance with the Article 2, paragraph 3 of the Financial Instruments and Exchange Act (No.25 in 1948)); Loans and bills discounted; Foreign exchanges; Accrued income and Suspense payment account under Other assets; and Customers' liabilities for acceptances and guarantees in the Balance Sheet; as well as the lend ed securities (limited for use agreements or lease contracts,) which are required to be stated in a note to the Balance Sheet.				
Total 3,573.0		3,335.0	233.5	4.4 (12.8)	— (0)	Total 3,573.0	2. The figures in the parentheses under Borrower classification under self-assessment guidelines represent reserved amounts for classified loans. All amounts for Categories III and IV for borrowers in bankrupt and effectively bankrupt are reserved.				

Notes: 1. Credits include: Corporate Bonds (when financial institutions holding the bonds guarantee all or part of the repayment of principal and payments of interest, when such bonds are issued through private placement in accordance with the Article 2, paragraph 3 of the Financial Instruments and Exchange Act (No.25 in 1948)); Loans and bills discounted; Foreign exchanges; Accrued income and Suspense payment account under Other assets; and Customers' liabilities for acceptances and guarantees in the Balance Sheet; as well as the lent securities (limited for use agreements or lease contracts,) which are required to be stated in a note to the Balance Sheet.

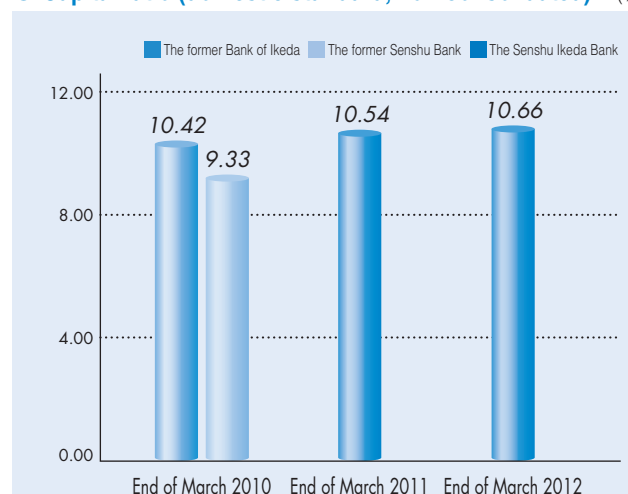
2. The figures in the parentheses under Borrower classification under self-assessment guidelines represent reserved amounts for classified loans. All amounts for Categories III and IV for borrowers in bankrupt and effectively bankruptcy are reserved.

### ■ Capital ratio

Capital ratio -calculated as the ratio of capital (common stock, etc.) against the risk assets (assets including loans)- is one of the important measures indicating the reliability and soundness of a bank's management.

The Bank's capital ratio was 10.66% as of March 31, 2011, which is beyond 8% required under the uniform international standard, let alone the 4% required under the domestic standard.

#### ● Capital ratio (domestic standard, non-consolidated) (%)





# Corporate Governance

In light of the public nature of our operation as a regional financial institutions group, the Group is focused on an adequate development and maintenance of corporate governance structure, which is one of the crucial management tasks.

Under the policy, the Company aims to be the trustworthy and indispensable institution for all of our stakeholders including customers and employees, as well as shareholders and investors. To this end, the Company adopts the basic management policies focused on compliance (with laws and regulations,) risk management and management transparency through emphasizing contribution to the regional communities, and sustaining management soundness and independence.

## Outline of Corporate Governance Structure

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

Specifically, directors who are familiar with banking business - involving complex and sophisticated management decisions - supervise business execution of representative directors, while corporate auditors 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 corporate auditors who possess well-seasoned characters and insights presenting meetings including the Board of Directors and expressing their opinions actively.

Furthermore, with the purpose to enhance transparency and objectivity of management, the Company has established an Advisory Board as consultative body to the Management Committee, for advice from outside experts on the issues including critical management strategies and agenda, latest issues in the financial industry and other matters concerning general management of the Company.

The Company has concluded liability limitation agreement with outside directors and outside corporate auditors. Under this agreement, their liabilities to the Company are restricted to the minimum level as required by the applicable laws and regulations.

### Corporate governance functions within the Company

#### ● The Board of Directors

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

#### ● The Board of Corporate Auditors

The Company has adopted a corporate auditor system. Under this system, the Company ensures transparency through appointing two outside corporate auditors of the four corporate auditors in all. Each corporate auditor audits business execution of directors through attendance to important meetings including the Board of Directors and the Management Committee, inspection of critical documents and other means, according to the auditing guidelines and audit schedule decided by the Board of Corporate Auditors. Outside corporate auditors are qualified with high degree of integrity along with superior insight and capability, as well as expertise and hands-on experience in respective area of specialty, providing advice on management from diversified points of view.

#### ● Management Committee

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

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

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

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

On the other hand, the Internal Audit Division is responsible for coordinated management of the overall internal audit work across the Group according to the annual audit plan approved by the Board of Directors, while it audits subsidiaries on its own or on a joint basis with the internal audit department of each subsidiary as appropriate, and provides specific instruction and advice to improve business operation at concerned subsidiary.

#### ● Accounting auditors

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

Assistants for the accounting audit of the Company are thirteen certified public accountants and four others.

(Certified public accountant Kenichiro Arai replaced Tamon Tsuda on July 2.)

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

The Company as well as the Group is developing a structure necessary to ensure the adequacy of operation based on the following concepts through aiming to be a financial group which respects personal relationship, sincerity and friendliness and become the most "trustworthy" for customers.

#### (1) Structure to ensure that directors and employees execute business in compliance with laws and regulations as well as the articles of incorporation

The Company and the Group focus on compliance with laws and regulations (hereinafter "compliance") as one of the most critical

management task. The Company and the Group also set out the code of ethics along with the code of conduct to ensure that directors and employees behave in compliance with laws and regulations as well as the articles of incorporation and other company rules, while setting out basic rules of compliance under which overall compliance policies and specific measures are discussed at the Compliance Committee.

To ensure the above compliance implementation, the Company and the Group appoint directors who are responsible for compliance. In addition, the General Risk Management Division coordinates compliance arrangement across the Company and the Group, while conducting education and training for directors and employees by developing compliance program and compliance manual, and arranging compliance seminars.

Furthermore, a hot line has been set up and managed in order to allow employees to directly provide information about any questionable conducts in light of laws and regulations.

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

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

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

**(3) Arrangement including the rules to manage risk of potential loss**

With the purpose to ensure soundness of management and stable corporate earnings, the Company and the Group has set out basic rules of risk management. The Company and the Group have also 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 of directors**

The Board of Directors establishes the Management Committee with the purpose to enable directors to efficiently execute their business, while setting out management objectives and developing management plans.

The Management Committee discusses beforehand the agenda of the Board of Directors, to facilitate decision-making process

at the board meeting, while discussing the critical issues in implementing the basic management policies decided 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 adequacy of operation at the Group that comprises the Company and the Group companies**

The Company regards all subsidiaries and affiliated 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 party for the management of the Group, develops a structure in which it receives necessary reports from, and consults business with its subsidiaries and affiliates.

**(6) Arrangement for employing staff at the request of corporate auditors as their assistants, as well as the arrangement to ensure such assistants' independence from directors**

In order to support corporate auditors' business execution, the Company and the Group employ corporate auditors' staffs as secretariat for the Board of Corporate Auditors. Such corporate auditors' staffs receive instructions from the Board of Corporate Auditors for their business execution, while their personnel change and evaluation duly reflect the opinions of the Board of Corporate Auditors.

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

**(7) Structure to facilitate reporting from directors and employees to corporate auditors and other arrangement to ensure that corporate auditors are adequately informed**

Directors and employees shall immediately report to corporate auditors on matters that could have significant impact on the Company as well as the Group, or any other matters as necessary, in addition to matters legally required to be reported.

To reinforce this arrangement, the Company and the Group develop a structure that corporate auditors are allowed to attend important meetings such as the Board of Directors, the Management Committee, the Compliance Committee, the Risk Management Committee and the ALM Committee.

**(8) Other structure to ensure that corporate auditors conduct effective audits**

Corporate auditors hold meetings to exchange opinions with representative directors, internal audit division and accounting auditors.

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

## Status of Internal Audits and Audits by Corporate Auditors

### ● Internal audits

The Company has established the Internal Audit Division that conducts internal audits based on the basic rules of intra-group audits, set out to provide objectives and guidelines of internal audits. The Company develops effective internal audit structure that has independence and expertise in order to ensure soundness and

adequacy of operation. The Company also inspects and evaluates adequacy and effectiveness of the risk management and internal control practices, and makes recommendations as appropriate to the senior management of the Company on ways to improve and rectify questionable areas. Thus the Company's internal audit guidelines facilitate effective achievement of management objectives including the improvement of the Group's internal management structure and the enhancement of its enterprise value.

The Internal Audit Division of the Company conducts internal audits of all departments within the Company according to the audit plan approved by the Board of Directors, as well as internal audits of banking subsidiary as appropriate under the relevant auditing contracts. Results of these audits are regularly reported to the Board of Directors and so on.

#### ● Audits by corporate auditors

Each corporate auditor audits the business execution of directors through attendance to important meetings such as the Board of Directors and the Management Committee, as well as inspection of critical documents, according to guidelines such as the "guidelines for audits by corporate auditors" and the "guidelines for implementing audits of internal control system," generally subject to the auditing guidelines and audit plan decided by the Board of Corporate Auditors, as an independent body mandated by shareholders.

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

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

### Outside directors and outside corporate auditors

The Company has two outside directors and two outside corporate auditors. Although we have no specific appointment criteria or policies to evaluate the independence of outside directors and outside corporate auditors, appointment is made in reference to each candidate's business relationship with the Company or its subsidiaries, along with the assessment criteria of the independence of independent officers provided by exchanges.

Outside director, Takashi Nagaoka, is from major shareholder of the Company, Mitsubishi UFJ Financial Group, Inc. and The Bank of Tokyo-Mitsubishi UFJ, Ltd., and is currently serving as Director and Deputy President of the latter. Though he has no interest in the Company or the Group in terms of personnel, capital, trading or other relationship, The Bank of Tokyo-Mitsubishi UFJ, Ltd. and the Company's wholly owned subsidiary, The Senshu Ikeda Bank, Ltd. has collaborative relationship, including ordinary banking transactions and joint operation of courier service, as well as contractual relationship including bond management agreement. He is expected to perform his duties by supervising the business execution as a director of the Company, which is based on his wealth of experience over the years as senior management of financial institutions. He serves concurrently

as an outside director of the Company's wholly-owned subsidiary, The Senshu Ikeda Bank.

Outside director, Kazuo Hiramatsu, serves as a trustee of Kwansei Gakuin.

Between he or Kwansei Gakuin, and the Company or the Group, there is no interest in terms of personnel, capital or other relationship, except ordinary banking transactions with the Senshu Ikeda Bank, Ltd. Also, the Bank made a donation to Kwansei Gakuin in fiscal year 2011. He also concurrently serves as an officer at ShinMaywa Industries, Ltd. as well as DAIDO LIFE INSURANCE COMPANY. The Senshu Ikeda Bank has ordinary banking transactions with the former, while capital relationship and insurance agency relationship on top of ordinary banking transactions with the latter. As a director of the Company, he performs his duties by supervising the execution of business, based on his extensive experience in educational corporations and in business. He serves concurrently as an outside director of the Company's wholly-owned subsidiary, The Senshu Ikeda Bank.

Outside corporate auditor, Toshiaki Imanaka, is an independent officer without any potential conflict of interest with general shareholders, as required to be designated by Tokyo Stock Exchange and Osaka Securities Exchange, and has no interest in the Company or the Group in terms of personnel, capital or other relationship, except ordinary banking transactions with the Senshu Ikeda Bank, Ltd. He also concurrently serves as a firm member of Kansai Law and Patent Office, which is in contractual relationship with the Senshu Ikeda Bank as the bank's legal advisor.

Qualified as an attorney, he has good deal of knowledge in finance and accounting as has been earned through his hands-on experience in corporate accounting as reorganization trustee, and is performing his duties as a corporate auditor from his professional standpoint.

Outside director, Toshiaki Sasaki, serves as a president of Senshu Gakuen.

Between he or Senshu Gakuen, and the Company or the Group, there is no interest in terms of personnel or other relationship, except ordinary banking transactions with the Senshu Ikeda Bank, Ltd. Also, he holds 115,300 shares of the common stock of the Company.

He performs his duties as a corporate auditor based on his wealth of experience and broad insight earned over the years as a corporate auditor in financial institutions.

The Company has appointed two outside directors out of twelve directors while two outside corporate auditors out of four. Thus the Company has developed a structure sufficient to continuously enhance its enterprise value through such appointment of outside directors and outside corporate auditors.

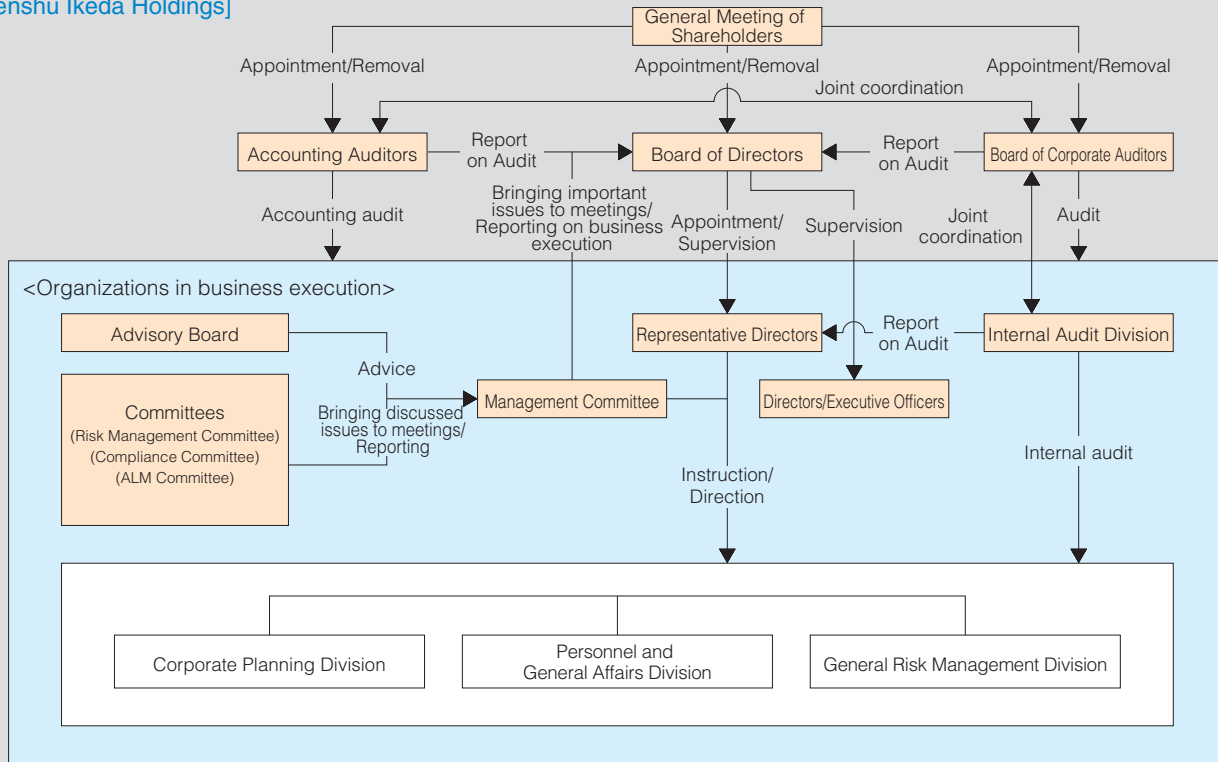
Outside directors receive reports about the status of audits by corporate auditors, internal audits and accounting audits, as well as the status of internal control from the internal control division through Board of Directors. On the other hand, outside corporate auditors receive reports from full-time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



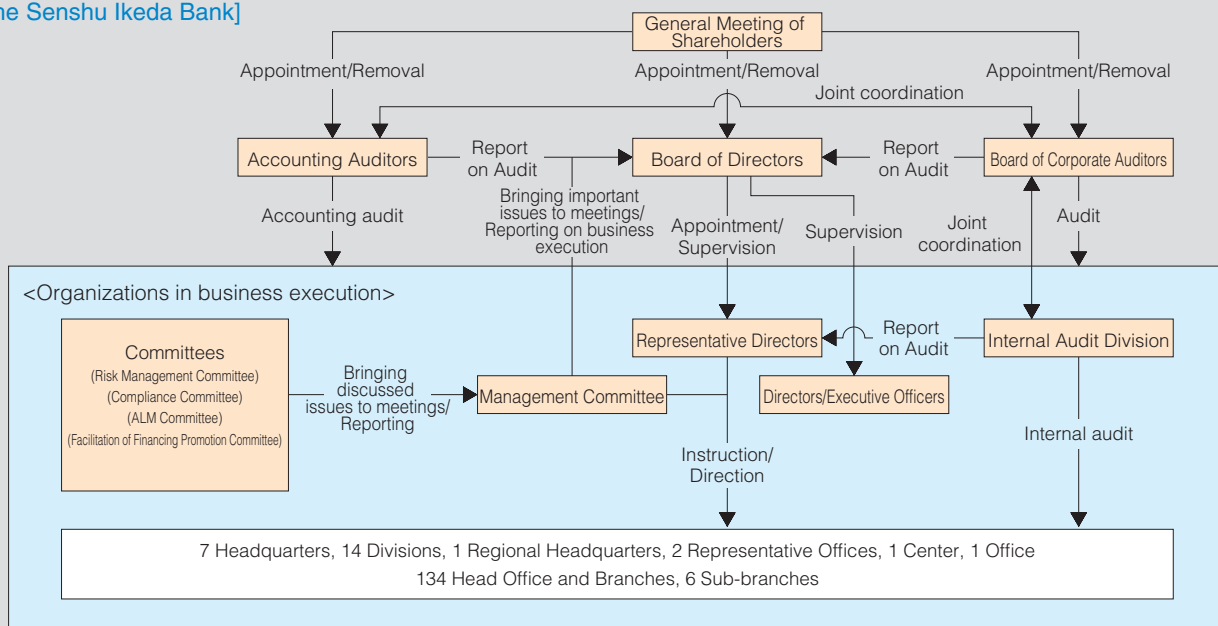
## Corporate governance structure of the Group

(As of the end of July, 2012)

### [Senshu Ikeda Holdings]



### [The Senshu Ikeda Bank]



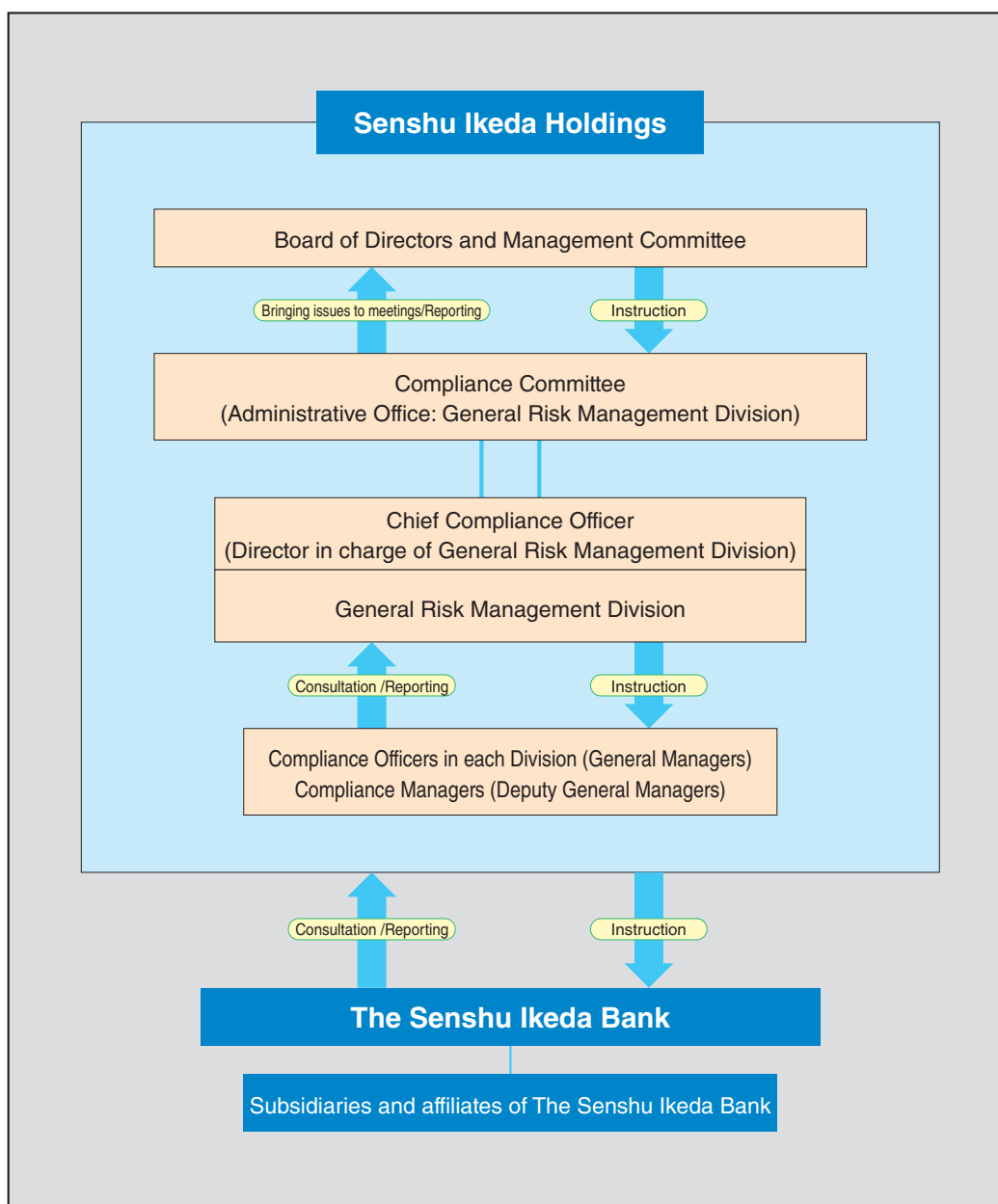
## Compliance Structure

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

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

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

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



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

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

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

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

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

## Code of Ethics

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

### 1. Winning the trust from our customers

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

### 2. Implementing “customer first policy”

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

### 3. Strict compliance

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

### 4. Respecting human rights and the environment

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

### 5. Eliminating anti-social forces

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

# Risk Management Structure

## ■ Basic Approach to Risk Management

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

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

Specifically, the Group determines the structure and various rules regarding risk management and the departments in charge of each risk category at the Board of Director. The group has also set up the risk management division to oversee the departments regarding risk management. Furthermore, the Risk Management Committee and the ALM Committee, consisting principally of management personnel have been established, with the purpose to identify the risk situation within the Group as well as the banking subsidiary, 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 semi-annually and reviewed continually in order to deal with the risks newly emerging as a result of changes in environment for timely and adequate way.

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

## ■ Integrated Risk Management

### ● Integrated risk management

Integrated risk management refers to the process to adequately manage the risks that financial institutions

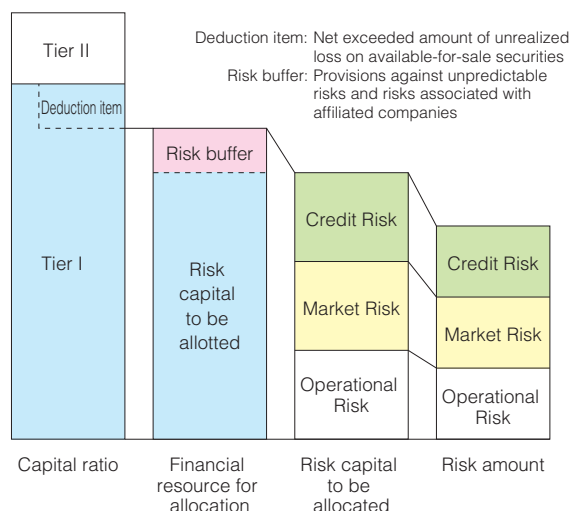
face. The Company evaluates the risks divided into categories of credit risk, credit concentration risk outside the calculation of capital ratio, interest rate risk in banking accounts, market risk and operational risk, and compares them with its management strength (capital ratio).

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

### ● Risk capital management system

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

Specifically, the Company allocates risk capital that sourced from Tier I 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.





### ● Dealing with Basel II

In respect of capital ratio calculation for the purpose of the new capital ratio regulation (Basel II) enforced in Japan from the end of March 2007, the Group's current status is as follows:

Credit Risk	Operational Risk
Standard method	Gross profit allocation method
Senshu Ikeda Holdings	Senshu Ikeda Holdings
The Senshu Ikeda Bank	The Senshu Ikeda Bank

### ■ Credit Risk Management

Credit risk, as identified by the Group, is the risk that the interest and principal of loans and other amounts payable by the borrower may not be able to be collected, due to deterioration of the financial condition of the borrower.

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 Loan Planning 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 audit division (Loan Division and Loan Business Division) from the business promotion division. The Board of Directors and other appropriate body review each loan for large obligor as well as the credit policy. Thus the Group has focused on the development and improvement of its credit analysis system. Meanwhile, Loan Business Division established within the Loan Headquarters, is managing housing loans receivable.

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

### ■ Market Risk Management

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

### ■ Funding Liquidity Risk Management

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

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

### ■ Operational Risk Management

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

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

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

management soundness when outsources certain business operation.

#### ● Administrative risk management

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

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

#### ● Information asset (system) risk management

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

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

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

#### ● Tangible fixed asset risk

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

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

#### ● Personnel risk

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

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

#### ● Legal risk management

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

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

#### ● Reputation risk management

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

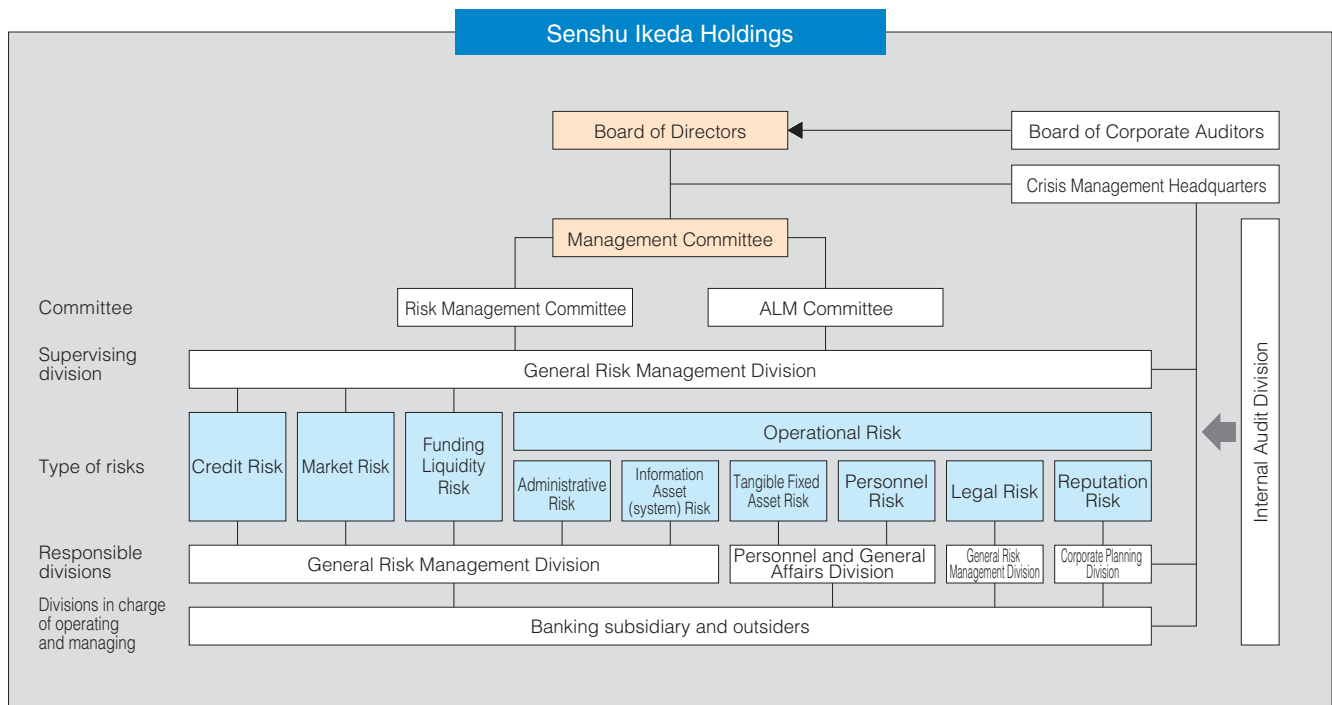
The Group works to avoid reputation risk by disclosing information proactively thorough increases the transparency of its management, taking into consideration the crucial influence on the management of the Group.

#### ■ Crisis Management

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

## The risk management structure of the Group

(As of the end of July, 2012)

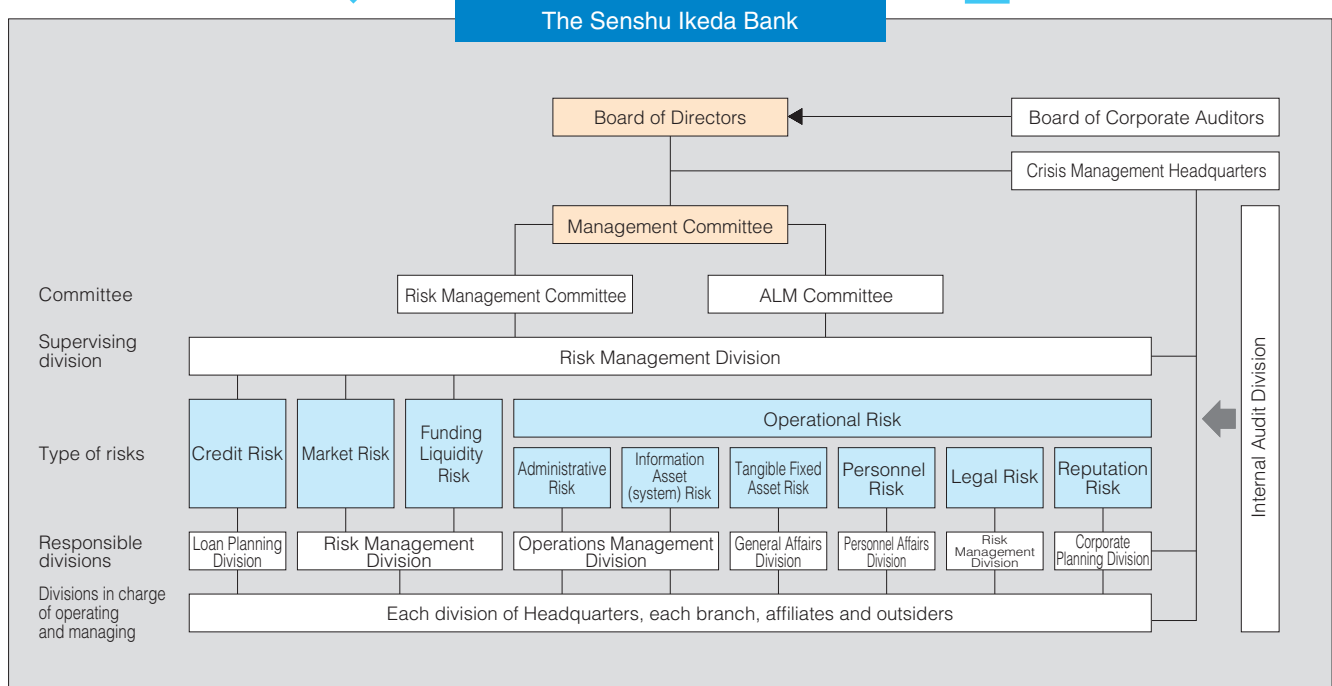


Direction of basic policies, etc.

Administration and management

Reporting on status of risk management

Consultation on risk management



## 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.

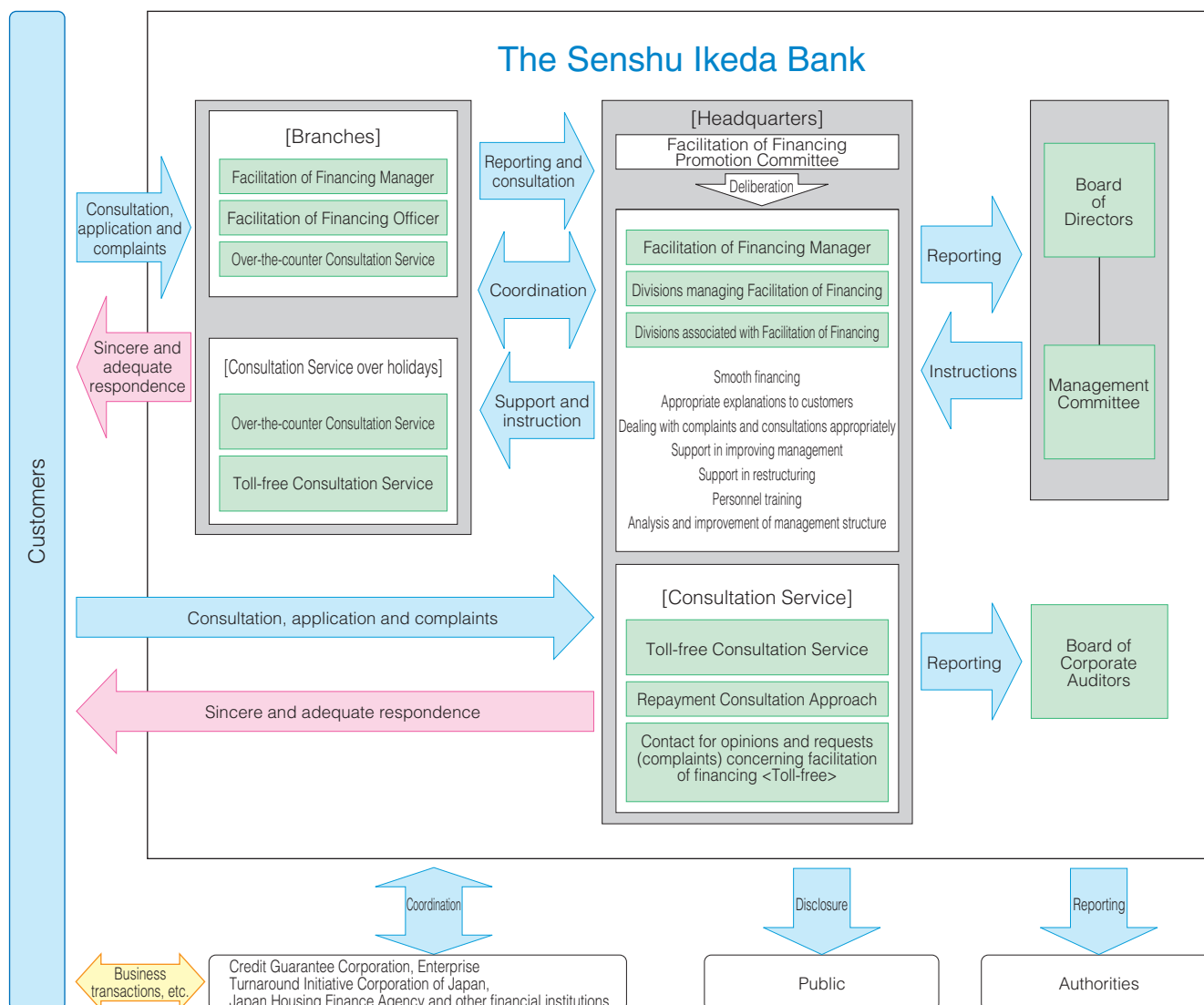
### ● Organizational structure

- (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 establishes the Facilitation of Financing Promotion Committee along with the Facilitation of Financing Manager to check whether Facilitation of Financing Management is effectively working.
- (2) The Facilitation of Financing Promotion Committee will engage in the development and reinforcement of the

structure for Facilitation of Financing Management through checking the progress in respect of Facilitation of Financing Management.

- (3) The Bank appoints the director in charge of the Risk Management Division to the Facilitation of Financing Manager. Under the Facilitation of Financing Promotion Committee, the Manager coordinates the overall business in respect of Facilitation of Financing Management such as instructions to the division

### System for accepting consultation of facilitation of financing





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.

## ● 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) 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' knowl-

edge, 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.

- (3) 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.
- (4) 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 26 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 changes in housing loan terms from housing loan customers, the Bank intends to accommodate such application and offer adequate 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.

## Approach to “Community-based Financing”

We place a high priority on “living together with the regional communities,” and therefore intend to further promote the community-based financing more positively through dealing with the following three fields:

1. Enhancing support for corporate customers based on their life cycle
2. Developing appropriate methods to provide funds to small and medium enterprises, including financing methods to grasp business value
3. Contribute to a sustainable regional economy by utilizing collected information about the region

Specific measures include:

### [Business-Academia-Government Collaboration]

We held a “Business Encourage Fair 2011 ~ Rebuilding from the Great East Japan Earthquake through Combining the Strength of Japan” in December last year. Addressing the theme of recovery from the Great East Japan Earthquake, participation at this gathering also included representatives of the business communities and regional banks from the Tohoku region. 115 groups from our customers, related agencies and others participated in the Fair, and we had a social gathering attended by some 6,200 persons.

We have established the “New Business Grant Program” in order to support outstanding business plans, while the “Consortium-based Research & Development Grant Program” to help small and medium enterprises diversify their businesses or launch second stage development through collaborating with the business-academia-government. The total number of plans submitted since the establishment of both programs has been approximately 1,700 applications, of which a total of grant awarded has been more than ¥300 million.

### [Collaboration with the Local Governments]

We have concluded “Collaborative Agreements for Regional Industrial Promotion” with 10 cities to date. Starting with Sakai City in March of last year, we have concluded with the cities of Itami, Minoh, Kishiwada, Toyonaka, Kawanishi, Ikeda, Suita, Settsu and Izumi. We have established the “Industrial Promotion Fund” as well. We have also promoted collaboration with regional chambers of commerce and industry, in order to invigorate the local communities and further improve our customer service.

### [Collaboration with Kansai’s Leading Universities]

We concluded the “Basic Agreements for Business-Academia Collaboration” with Wakayama University in May of last year, and with the University of Hyogo in August. We have been concluded such agreements with 11 universities to date. The purpose of such agreements are to mutually exchange and energize human and intellectual resources in industry, academic studies, personnel training, community planning and other key fields, using implementation of business activities recognized as being beneficial for all parties to contribute to the enlightened development of regional societies.

### [Collaboration with Domestic and Overseas Financial Institutions]

In July of last year, we concluded a “Business Cooperation Agreement” with the Japan Bank for International Cooperation. On the basis of the agreement, we have exchanged information on the overseas investment environment and co-hosted joint seminars and other collaborative efforts. We also concluded a “Business Cooperation Agreement” with NIPPON EXPRESS CO., LTD., a major player in Japan’s commodity distribution field. We have supported the mail-order business operations of our customers in China, provided valuable know-how on the distribution business and related fields, and provided other services through utilizing the agreement.

In September, we strengthened collaboration with each of China’s three biggest banks (the Industrial and Commercial Bank of China, the Bank of China and the Bank of Communications). We have lived up to dealing with local fund procurement needs using standby letters of credit, expansion of renminbi settlement operations services and other services through utilizing the collaboration.

In December, we formed business alliance with the Incorporated Administrative Agency, Nippon Export and Investment Insurance and Tokio Marine & Nichido Fire Insurance Co., Ltd., in order to enhance our capabilities of overseas information provision and of addressing the diversifying needs of our customers (export insurance and risk consulting).

### [New Products and Services]

Under the Financing Employing Environmental Ratings System, we evaluate new capital investment plans, in-house cost cutting measures and other eco-friendly initiatives to reduce CO2 emissions adopted by a wide range of customers – from small and medium enterprises to major middle-ranking and large companies. As a result of our evaluation, we finance under preferential interest rates according to the environmental ratings.



New Business Grant Program awards ceremony



Signing ceremony for Collaborative Agreement for Regional Industrial Promotion with Ikeda City (promotion mascots also attended)

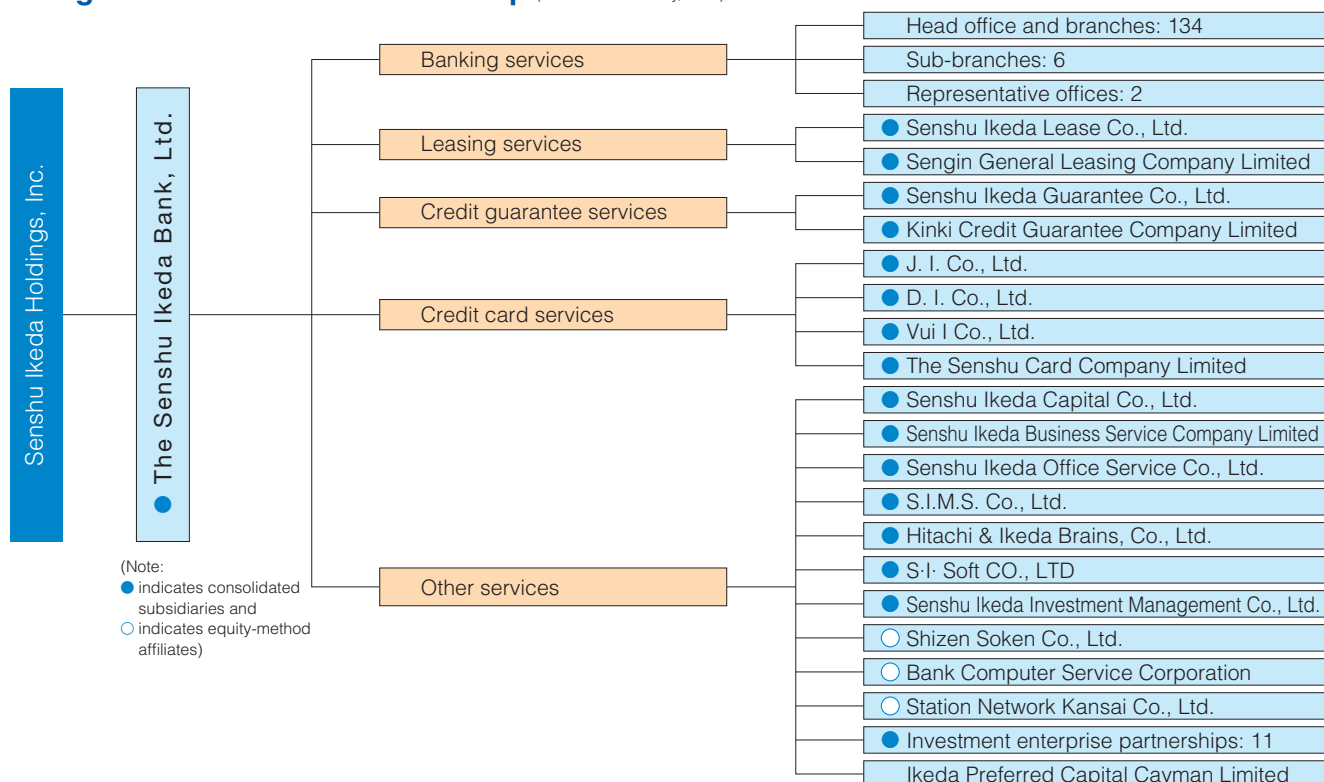


Signing ceremony for business alliance with Nippon Export and Investment Insurance

We will work hard in order to stimulate the regional power, and to be able to contribute to revitalization of the regional communities, bearing in mind our commitment to being the “bank that serves all of the regional communities and customers.” To that end, our directors and employees will make every effort to ensure our standing as the “No.1 Reliable Bank for the Regional Communities and Customers.”

## Business Description of the Group

### ■ Organizational Chart of the Group (As of the end of July, 2012)



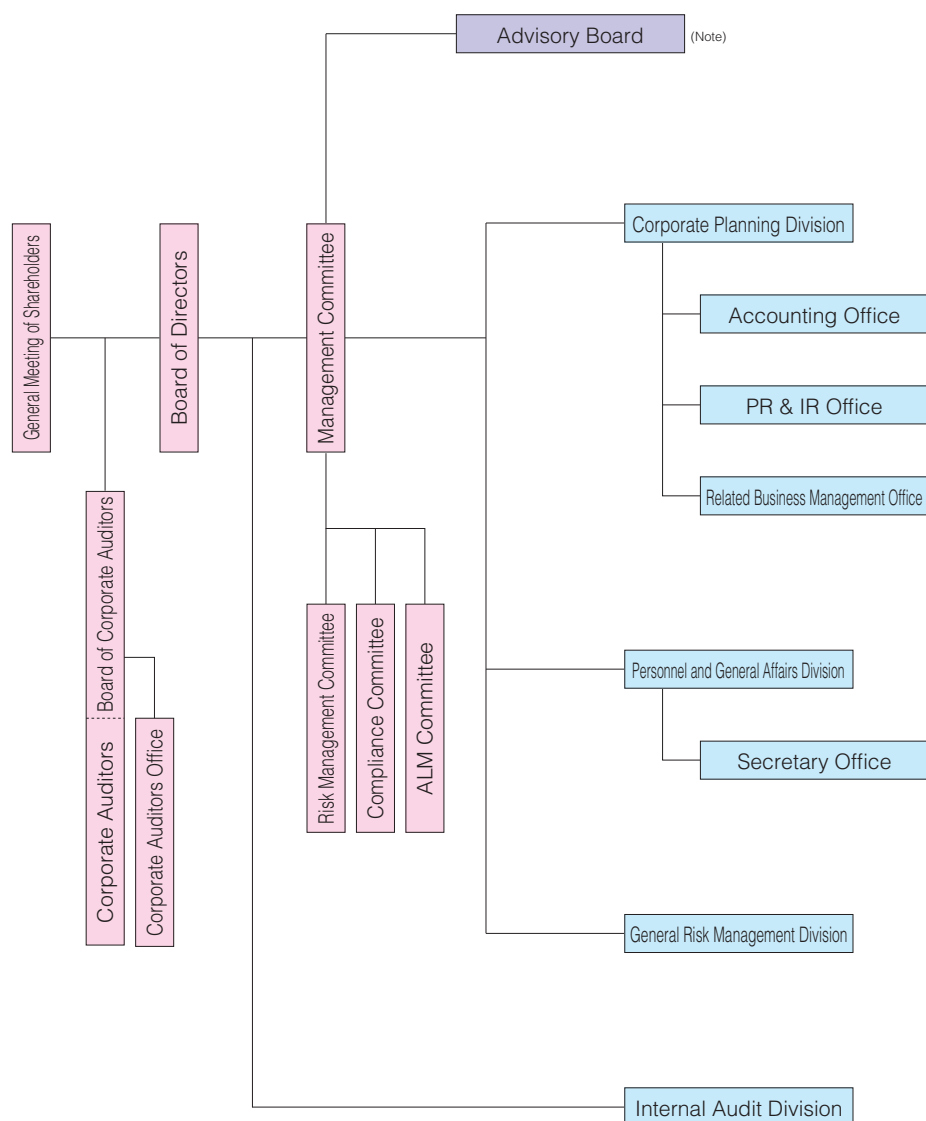
### ■ Subsidiaries and Affiliates (As of the end of July, 2012)

	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	50,710	100.0	—
	Senshu Ikeda Lease Co., Ltd.	3-3-6, Kyutaromachi, Chuo-ku, Osaka-city	Leasing services	April 1, 1986	50	—	81.0
	Sengin General Leasing Company Limited	27-1, Miyamotocho, Kishiwada-city	Leasing services	October 23, 1985	120	—	95.6
	Senshu Ikeda Guarantee Co., Ltd.	2-1-11, Jonan, Ikeda-city	Credit guarantee services	July 20, 1973	180	—	58.7
	Kinki Credit Guarantee Company Limited	2-1-1, Nishiki, Kaizuka-city	Credit guarantee services	April 1, 1975	6,400	—	100.0
	J. I. Co., Ltd.	8-10, Kurehacho, Ikeda-city	Credit card services	February 1, 1983	30	—	90.0
	D. I. Co., Ltd.	8-10, Kurehacho, Ikeda-city	Credit card services	September 5, 1990	30	—	90.0
	Vui I Co., Ltd.	8-10, Kurehacho, Ikeda-city	Credit card services	November 2, 1990	40	—	100.0
	The Senshu Card Company Limited	27-1, Miyamotocho, Kishiwada-city	Credit card services	August 28, 1987	30	—	85.0
	Senshu Ikeda Capital Co., Ltd.	18-14, Chayamachi, Kita-ku, Osaka-city	Venture capital services	March 6, 1989	426	—	65.9
	Senshu Ikeda Business Service Company Limited	18-14, Chayamachi, Kita-ku, Osaka-city	Back-office administration	April 1, 1983	30	—	100.0
	Senshu Ikeda Office Service Co., Ltd.	2-1-11, Jonan, Ikeda-city	Personnel services	July 11, 1988	20	—	100.0
	S.I.M.S. Co., Ltd.	6-2-5-301, Minoh, Minoh-city	Appraisal of real-estate collateral and real-estate research services	October 28, 1991	20	—	100.0
	Hitachi & Ikeda Brains, Co., Ltd.	2-1-11, Jonan, Ikeda-city	Development of computer software	June 10, 1985	50	—	63.1
	S-I Soft Company Limited	1-5, Rinku Oraikita, Izumisano-city	Computer software development and sale	October 6, 1986	30	—	85.0
Affiliates	Senshu Ikeda Investment Management Co., Ltd.	3-3-6, Kyutaromachi, Chuo-ku, Osaka-city	Investment advisory and discretionary investment services	April 1, 1987	120	—	100.0
	Shizen Soken Co., Ltd.	2-1-11, Jonan, Ikeda-city	Information offering services	November 1, 1996	80	—	15.0
	Bank Computer Service Corporation	1-5, Rinku Oraikita, Izumisano-city	Development and sale of computer programs used for operations at financial institutions	December 27, 2000	400	—	45.0
	Station Network Kansai Co., Ltd.	1-4-8, Shibata, Kita-ku, Osaka-city	Planning and operation of ATM at station	June 29, 2000	100	—	40.0

# Organization and Board of Directors

## Senshu Ikeda Holdings

### ■ Organization (As of the end of July, 2012)



(Note) The Advisory Board was established as a consultative body for Management Committee to seek external advice from experts and specialists in academic circle and various fields. The Company intends to enhance corporate governance through the transparent management while developing deep relationship with local communities.

Members: (In the order of the Japanese syllabary)  
 ・Noriyuki Inoue  
 (Chairman of the Board and CEO of Daikin Industries, Ltd.)  
 ・Masahiro Shima  
 (President of SHIMA SEIKI Mfg., Ltd.)  
 ・Motohiro Sugai  
 (Former president of Hankyu Corporation)  
 ・Hidenobu Hiraoka  
 (Chairman of the Board of Trustee of Seifu Gakuen Junior and Senior High School)  
 ・Makoto Yamanaka  
 (Chairman and CEO of Nankai Electric Railway Co., Ltd.)

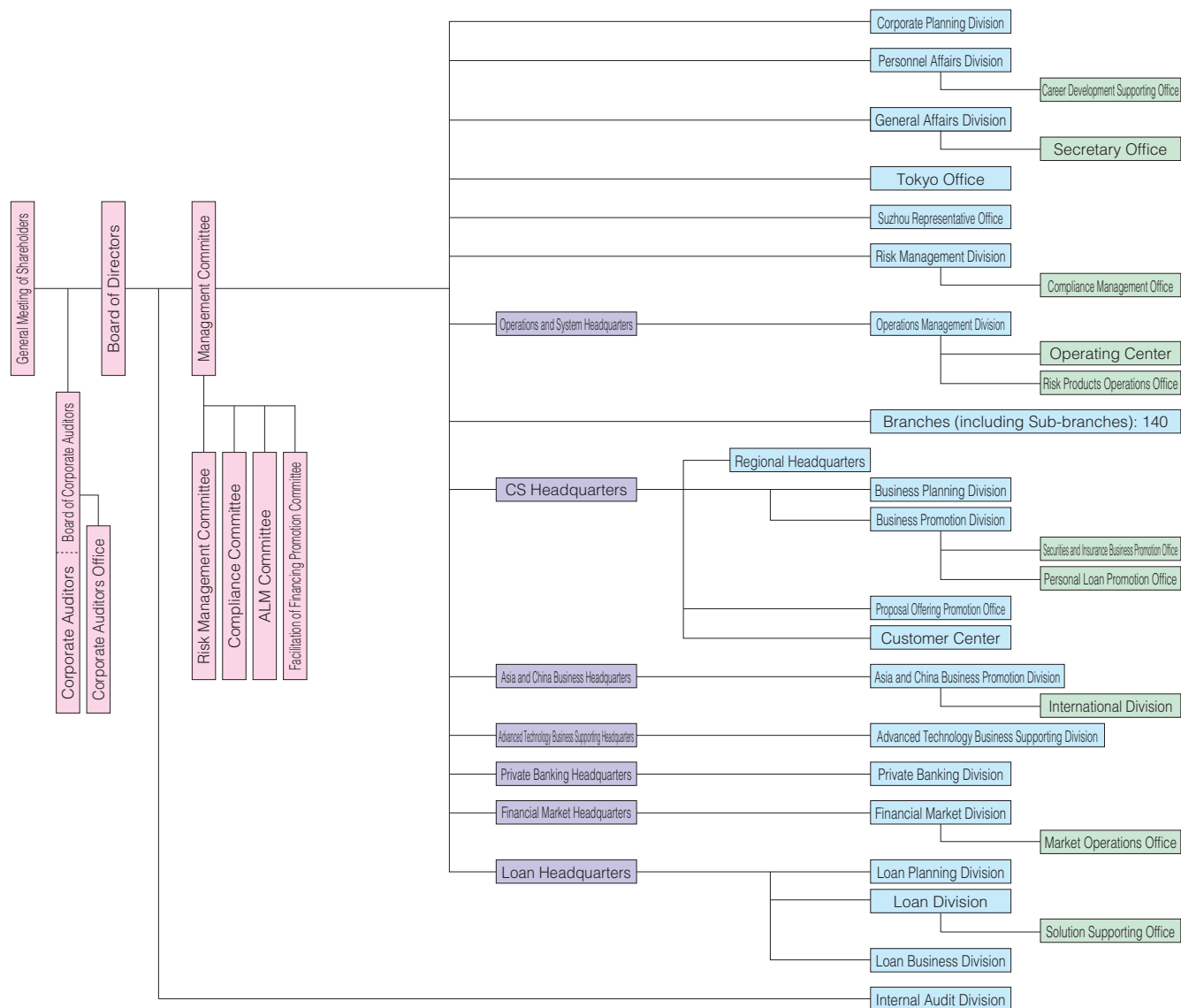
### ■ Board of Directors (As of June 28, 2012)

Representative Director and President	Hirohisa Fujita	Director	Takashi Nishi	Director	Masahiro Saito	Corporate Auditor (Full-time)	Kazuhiro Masao
Representative Director and Chairman	Kazuyuki Kataoka	Director	Hiroshi Kubota	Director	Nobuaki Nanchi	Corporate Auditor (Full-time)	Motoyasu Tsuji
Representative Director	Naoya Fukuchi	Director	Akira Tahara	Director (Outside)	Takashi Nagaoka (Deputy President of The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	Corporate Auditor (Outside)	Toshiaki Imanaka
Representative Director	Shigeru Aoyagi	Director	Atsushi Ukawa	Director (Outside)	Kazuo Hiramatsu (Professor, School of Business Administration, Kwansei Gakuin University Trustee of Kwansei Gakuin)	Corporate Auditor (Outside)	Toshiaki Sasaki



## The Senshu Ikeda Bank

### ■ Organization (As of the end of July, 2012)



### ■ Board of Directors (As of June 28, 2012)

Representative Director and President	Hirohisa Fujita	Managing Director	Takashi Nishi	Director	Masahiro Saito	Corporate Auditor (Full-time)	Hironobu Sugita
Representative Director and Chairman	Kazuyuki Kataoka	Managing Director	Hiroshi Kubota	Director	Nobuaki Nanchi	Corporate Auditor (Full-time)	Masanori Ueki
Representative Senior Managing Director	Naoya Fukuchi	Managing Director	Akira Tahara	Director (Outside)	Takashi Nagaoka (Deputy President of The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	Corporate Auditor (Outside)	Taro Ohashi
Representative Senior Managing Director	Shigeru Aoyagi	Director	Atsushi Ukawa	Director (Outside)	Kazuo Hiramatsu (Professor, School of Business Administration, Kwansei Gakuin University Trustee of Kwansei Gakuin)	Corporate Auditor (Outside)	Jiro Yoshida

# Consolidated Balance Sheets

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries  
As of 31st March, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
<b>Assets</b>			
Cash and due from banks (Notes 27 and 33)	¥ 134,000	¥ 144,348	\$ 1,630,368
Call loans and bills bought (Note 33)	698	—	8,492
Monetary claims bought (Note 33)	1,494	1,311	18,177
Trading account securities (Notes 4 and 33)	69	36	839
Money held in trust (Notes 6 and 33)	19,000	19,000	231,171
Securities (Notes 5, 7, 12, 20 and 33)	1,199,965	1,077,342	14,599,890
Loans and bills discounted (Notes 8, 12, 32 and 33)	3,516,142	3,501,016	42,780,654
Foreign exchange assets (Notes 9 and 33)	4,328	6,210	52,658
Other assets (Notes 10 and 12)	58,831	62,426	715,792
Tangible fixed assets (Notes 11 and 12)	38,439	38,142	467,684
Intangible fixed assets (Note 12)	9,039	5,606	109,976
Deferred tax assets (Note 29)	32,844	38,999	399,610
Customers' liabilities for acceptances and guarantees	26,114	29,459	317,727
Reserve for possible loan losses	(48,304)	(42,748)	(587,711)
<b>Total assets</b>	<b>¥ 4,992,667</b>	<b>¥ 4,881,152</b>	<b>\$ 60,745,431</b>
<b>Liabilities and net assets</b>			
<b>Liabilities</b>			
Deposits (Notes 12, 13 and 33)	¥ 4,390,453	¥ 4,348,871	\$ 53,418,335
Payables under securities lending transactions (Notes 12 and 33)	237,307	172,725	2,887,297
Borrowed money (Notes 12, 14, 33 and 34)	69,764	44,417	848,813
Foreign exchange liabilities (Notes 15 and 33)	431	480	5,243
Corporate bonds and notes (Notes 16 and 33)	53,000	48,000	644,847
Other liabilities (Note 17)	44,800	50,184	545,078
Provision for employees' bonuses	1,749	1,778	21,279
Accrued retirement benefits for employees (Note 18)	4,515	6,525	54,933
Accrued retirement benefits for directors and corporate auditors	335	386	4,075
Reserve for reimbursement of deposits	258	309	3,139
Reserve for point services	141	135	1,715
Reserve for contingent losses	473	465	5,754
Reserve for loss on integration	—	717	—
Deferred tax liabilities (Note 29)	2	0	24
Negative goodwill	7	10	85
Acceptances and guarantees (Note 20)	26,114	29,459	317,727
<b>Total liabilities</b>	<b>4,829,355</b>	<b>4,704,468</b>	<b>58,758,425</b>
<b>Net assets</b>			
Shareholders' equity (Note 21):			
Common stock	72,311	72,311	879,802
Capital surplus	72,675	83,063	884,231
Retained earnings	30,910	33,125	376,079
Treasury stock	(1,944)	(116)	(23,652)
<b>Total shareholders' equity</b>	<b>173,952</b>	<b>188,383</b>	<b>2,116,461</b>
Accumulated other comprehensive income:			
Net unrealized loss on available-for-sale securities (Note 7)	(11,878)	(12,884)	(144,518)
Net unrealized loss on deferred hedges (Note 34)	(2)	(19)	(24)
<b>Total accumulated other comprehensive income</b>	<b>(11,880)</b>	<b>(12,904)</b>	<b>(144,543)</b>
Stock subscription rights (Note 21)	62	6	754
Minority interests	1,177	1,197	14,320
<b>Total net assets</b>	<b>163,311</b>	<b>176,684</b>	<b>1,986,993</b>
<b>Total liabilities and net assets</b>	<b>¥ 4,992,667</b>	<b>¥ 4,881,152</b>	<b>\$ 60,745,431</b>

See accompanying notes to consolidated financial statements

## Consolidated Statements of Operations

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries  
For the years ended 31st March, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
<b>Income</b>			
Interest income:			
Interest on loans and bills discounted (Note 32)	¥ 58,450	¥ 59,699	\$ 711,157
Interest and dividends on securities	12,290	16,463	149,531
Other interest income	172	122	2,092
Fees and commissions	16,265	17,429	197,895
Other operating income (Note 22)	18,132	12,556	220,610
Recoveries of written-off claims	1,321	1,863	16,072
Other income (Note 23)	9,506	11,002	115,658
<b>Total income</b>	<b>116,139</b>	<b>119,136</b>	<b>1,413,055</b>
<b>Expenses</b>			
Interest expenses:			
Interest on deposits	7,937	10,681	96,568
Interest on borrowings and rediscounts	857	752	10,427
Other interest expenses	1,981	1,563	24,102
Fees and commissions	5,284	5,269	64,290
Other operating expenses (Note 24)	6,977	2,070	84,888
General and administrative expenses	56,243	57,089	684,304
Loss on sales or disposal of fixed assets	269	155	3,272
Loss on impairment of fixed assets	166	189	2,019
Other expenses (Note 25)	25,764	32,371	313,468
<b>Total expenses</b>	<b>105,483</b>	<b>110,144</b>	<b>1,283,404</b>
Income before income taxes and minority interests	10,656	8,991	129,650
<b>Income taxes (Note 29)</b>			
Current	616	347	7,494
Deferred	6,082	874	73,999
<b>Total income taxes</b>	<b>6,698</b>	<b>1,222</b>	<b>81,494</b>
Net income before minority interests	3,958	7,769	48,156
<b>Minority interests</b>	<b>147</b>	<b>78</b>	<b>1,788</b>
<b>Net income</b>	<b>¥ 3,810</b>	<b>¥ 7,690</b>	<b>\$ 46,356</b>

See accompanying notes to consolidated financial statements

## Consolidated Statements of Comprehensive Income

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries  
For the years ended 31st March, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Net income before minority interests	¥ 3,958	¥ 7,769	\$ 48,156
Other comprehensive income (Note 30)			
Net unrealized gain on available-for-sale securities	1,018	227	12,385
Net unrealized gain (loss) on deferred hedges	17	(19)	206
<b>Total other comprehensive income</b>	<b>1,036</b>	<b>208</b>	<b>12,604</b>
<b>Comprehensive income</b>	<b>¥ 4,995</b>	<b>¥ 7,977</b>	<b>\$ 60,773</b>
Total comprehensive income attributable to:			
Owners of the parent	4,833	7,898	58,802
Minority interests	161	79	1,958

# Consolidated Statements of Changes in Net Assets

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries  
For the years ended 31st March, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
<b>Shareholders' equity</b>			
<b>Common stock</b>			
Balance at beginning of the year	¥ 72,311	¥ 72,311	\$ 879,802
Total changes during the year	—	—	—
Balance at end of the year	72,311	72,311	879,802
<b>Capital surplus</b>			
Balance at beginning of the year	83,063	83,063	1,010,621
Changes during the year:			
Disposition of treasury stock	1	—	12
Retirement of treasury stock	(10,389)	—	(126,402)
Total changes during the year	(10,388)	—	(126,390)
Balance at end of the year	72,675	83,063	884,231
<b>Retained earnings</b>			
Balance at beginning of the year	33,125	31,107	403,029
Changes during the year:			
Cash dividends	(6,024)	(5,673)	(73,293)
Net income	3,810	7,690	46,356
Total changes during the year	(2,214)	2,017	(26,937)
Balance at end of the year	30,910	33,125	376,079
<b>Treasury stock</b>			
Balance at beginning of the year	(116)	(1)	(1,411)
Changes during the year:			
Acquisition of treasury stock	(12,488)	(114)	(151,940)
Disposition of treasury stock	270	—	3,285
Retirement of treasury stock	10,389	—	126,402
Total changes during the year	(1,828)	(114)	(22,241)
Balance at end of the year	(1,944)	(116)	(23,652)
<b>Total shareholders' equity</b>			
Balance at beginning of the year	188,383	186,480	2,292,042
Changes during the year:			
Cash dividends	(6,024)	(5,673)	(73,293)
Net income	3,810	7,690	46,356
Acquisition of treasury stock	(12,488)	(114)	(151,940)
Disposition of treasury stock	272	—	3,309
Retirement of treasury stock	—	—	—
Total changes during the year	(14,431)	1,902	(175,580)
Balance at end of the year	¥ 173,952	¥ 188,383	\$ 2,116,461



## Consolidated Statements of Changes in Net Assets

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries  
For the years ended 31st March, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
<b>Accumulated other comprehensive income</b>			
<b>Net unrealized loss on available-for-sale securities</b>			
Balance at beginning of the year	¥ (12,884)	¥ (13,110)	\$ (156,758)
Net changes in items other than shareholders' equity	1,005	226	12,227
Balance at end of the year	(11,878)	(12,884)	(144,518)
<b>Net unrealized loss on deferred hedges</b>			
Balance at beginning of the year	(19)	(0)	(231)
Net changes in items other than shareholders' equity	17	(19)	206
Balance at end of the year	(2)	(19)	(24)
<b>Total accumulated other comprehensive income</b>			
Balance at beginning of the year	(12,904)	(13,111)	(157,002)
Net changes in items other than shareholders' equity	1,023	207	12,446
Balance at end of the year	(11,880)	(12,904)	(144,543)
<b>Stock subscription rights</b>			
Balance at beginning of the year	6	–	73
Net changes in items other than shareholders' equity	55	6	669
Balance at end of the year	62	6	754
<b>Minority interests</b>			
Balance at beginning of the year	1,197	907	14,563
Net changes in items other than shareholders' equity	(20)	290	(243)
Balance at end of the year	1,177	1,197	14,320
<b>Total net assets</b>			
Balance at beginning of the year	176,684	174,276	2,149,701
Changes during the year:			
Cash dividends	(6,024)	(5,673)	(73,293)
Net income	3,810	7,690	46,356
Acquisition of treasury stock	(12,488)	(114)	(151,940)
Disposition of treasury stock	272	–	3,309
Net changes in items other than shareholders' equity	1,058	505	12,872
Total changes during the year	(13,372)	2,407	(162,696)
Balance at end of the year	¥ 163,311	¥ 176,684	\$ 1,986,993

See accompanying notes to consolidated financial statements

# Consolidated Statements of Cash Flows

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries  
For the years ended 31st March, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
<b>Cash flows from operating activities</b>			
Income before income taxes and minority interests	¥ 10,656	¥ 8,991	\$ 129,650
Depreciation	4,391	4,172	53,424
Loss on impairment of fixed assets	166	189	2,019
Amortization of goodwill	5	111	60
Amortization of negative goodwill	(2)	(2)	(24)
Gains on negative goodwill incurred	(187)	(4)	(2,275)
Increase (decrease) in reserve for possible loan losses	5,555	(2,603)	67,587
Decrease in accrued bonuses	(28)	(13)	(340)
Loss (earnings) from investments under the equity method	38	(155)	462
(Decrease) increase in accrued retirement benefits for employees	(2,010)	452	(24,455)
Decrease in accrued retirement benefits for directors and corporate auditors	(51)	(59)	(620)
Decrease in reserve for reimbursement of deposits	(50)	(12)	(608)
Increase in reserve for point services	5	36	60
Increase (decrease) in reserve for contingent losses	7	(83)	85
(Decrease) increase in reserve for loss on integration	(717)	473	(8,723)
Interest income	(70,913)	(76,285)	(862,793)
Interest expenses	10,776	12,998	131,110
Gain on securities	(8,812)	(7,659)	(107,214)
Loss on money held in trust	285	25	3,467
Loss on foreign exchange	2,592	21,428	31,536
Loss on sales or disposal of fixed assets, net	269	155	3,272
Effect of applying the accounting standard for asset retirement obligation	—	74	—
Net increase in loans and bills discounted	(15,125)	(52,435)	(184,024)
Net increase in deposits	41,582	96,855	505,925
Net decrease in negotiable certificates of deposits	—	(12,500)	—
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	15,347	(57,470)	186,725
Net decrease in due from banks (excluding due from the Bank of Japan)	8	2,906	97
Net increase in trading account securities	(32)	(27)	(389)
Net (increase) decrease in call loans and bills bought	(881)	9,939	(10,719)
Net decrease in call money and bills sold	—	(45,000)	—
Net increase (decrease) in payables under securities lending transactions	64,581	(82,598)	785,752
Net decrease (increase) in foreign exchange (assets)	1,882	(1,146)	22,898
Net (decrease) increase in foreign exchange (liabilities)	(49)	85	(596)
Decrease in bonds	—	(300)	—
Interest received	71,137	77,243	865,518
Interest paid	(13,372)	(13,998)	(162,696)
Other	313	3,210	3,808
Subtotal	117,368	(113,004)	1,428,008
Income taxes paid	(369)	(1,063)	(4,489)
<b>Net cash provided (used in) by operating activities</b>	¥ 116,999	¥ (114,068)	\$ 1,423,518

## Consolidated Statements of Cash Flows

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries  
For the years ended 31st March, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
<b>Cash flows from investing activities</b>			
Purchases of securities	¥ (1,650,619)	¥ (1,111,068)	\$(20,082,966)
Proceeds from sales of securities	1,333,067	949,870	16,219,333
Proceeds from maturity of securities	201,719	308,731	2,454,301
Increase in money held in trust	(339)	–	(4,124)
Decrease in money held in trust	39	–	474
Purchases of tangible fixed assets	(2,904)	(4,069)	(35,332)
Purchases of intangible fixed assets	(5,279)	(3,324)	(64,229)
Proceeds from sales of tangible fixed assets	51	17	620
<b>Net cash (used in) provided by investing activities</b>	<b>(124,263)</b>	<b>140,156</b>	<b>(1,511,899)</b>
<b>Cash flows from financing activities</b>			
Increase in subordinated borrowings	10,000	–	121,669
Increase in subordinated bonds and bonds with stock subscription rights	35,000	15,000	425,842
Decrease in subordinated bonds and bonds with stock subscription rights	(30,000)	–	(365,007)
Cash dividends paid	(6,024)	(5,673)	(73,293)
Payment for minority shareholders	–	(0)	–
Purchases of treasury stock	(12,488)	(114)	(151,940)
Proceeds from disposal of treasury stock	270	–	3,285
<b>Net cash (used in) provided by financing activities</b>	<b>(3,243)</b>	<b>9,212</b>	<b>(39,457)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>168</b>	<b>138</b>	<b>2,044</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(10,339)</b>	<b>35,438</b>	<b>(125,793)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>141,335</b>	<b>105,897</b>	<b>1,719,613</b>
<b>Cash and cash equivalents at end of year (Note 27)</b>	<b>¥ 130,996</b>	<b>¥ 141,335</b>	<b>\$ 1,593,819</b>

See accompanying notes to consolidated financial statements

# Notes to Consolidated Financial Statements

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries  
For the Years Ended 31st March, 2012 and 2011

## 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 Corporation Law of Japan (the "Law") 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 ¥82.19 = U.S.\$1.00, the exchange rate prevailing on 30th March, 2012. This translation should not be construed as a representation that yen can be converted into U.S. dollars at the above or any other rate.

## 2. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and the 26 (28 in 2011) 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.

Sengin Business Service Company Limited and Ikeda Business Service Co., Ltd., both of which were wholly owned subsidiaries of the Company, were merged effective 1st July, 2011 in accordance with the resolution approving the merger agreement between Sengin Business Service Company Limited and Ikeda Business Service Co., Ltd. at the Board of Directors' meeting of the Company held on 27th April, 2011. As a result, Sengin Business Service Company Limited, which is a surviving company, changed its name to "Senshu Ikeda Business Service Company Limited" and took over all the assets, liabilities, rights and obligations of Ikeda Business Service Co., Ltd.

Ikegin Capital Yumejikomi Fund No. 1 Investment Enterprise Partnership, which was a wholly owned subsidiary of the Company, completed its liquidation on 15th March, 2012. As a result, it was excluded from the scope of consolidation on 31st March, 2012.

The Company has applied the equity method to its investment in three affiliates for the years ended 31st March, 2012 and 2011, respectively. The consolidated financial statements do not include the accounts of Ikeda Preferred Capital Cayman Limited, since its total assets, operating income, ownership percentage of net profits and losses, retained earnings and net unrealized gain or loss on deferred hedges do not have a material impact on the consolidated financial statements of the Company.

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", and is amortized by the straight-line method over a period of five years. However, goodwill recognized in the years ended 31st March, 2012 and 2011 is amortized over a year.

The balance sheet date of 10 subsidiaries is 31st December. Appropriate adjustments have been made for significant intervening transactions occurring during the period from 31st December to 31st March.

## 3. Significant Accounting Policies

### (1) Trading account securities

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

### (2) Securities

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

sale securities is determined using the moving average method. Other securities, whose fair value is extremely difficult to determine, are stated at cost determined by the moving-average method.

Unrealized gain or loss on available-for-sale securities is included in net assets, net of income taxes.

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

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

**(4) Derivatives**

Derivatives are stated at fair value.

**(5) Tangible fixed assets**

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

Buildings	3 to 50 years
Other	2 to 20 years

**(6) Intangible fixed assets**

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

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

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

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

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

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

For consolidated subsidiaries other than the banking subsidiary, 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 ¥61,781 million (\$751,685 thousand) and ¥61,041 million for the years ended 31st March, 2012 and 2011, respectively.

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

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

**(9) Accrued retirement benefits for employees**

Accrued retirement benefits for employees are provided at an estimated amount based on an actuarial calculation of the retirement benefit obligation and the pension plan assets at the balance sheet date. Certain consolidated subsidiaries estimate the retirement benefit obligation using the simplified method whereby the amount that would be payable if the eligible employees terminate at the balance sheet date.

Prior service cost is amortized by the straight-line method over a period of 11 to 12 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.

Unrecognized transitional obligation incurred at the time of the accounting change in the amount of ¥9,894 million (\$120,379 thousand) is amortized over a period of 15 years.

During the fiscal year ended 31st March, 2012, the retirement benefit plans of consolidated subsidiaries were revised and the plans were integrated on 1st October, 2011. Consequently, prepaid pension cost and accrued retirement benefits for employees have been offset and



presented in net amount. Prepaid pension cost and accrued retirement benefits for employees have decreased by ¥2,220 million (\$27,010 thousand), respectively, compared to the amounts prior to offsetting.

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

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

**(11) 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.

**(12) Reserve for point services**

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

**(13) 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.

**(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 31st March, 2008.

**(16) 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 subsidiary, 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 Audit Committee Report No. 24. Interest rate swap contracts entered into by certain consolidated subsidiaries which qualify for hedge accounting are accounted for as if the interest rate for the swap contract is applied to the underlying debt.

**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 subsidiary, the Group applies deferral hedge accounting, under which gains or losses on derivatives are deferred until maturity of the hedged transactions, as stipulated in the JICPA Industry Audit Committee Report No. 25. The Group assesses the effectiveness of its currency swaps and foreign exchange swaps 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.

**(17) 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.

**(18) Consumption taxes**

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

**(19) Accounting changes and error corrections**

On 4th December, 2009, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No. 24 "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections" for the accounting changes and corrections of prior period errors which are made on and after the beginning of the year ended 31st March, 2012. These standards require the entities to apply accounting changes and corrections of prior period errors retroactively. Accordingly, adjustments must be made to all comparative amounts presented in the financial statements as though accounting changes and error corrections had been applied from the beginning of the prior period presented.

In accordance with JICPA Accounting Committee Report No. 14 "Practical Guidelines on Accounting for Financial Instruments," "Gain on reversal of reserve for reimbursement of deposits" and "Gain on bad debts

recovered" are recorded in "Other operating income" for the year ended 31st March, 2012. However, amounts for the year ended 31st March, 2011 are not retroactively restated.

#### 4. Trading account securities

Valuation gain or loss on trading account securities included in income before income taxes and minority interests was ¥(0) million (\$ (0) thousand) and ¥(0) million for the years ended 31st March, 2012 and 2011, respectively.

#### 5. Securities

Securities at 31st March, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Stocks	¥ 62,283	¥ 63,105	\$ 757,792
Bonds:			
Government bonds	398,381	347,558	4,847,073
Local government bonds	77,972	84,323	948,679
Corporate bonds	229,198	210,792	2,788,636
Other	432,129	371,561	5,257,683
Total	¥ 1,199,965	¥ 1,077,342	\$14,599,890

Stocks in the above table include investments in affiliates of ¥234 million (\$2,847 thousand) and ¥272 million at 31st March, 2012 and 2011, respectively.

Held-to-maturity debt securities with fair value at 31st March, 2012 and 2011 were as follows:

Millions of yen		
31st March, 2012	Carrying value	Fair value
Corporate bonds	¥ 47,953	¥ 48,440
Other	2,000	1,987
Total	¥ 49,953	¥ 50,428

Millions of yen			
31st March, 2012	Difference	Unrealized gain	Unrealized loss
Corporate bonds	¥ 487	¥ 502	¥ (14)
Other	(12)	–	(12)
Total	¥ 474	¥ 502	¥ (27)

Millions of yen			
31st March, 2011	Carrying value	Fair value	
Corporate bonds	¥ 49,198	¥	49,793
Total	¥ 49,198	¥	49,793

Millions of yen				
31st March, 2011	Difference	Unrealized gain	Unrealized loss	
Corporate bonds	¥ 594	¥ 612	¥	(17)
Total	¥ 594	¥ 612	¥	(17)

Thousands of U.S. dollars			
31st March, 2012	Carrying value	Fair value	
Corporate bonds	\$ 583,440	\$	589,366
Other	24,333		24,175
Total	\$ 607,774	\$	613,553

Thousands of U.S. dollars				
31st March, 2012	Difference	Unrealized gain	Unrealized loss	
Corporate bonds	\$ 5,925	\$ 6,107	\$	(170)
Other	(146)	–		(146)
Total	\$ 5,767	\$ 6,107	\$	(328)

There were no held-to-maturity debt securities sold during the years ended 31st March, 2012 and 2011.

Available-for-sale securities with fair value at 31st March, 2012 and 2011 were as follows:

Millions of yen		
31st March, 2012	Carrying value	Acquisition cost
Equity securities	¥ 56,292	¥ 62,134
Bonds:		
Government bonds	398,381	398,334
Local government bonds	77,972	77,404
Corporate bonds	181,245	179,282
Subtotal	657,599	655,021
Other	428,823	437,229
Total	¥ 1,142,714	¥ 1,154,385

Millions of yen			
31st March, 2012	Difference	Unrealized gain	Unrealized loss
Equity securities	¥ (5,841)	¥ 4,836	¥ (10,678)
Bonds:			
Government bonds	47	349	(301)
Local government bonds	567	573	(6)
Corporate bonds	1,962	2,064	(102)
Subtotal	2,577	2,987	(410)
Other	(8,406)	2,888	(11,294)
Total	¥ (11,670)	¥ 10,712	¥ (22,383)

Millions of yen			
31st March, 2011	Carrying value	Acquisition cost	
Equity securities	¥ 56,970	¥	63,580
Bonds:			
Government bonds	347,558		338,404
Local government bonds	84,323		83,696
Corporate bonds	161,594		160,518
Subtotal	593,476		582,619
Other	370,154		387,165
Total	¥ 1,020,601	¥	1,033,365

Millions of yen			
31st March, 2011	Difference	Unrealized gain	Unrealized loss
Equity securities	¥ (6,609)	¥ 3,699	¥ (10,309)
Bonds:			
Government bonds	9,154	9,352	(198)
Local government bonds	626	638	(12)
Corporate bonds	1,075	1,440	(364)
Subtotal	10,856	11,432	(575)
Other	(17,010)	2,286	(19,296)
Total	¥ (12,763)	¥ 17,418	¥ (30,182)

Thousands of U.S. dollars		
31st March, 2012	Carrying amount	Acquisition cost
Equity securities	\$ 684,900	\$ 755,980
Bonds:		
Government bonds	4,847,073	4,846,502
Local government bonds	948,679	941,769
Corporate bonds	2,205,195	2,181,311
Subtotal	8,000,961	7,969,594
Other	5,217,459	5,319,734
Total	\$ 13,903,321	\$ 14,045,321

Thousands of U.S. dollars			
31st March, 2012	Differences	Unrealized gain	Unrealized loss
Equity securities	\$ (71,067)	\$ 58,839	\$ (129,918)
Bonds:			
Government bonds	571	4,246	(3,662)
Local government bonds	6,898	6,971	(73)
Corporate bonds	23,871	25,112	(1,241)
Subtotal	31,354	36,342	(4,988)
Other	(102,275)	35,138	(137,413)
Total	\$ (141,988)	\$ 130,332	\$ (272,332)

Available-for-sale securities sold during the years ended 31st March, 2012 and 2011 were as follows:

Millions of yen			
2012	Proceeds from sales	Gain	Loss
Equity securities	¥ 995	¥ 305	¥ (440)
Bonds:			
Government bonds	661,250	6,892	(156)
Municipal bonds	1,011	14	-
Corporate bonds	33,346	403	(69)
Subtotal	695,608	7,310	(226)
Other	637,226	9,085	(1,497)
Total	¥ 1,333,830	¥ 16,700	¥ (2,164)

Millions of yen			
2011	Proceeds from sales	Gain	Loss
Equity securities	¥ 2,862	¥ 504	¥ (675)
Bonds:			
Government bonds	329,692	3,842	(132)
Corporate bonds	7,698	64	(1)
Subtotal	337,390	3,906	(133)
Other	604,470	6,936	(2,352)
Total	¥ 944,723	¥ 11,347	¥ (3,162)

Thousands of U.S. dollars			
2012	Proceeds from sales	Gain	Loss
Equity securities	\$ 12,106	\$ 3,710	\$ (5,353)
Bonds:			
Government bonds	8,045,382	83,854	(1,898)
Municipal bonds	12,300	170	-
Corporate bonds	405,718	4,903	(839)
Subtotal	8,463,414	88,940	(2,749)
Other	7,753,084	110,536	(18,213)
Total	\$16,228,616	\$ 203,187	\$ (26,329)

#### Securities for which the holding purpose were changed during the year ended 31st March, 2012

¥1,500 million (\$18,250 thousand) of securities were reclassified from "held-to-maturity securities" to "available-for-sale securities" during the year ended 31st March, 2012, as credit condition of the issuer of the securities deteriorated significantly. This change had no effect on income before income taxes and minority interests and net income for the year ended 31st March, 2012.

#### Impairment losses on securities

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

Losses on devaluation of securities for the years ended 31st March, 2012 and 2011 were ¥3,283 million (\$39,944 thousand) and ¥725 million, which consisted of ¥315 million (\$3,832 thousand) and ¥716 million on equity securities, respectively, and ¥2,967 million (\$36,099 thousand) on investment trusts for the year ended 31st March, 2012 and ¥8 million on corporate bonds for the year ended 31st March, 2011.

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

## 6. Money Held in Trust

Money held in trust at 31st March, 2012 and 2011 consisted of the following:

### Money held in trust for trading purposes

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Carrying value	¥ 19,000	¥ 19,000	\$ 231,171
Valuation (loss) gain included in consolidated statements of income	¥ (0)	¥ 20	\$ (0)

There were no money held in trust owned for other purposes at 31st March, 2012 and 2011.

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

Net unrealized loss on available-for-sale securities at 31st March, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Differences between acquisition cost and fair value:			
Available-for-sale securities	¥ (11,670)	¥ (12,763)	\$ (141,988)
Deferred tax liabilities	(167)	(92)	(2,031)
Differences between acquisition cost and fair value, net of taxes	(11,838)	(12,856)	(144,032)
Amounts corresponding to minority interests	(40)	(27)	(486)
Net unrealized loss on available-for-sale securities, net of taxes	¥ (11,878)	¥ (12,884)	\$ (144,518)

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

### Loans and bills discounted:

Loans and bills discounted at 31st March, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Bills discounted	¥ 21,580	¥ 20,696	\$ 262,562
Loans on bills	104,638	113,170	1,273,123
Loans on deeds	3,192,410	3,146,883	38,841,829
Overdrafts	196,769	219,343	2,394,074
Other	743	922	9,040
Total	¥ 3,516,142	¥ 3,501,016	\$ 42,780,654

Discounting of bills is accounted for as finance transactions rather than as purchasing of bills in accordance with the JICPA Industry Audit Committee Report No. 24. The Group has the right to sell or pledge such bills without any restrictions. These include bankers acceptances bought, commercial bills discounted, documentary bills and foreign exchange bills. The total face value of such outstanding bills at 31st March, 2012 and 2011 totaled ¥21,947 million (\$267,027 thousand) and ¥21,118 million, respectively. At 31st March, 2012 and 2011, 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, in the amount of ¥16,500 million (\$200,754 thousand) and ¥21,700 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 ¥656,430 million (\$7,986,738 thousand) and ¥603,581 million at 31st March, 2012 and 2011, respectively, including the contracts whose contractual periods were either less than one year or revocable at any time, in the amount of ¥649,505 million (\$7,902,482 thousand) and ¥603,224 million, respectively.

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

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

reconsidering the terms of the contracts and/or requiring additional collateral or guarantees.

#### Risk monitored loans:

Risk monitored loans which were included in loans and bills discounted at 31st March, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Loans to bankrupt borrowers	¥ 6,364	¥ 4,733	\$ 77,430
Delinquent loans	53,016	53,653	645,041
Loans past due for 3 months or more	51	–	620
Restructured loans	7,401	7,460	90,047
Total	¥ 66,833	¥ 65,847	\$ 813,152

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

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

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

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

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

## 9. Foreign Exchange Assets

Foreign exchange assets at 31st March, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Due from foreign correspondent banks	¥ 3,209	¥ 5,061	\$ 39,043
Foreign bills of exchange bought	210	248	2,555
Foreign bills of exchange receivable	908	900	11,047
Total	¥ 4,328	¥ 6,210	\$ 52,658

## 10. Other Assets

Other assets at 31st March, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Investment in leased assets	¥ 15,686	¥ 15,937	\$ 190,850
Other receivables	12,838	11,001	156,199
Accrued income	8,288	7,982	100,839
Prepaid expenses	231	253	2,810
Other	21,786	27,251	265,068
Total	¥ 58,831	¥ 62,426	\$ 715,792

## 11. Tangible Fixed Assets

At 31st March, 2012 and 2011, accumulated depreciation of tangible fixed assets was ¥40,971 million (\$498,491 thousand) and ¥41,382 million, respectively.

Under the Tax Law, capital gains arising from the exchange or replacement of assets under certain conditions are permitted to be deducted from the cost of tangible fixed assets in order to obtain certain tax benefits. The amount deducted from the cost of tangible fixed assets at 31st March, 2012 and 2011 was ¥517 million (\$6,290 thousand) and ¥517 million, respectively.

## 12. Assets Pledged

Assets pledged as collateral at 31st March, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Securities	¥ 363,766	¥ 257,709	\$ 4,425,915
Other assets	2,573	3,339	31,305
Tangible fixed assets	–	178	–
Software which is included in intangible fixed assets	–	349	–

The liabilities secured by the above pledged assets at 31st March, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Deposits	¥ 2,833	¥ 15,586	\$ 34,468
Payables under securities lending transactions	237,307	172,725	2,887,297
Borrowed money	30,101	17,965	366,236



In addition to the pledged assets listed above, certain other securities were pledged as collateral for domestic exchange transactions or as margins on futures contracts. These amounted to ¥74,602 million (\$907,677 thousand) and ¥76,639 million at 31st March, 2012 and 2011, respectively.

At 31st March, 2012 and 2011, margins on futures contracts in the amounts of ¥2,330 million (\$28,348 thousand) and ¥2,017 million, guarantee deposits of ¥5,243 million (\$63,791 thousand) and ¥5,515 million, deposits for futures transactions of ¥503 million (\$6,119 thousand) and ¥503 million and guarantee deposits pledged for derivative transactions of ¥500 million (\$6,083 thousand) and ¥500 million were included in "Other assets", respectively.

### 13. Deposits

Deposits at 31st March, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Current deposits	¥ 155,145	¥ 154,345	\$ 1,887,638
Ordinary deposits	1,593,588	1,499,858	19,389,074
Savings deposits	29,879	30,311	363,535
Deposits at notice	13,567	13,232	165,068
Time deposits	2,549,420	2,600,084	31,018,615
Other deposits	48,853	51,038	594,391
Total	¥ 4,390,453	¥ 4,348,871	\$53,418,335

### 14. Borrowed Money

Borrowed money at 31st March, 2012 and 2011 consisted of borrowings from the Bank of Japan and certain other financial institutions.

Subordinated borrowings of ¥31,500 million (\$383,258 thousand) and ¥21,500 million were included in borrowed money at 31st March, 2012 and 2011, respectively.

The average interest rate applicable to borrowed money at 31st March, 2012 and 2011 was 1.38% and 1.65%, respectively.

The aggregate annual maturities of borrowed money subsequent to 31st March, 2012 were summarized as follows:

Year ending 31st March,	Millions of yen	Thousands of U.S. dollars
2013	¥ 34,247	\$ 416,680
2014	998	12,142
2015	533	6,484
2016	415	5,049
2017	2,068	25,161
2018 and thereafter	31,500	383,258
Total	¥ 69,764	\$ 848,813

### 15. Foreign Exchange Liabilities

Foreign exchange liabilities at 31st March, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Foreign bills sold	¥ 431	¥ 428	\$ 5,243
Foreign bills of exchange payable	0	52	0
Total	¥ 431	¥ 480	\$ 5,243

### 16. Corporate Bonds and Notes

Short-term and long-term bonds payable at 31st March, 2012 and 2011 consisted of the following:

Issuer	Description	Issued	Millions of yen
			2012
The Senshu Ikeda Bank, Ltd.	7th subordinated bonds	29th Sep., 2006	¥ -
	8th subordinated bonds	20th Mar., 2007	-
	9th subordinated bonds	28th Dec., 2007	3,000
	2nd subordinated bonds	27th Feb., 2007	-
	1st subordinated bonds	17th Dec., 2010	15,000
	2nd subordinated bonds	21st Sep., 2011	10,000
	3rd subordinated bonds	16th Dec., 2011	5,000
	4th subordinated bonds	23rd Mar., 2012	20,000
Total			¥ 53,000

Issuer	Millions of yen	Thousands of U.S. dollars	Interest rates (%)	Secured/unsecured	Due
	2011	2012			
The Senshu Ikeda Bank, Ltd.	¥ 15,000	\$ -	1.78	Unsecured	29th Sep., 2016
	5,000	-	1.79	Unsecured	17th Mar., 2017
	3,000	36,500	3.06	Unsecured	-
	10,000	-	1.97	Unsecured	27th Feb., 2017
	15,000	182,503	1.67	Unsecured	17th Dec., 2020
	-	121,669	2.01	Unsecured	21st Sep., 2021
	-	60,834	2.06	Unsecured	16th Dec., 2021
	-	243,338	2.23	Unsecured	23rd Mar., 2022
Total	¥ 48,000	\$ 644,847			

The aggregate annual maturities of short-term and long-term bonds payable subsequent to 31st March, 2012 were summarized as follows:

Year ending 31st March,	Millions of yen	Thousands of U.S. dollars
2013	¥ -	\$ -
2014	-	-
2015	-	-
2016	-	-
2017	-	-
2018 and thereafter	53,000	644,847
Total	¥ 53,000	\$ 644,847

## 17. Other Liabilities

Other liabilities at 31st March, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Accrued expenses	¥ 9,992	¥ 11,993	\$ 121,571
Unearned income	12,506	14,199	152,159
Accrued income taxes	729	456	8,869
Other	21,572	23,535	262,465
Total	¥ 44,800	¥ 50,184	\$ 545,078

The amounts of lease obligations included in "Other" were ¥19 million (\$231 thousand) and ¥26 million at 31st March, 2012 and 2011, respectively. The average interest rates on lease obligations at 31st March, 2012 with maturity dates on or before and subsequent to 31st March, 2013 were 3.31% and 3.08%, respectively. The average interest rates on lease obligations at 31st March, 2011 with maturity dates on or before and subsequent to 31st March, 2012 were 3.30% and 3.16%, respectively.

The aggregate annual maturities of lease obligations subsequent to 31st March, 2012 were summarized as follows:

Year ending 31st March,	Millions of yen	Thousands of U.S. dollars
2013	¥ 6	\$ 73
2014	6	73
2015	3	36
2016	2	24
2017	0	0
2018 and thereafter	-	-
Total	¥ 19	\$ 231

## 18. Retirement Benefit Plans

Although certain consolidated subsidiaries had defined benefit pension plans consisting of corporate pension plans, tax-qualified pension plans and lump-sum payment plans, in conjunction with the revisions to the retirement benefit plans on 1st October, 2011, the tax-qualified pension plan has been abolished and has been integrated into the defined benefit corporate pension plan. In addition, increased retirement benefits are paid for retirement, etc. of employees in certain circumstances.

Certain consolidated subsidiaries have lump-sum payment plans as defined benefit pension plans.

- (1) The assets and liabilities of the employees' retirement benefit plans at 31st March 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Retirement benefit obligation	¥ (30,324)	¥ (33,154)	\$ (368,949)
Pension plan assets at fair value	24,655	24,115	299,975
Unfunded benefit obligation	(5,669)	(9,038)	(68,974)
Unrecognized net retirement benefit obligation at transition	1,978	2,638	24,066
Unrecognized actuarial loss	8,344	9,041	101,520
Unrecognized prior service cost	(3,214)	(687)	(39,104)
Net retirement benefit obligation	1,440	1,953	17,520
Prepaid pension cost	5,955	8,478	72,454
Accrued retirement benefits for employees	¥ (4,515)	¥ (6,525)	\$ (54,933)

Notes:

1. Increased retirement benefits paid on a temporary basis are not included.
2. Certain consolidated subsidiaries apply the simplified method in calculating retirement benefit obligation.
3. During the fiscal year ended 31st March, 2012, the retirement benefit plans of consolidated subsidiaries were revised and the plans were integrated on 1st October, 2011. Consequently, prepaid pension cost and accrued retirement benefits for employees have been offset and presented in net amount. Prepaid pension cost and accrued retirement benefits for employees have decreased by ¥2,220 million (\$27,010 thousand), respectively, compared to the amounts before offsetting.

(2) Retirement benefit expenses for the years ended 31st March, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Service cost	¥ 1,076	¥ 1,168	\$ 13,091
Interest cost	641	576	7,799
Expected return on plan assets	(542)	(542)	(6,594)
Amortization of prior service cost	(356)	(225)	(4,331)
Amortization of actuarial loss	1,408	1,201	17,131
Amortization of transitional obligation	659	659	8,018
Net periodic retirement benefit expenses	¥ 2,886	¥ 2,837	\$ 35,113

Note:

Retirement benefit expenses of consolidated subsidiaries which apply the simplified method are included in "service cost" collectively.

(3) The assumptions used in accounting for the above plans for the years ended 31st March, 2012 and 2011 were as follows:

	2012	2011
Discount rates	1.7%-2.1%	1.4%-2.1%
Expected rates of return on plan assets	2.5%	2.1%-3.0%

## 19. Asset Retirement Obligations

(1) Outline of asset retirement obligation

The Group recognizes asset retirement obligations associated with leasehold contracts of certain subsidiaries' branches and offices and removal costs of certain branches for hazardous substances such as asbestos.

(2) Method of determining the amount of asset retirement obligation

The Group recognizes asset retirement obligations using a discount rate of 2.3% with the useful life estimated to be 37 years after acquisition.

(3) Changes in asset retirement obligations for the years ended 31st March, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Balance at beginning of the year (Note)	¥ 192	¥ 104	\$ 2,336
Additional provisions associated with the acquisition of tangible fixed assets	17	96	206
Adjustment due to passage of time	3	-	36
Decrease due to fulfillment of asset retirement obligations	(43)	-	(523)
Other	(3)	(9)	(36)
Balance at end of the year	¥ 165	¥ 192	\$ 2,007

Note:

Balance at beginning of the year ended 31st March, 2011 is recognized based on the adoption of "Accounting Standards for Asset Retirement Obligations" (ASBJ Statement No. 18 issued on 31st March, 2008) and "Guidance on Accounting Standards for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued on 31st March, 2008).

## 20. Contingent Liabilities

Contingent liabilities for guarantee of corporate bonds included in "Securities," which were issued by private placement (Article 2, Paragraph 3 of the Financial Instruments and Exchange Law) amounted to ¥19,723 million (\$239,968 thousand) and ¥27,054 million at 31st March, 2012 and 2011, respectively.

## 21. Shareholders' Equity

Japanese banks, including the Company, are required to comply with the Banking Law and the Law. The Law 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 Law, 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 Law 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 Law.

- (1) **Class and number of shares issued and treasury stock**  
Movements in common stock, first-class preferred stock, second-class preferred stock and treasury stock during the years ended 31st March, 2012 and 2011 were summarized as follows:

Number of shares (in thousands)					Note
Year ended 31st March, 2012	1st April, 2011	Increase	Decrease	31st March, 2012	
Outstanding shares:					
Common stock	1,192,293	–	–	1,192,293	4
First-class preferred stock	111,000	–	37,000	74,000	
Second-class preferred stock	115,625	–	–	115,625	
Total	1,418,918	–	37,000	1,381,918	
Treasury stock:					
Common stock	1,008	18,274	2,353	16,929	1 and 2
First-class preferred stock	–	37,000	37,000	–	3 and 4
Total	1,008	55,274	39,353	16,929	

**Notes:**

1. Increase in treasury stock of common stock (18,274 thousand shares) consisted of acquisition of shares from the shareholders who owned fractional shares less than one voting right (1 thousand shares) and acquisition by the Senshu Ikeda Bank Employees' Shareholders Association special trust (18,273 thousand shares).
2. Decrease in treasury stock of common stock (2,353 thousand shares) consisted of issuance request from the shareholders who owned fractional shares less than one voting right (0 thousand shares), transfer due to exercise of stock option (69 thousand shares) and transfer from the Senshu Ikeda Bank Employees' Shareholders Association special trust to the Senshu Ikeda Bank Employees' Shareholders Association (2,283 thousand shares).
3. Increase in treasury stock of first-class preferred stock (37,000 thousand shares) was due to purchase of treasury stock based on resolution of annual shareholders' meeting.
4. Decrease in outstanding shares of first-class preferred stock and treasury stock (37,000 thousand shares) was due to disposition of treasury stock based on resolution of the Board of Directors.

Number of shares (in thousands)					Note
Year ended 31st March, 2011	1st April, 2010	Increase	Decrease	31st March, 2011	
Outstanding shares:					
Common stock	1,192,293	–	–	1,192,293	
First-class preferred stock	111,000	–	–	111,000	
Second-class preferred stock	115,625	–	–	115,625	
Total	1,418,918	–	–	1,418,918	
Treasury stock:					
Common stock	5	1,002	–	1,008	
Total	5	1,002	–	1,008	

**Note:**

1. Increase in treasury stock of common stock (1,002 thousand shares) consisted of purchase of treasury stock based on resolution of the Board of Directors (1,000 thousand shares) and acquisition of shares from the shareholders who owned fractional shares less than one voting right (2 thousand shares).

(2) **Stock subscription rights**

The Company resolved to grant stock subscription rights (stock option) to certain directors and executive officers of its subsidiaries at the Board of Directors' meeting held on 28th July, 2011 and 24th February, 2011.

The balance of stock subscription rights granted for stock option program are ¥62 million (\$754 thousand) and ¥6 million at 31st March, 2012 and 2011, respectively. Stock option related expenses for the years ended 31st March, 2012 and 2011 amounted to ¥62 million (\$754 thousand) and ¥6 million, respectively.

The stock option outstanding at 31st March, 2012 is as follows:

Date of resolution	24th February, 2011	28th July, 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: 423,900	Common stock: 363,800
Date of grant	15th March, 2011	31st August, 2011
Vesting conditions	To exercise within 10 days after retirement	To exercise within 10 days after retirement
Applicable service period	From 15th March, 2011 to the date of retirement	From 31st August, 2011 to the date of retirement
Exercise period	From 16th March, 2011 to 31st July, 2041	From 1st September, 2011 to 31st July, 2041

- (\*) The number of stock option is converted into the number of shares.

The stock option activity is as follows:

Date of resolution	24th February, 2011	28th July, 2011
<b>Non-vested:</b>		
31st March, 2011-Outstanding	<b>423,900</b>	-
Granted	-	<b>363,800</b>
Forfeited	-	-
Vested	<b>69,400</b>	-
31st March, 2012-Outstanding	<b>354,500</b>	<b>363,800</b>
<b>Vested:</b>		
31st March, 2011-Outstanding	-	-
Vested	<b>69,400</b>	-
Exercised	<b>69,400</b>	-
Forfeited	-	-
31st March, 2012-Outstanding	-	-

Price information is as follows:

Date of resolution	24th February, 2011	28th July, 2011
Exercise price	¥ 1	¥ 1
Average stock price at exercise	117	—
Fair value price at grant date	¥ 98	¥ 107

The method for estimating the fair value price of 2011 stock option granted in the year ended 31st March, 2012 was as follows:

Measurement method: Black-Scholes model

Major fundamental factors and assumptions used to measure fair value

Date of resolution	28th July, 2011
Volatility of stock price *1	39.88%
Estimated remaining outstanding period *2	1.7 years
Estimated dividend *3	2.6%
Interest rate with risk free *4	0.128%

\*1 Actual stock price during the period (from 11th December, 2009 to 31st August, 2011) 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 ¥3 of latest annual dividend/¥113 of stock price on the base date

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

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

## 22. Other Operating Income

Other operating income for the years ended 31st March, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Gain on sales of securities and trading account securities	¥ 16,399	¥ 10,857	\$ 199,525
Other	1,732	1,698	21,073
Total	¥ 18,132	¥ 12,556	\$ 220,610

## 23. Other Income

Other income for the years ended 31st March, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Gain on sales of equity securities	¥ 305	¥ 506	\$ 3,710
Gain on money held in trust	41	220	498
Other	9,159	10,274	111,436
Total	¥ 9,506	¥ 11,002	\$ 115,658

## 24. Other Operating Expenses

Other operating expenses for the years ended 31st March, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Loss on sales of debt securities	¥ 1,724	¥ 2,011	\$ 20,975
Loss on redemption of debt securities	2,281	—	27,752
Loss on devaluation of debt securities	2,967	8	36,099
Other	4	49	48
Total	¥ 6,977	¥ 2,070	\$ 84,888

## 25. Other Expenses

Other expenses for the years ended 31st March, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Provision for possible loan losses	¥ 6,679	¥ 4,126	\$ 81,262
Write-offs of loans and bills discounted	5,504	11,952	66,966
Loss on sales of equity securities	454	1,168	5,523
Loss on devaluation of equity securities	462	1,079	5,621
Loss on money held in trust	326	246	3,966
Other	12,337	13,798	150,103
Total	¥ 25,764	¥ 32,371	\$ 313,468



## 26. Dividends

### Cash dividends paid during the fiscal year ended 31st March, 2012

Resolution by annual shareholders' meeting on 28th June, 2011

Type of stock	Record date	Effective date	Dividend amount		Dividends per share	
			Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars
Common stock	31st March, 2011	30th June, 2011	¥ 3,573	\$ 43,472	¥ 3	\$ 0.03
First-class preferred stock	31st March, 2011	30th June, 2011	¥ 1,176	\$ 14,308	¥196 divided by 18.5	\$2.38 divided by 18.5
Second-class preferred stock	31st March, 2011	30th June, 2011	¥ 1,275	\$ 15,512	¥204 divided by 18.5	\$2.48 divided by 18.5

### Cash dividends with record dates falling in the fiscal year ended 31st March, 2012 and effective dates coming after the end of the fiscal year

Types of stock	Source of dividends	Record date	Effective date	
Common stock	Retained earnings	31st March, 2012	29th June, 2012	
First-class preferred stock	Retained earnings	31st March, 2012	29th June, 2012	
Second-class preferred stock	Retained earnings	31st March, 2012	29th June, 2012	
	Dividend amount		Dividends per share	
Types of stock	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars
Common stock	¥ 3,574	\$ 43,484	¥ 3	\$ 0.03
First-class preferred stock	¥ 784	\$ 9,538	¥196 divided by 18.5	\$ 2.38 divided by 18.5
Second-class preferred stock	¥ 1,275	\$ 15,512	¥204 divided by 18.5	\$ 2.48 divided by 18.5

### Cash dividends paid during the fiscal year ended 31st March, 2011

Resolution by annual shareholders' meeting on 29th June, 2010

Type of stock	Record date	Effective date	Dividend amount		Dividends per share	
			Millions of yen	Yen	Yen	Yen
Common stock	31st March, 2010	30th June, 2010	¥ 3,219	¥ 2.70		
First-class preferred stock	31st March, 2010	30th June, 2010	¥ 1,176	¥ 196 divided by 18.5		
Second-class preferred stock	31st March, 2010	30th June, 2010	¥ 1,278	¥204.5 divided by 18.5		

### Cash dividends with record dates falling in the fiscal year ended 31st March, 2011 and effective dates coming after the end of the fiscal year

Types of stock	Source of dividends	Record date	Effective date	Dividend amount		Dividends per share	
				Millions of yen	Yen	Yen	Yen
Common stock	Retained earnings	31st March, 2011	30th June, 2011	¥ 3,573	¥ 3		
First-class preferred stock	Retained earnings	31st March, 2011	30th June, 2011	¥ 1,176	¥ 196 divided by 18.5		
Second-class preferred stock	Retained earnings	31st March, 2011	30th June, 2011	¥ 1,275	¥204.5 divided by 18.5		

## 27. Cash and Cash Equivalents

A reconciliation of cash and due from banks in the accompanying consolidated balance sheets to cash and cash equivalents in the accompanying consolidated statements of cash flows at 31st March, 2012 and 2011 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Cash and due from banks	¥ 134,000	¥ 144,348	\$ 1,630,368
Deposits other than deposits with the Bank of Japan	(3,004)	(3,013)	(36,549)
Cash and cash equivalents	¥ 130,996	¥ 141,335	\$ 1,593,819

## 28. Leases

### a. Finance leases

#### As Lessee

The Group leases vehicles under finance lease arrangements, which do not transfer ownership of the lease assets to the lessee.

The Group accounts for finance leases commencing prior to 1st April, 2008 that do not transfer ownership of the leased assets to the lessee as operating lease transactions as permitted by the accounting standard. The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased tangible fixed assets as of 31st March, 2012 and 2011, which would have been reflected in the accompanying consolidated balance sheet if finance lease accounting had been applied to the finance leases for which the Group is a lessee and which are currently accounted for in a manner similar to the accounting treatment for operating lease transactions:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Acquisition costs	¥ 38	¥ 49	\$ 462
Accumulated depreciation	35	41	425
Net book value	¥ 3	¥ 7	\$ 36

The above acquisition costs include amounts corresponding to interest expense not presented separately because the total balance of the future minimum lease payments was immaterial to the net book value of tangible fixed assets.

Future minimum lease payments subsequent to 31st March, 2012 for finance leases accounted for in a manner similar to the accounting treatment for operating lease transactions are summarized as follows:

Year ending 31st March	Millions of yen	Thousands of U.S. dollars
2013	¥ 2	\$ 24
2014 and thereafter	0	0
Total	¥ 3	\$ 36

The above future minimum lease payments include amounts corresponding to interest expense not presented separately because the total balance of the future minimum lease payments was immaterial to the net book value of tangible fixed assets.

Total lease payments related to finance leases accounted for as operating leases and depreciation expense, which have not been reflected in the accompanying consolidated statement of operations for the years ended 31st March, 2012 and 2011, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Total lease payments	¥ 6	¥ 9	\$ 73
Depreciation expense	6	9	73

Depreciation expense has been computed by the straight-line method assuming the lease periods to be the useful lives of the respective assets and a nil residual value.

There was no loss on impairment of fixed assets allocated to leased assets or reversal of the reserve for impairment of tangible fixed assets under finance leases for the years ended 31st March, 2012 and 2011.

### b. Operating leases

#### As Lessee

Future minimum lease payments under non-cancellable operating leases subsequent to 31st March, 2012 were as follows:

Year ending 31st March	Millions of yen	Thousands of U.S. dollars
2013	¥ 619	\$ 7,531
2014 and thereafter	4,867	59,216
Total	¥ 5,486	\$ 66,747

## 29. Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries comprise corporate tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in a statutory tax rate of 40.6% for the years ended 31st March, 2012 and 2011.

The tax effect of temporary differences which gave rise to significant portions of the deferred tax assets and liabilities at 31st March, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Deferred tax assets:			
Reserve for possible loan losses	¥ 32,572	¥ 35,495	\$ 396,301
Provision for employees' bonuses	664	724	8,078
Accrued retirement benefits for employees	3,127	3,254	38,045
Loss on devaluation of securities	12,516	14,204	152,281
Tax loss carryforwards	19,285	26,364	234,639
Depreciation	574	702	6,983
Net unrealized loss on available-for-sale securities	4,743	5,429	57,707
Other	4,333	5,121	52,719
Gross deferred tax assets	77,817	91,294	946,794
Valuation allowance	(43,986)	(51,669)	(535,174)
Total deferred tax assets	33,831	39,625	411,619
Deferred tax liabilities:			
Non-taxable accrued dividend income	(394)	(345)	(4,793)
Net unrealized gain on available-for-sale securities	(569)	(244)	(6,922)
Other	(24)	(36)	(292)
Total deferred tax liabilities	(989)	(626)	(12,033)
Net deferred tax assets	¥ 32,842	¥ 38,999	\$ 399,586

A reconciliation of the statutory tax rate to the effective tax rate for the years ended 31st March, 2012 and 2011 was as follows:

	2012	2011
Statutory tax rate	40.6%	40.6%
Permanently non-deductible expenses	0.6	1.2
Valuation allowance	(34.0)	(50.2)
Per capita portion of inhabitants' taxes	0.9	1.1
Unused tax loss carryforwards that had expired	—	18.9
Deduction limit of tax loss carryforwards	30.3	—
Decrease in deferred tax assets due to changes in tax rate	32.0	—
Effect of consolidated tax payment	(8.9)	—
Other	1.3	2.0
Effective tax rate	62.8%	13.6%

Following the promulgation of the "Law for Partial Amendment of the Income Tax Law, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" (Law No. 114 of 2011) and the "Law on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Law No. 117 of 2011) on 2nd December, 2011, the corporate income tax rate will be lowered and special restoration corporation tax will be imposed from the fiscal years beginning on and after 1st April, 2012. In conjunction with these changes, the effective statutory tax rate used to measure deferred tax assets and deferred tax liabilities will change for the temporary differences expected to be resolved from the fiscal year beginning on 1st April, 2012 to the fiscal year beginning on 1st April, 2014, and for the temporary differences expected to be resolved from the fiscal year beginning on 1st April, 2015, from the former 40.6% to 37.9% and 35.5%, respectively. As a result of this change, deferred tax assets has decreased by ¥3,356 million (\$40,832 thousand), and net unrealized loss on available-for-sale securities, net unrealized loss on deferred hedges and income taxes-deferred have increased by ¥50 million (\$608 thousand), ¥0 million (\$0 thousand) and ¥3,406 million (\$41,440 thousand), respectively.

Additionally, from the fiscal year beginning on or after 1st April, 2012, amount of deduction of tax loss carryforwards will be limited to 80% of taxable income before deduction of tax loss carryforwards. As a result, deferred tax assets decreased by ¥3,227 million (\$39,262 thousand) and income taxes-deferred increased by the same amount.

From the fiscal year beginning on 1st April, 2012, the Company and certain of its consolidated subsidiaries have filed to adopt the consolidated tax payment system, as provided for in the Corporation Tax Law (Law No. 34 of 1965), and pursuant to the provision of the Corporation Tax Law, have obtained deemed approval for consolidated tax payment on 1st April, 2012.

As a result, the Group, effective from the fiscal year beginning on 1st April, 2012, adopted the "Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 1)" (Practical Issues Task Force ("PITF") No. 5 issued on 18th March, 2011) and the "Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 2)" (PITF No. 7 issued on 30th June, 2010), and reported deferred tax assets and income taxes-deferred on the premise of adopting the consolidated tax payment system.

Due to this change, deferred tax assets has increased by ¥948 million (\$11,534 thousand) and income taxes-deferred has decreased by the same amount.

### 30. Comprehensive Income

Reclassification adjustments and tax effect amounts of other comprehensive income for the year ended 31st March, 2012 were as follows:

	Millions of yen	Thousands of U.S. dollars
Unrealized gain (loss) on available-for-sale securities:		
Amount for the year	¥ 7,277	\$ 88,538
Reclassification adjustment	(6,183)	(75,228)
Amount before tax effect	1,093	13,298
Tax effect amount	(74)	(900)
Net unrealized gain on available-for-sale securities	1,018	12,385
Unrealized gain (loss) on deferred hedges:		
Amount for the year	(79)	(961)
Reclassification adjustment	97	1,180
Amount before tax effect	17	206
Tax effect amount	(0)	(0)
Net unrealized gain on deferred hedges	17	206
Total other comprehensive income	¥ 1,036	\$ 12,604

### 31. Segment Information and Related Information

#### Segment information

Reportable segment information is omitted because the Group is engaged only in banking business and "other" in our operating results, including leasing business was immaterial for the years ended 31st March, 2012 and 2011.

#### (1) Related information

##### a. Information about services

For the year ended 31st March, 2012

	Millions of yen			
	Lending	Securities trading and investment	Other	Total
Income from external customers	¥ 58,450	¥ 29,881	¥ 27,620	¥ 115,952

For the year ended 31st March, 2011

	Millions of yen			
	Lending	Securities trading and investment	Other	Total
Income from external customers	¥ 59,699	¥ 29,561	¥ 27,995	¥ 117,255

Note:

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

For the year ended 31st March, 2012

	Thousands of U.S. dollars			
	Lending	Securities trading and investment	Other	Total
Income from external customers	\$ 711,157	\$ 363,560	\$ 336,050	\$ 1,410,779

#### b. Information about geographical areas

##### (i) Income

Information about income has not been presented as income from external customers inside Japan accounts for more than 90% of the consolidated income for the years ended 31st March, 2012 and 2011.

##### (ii) Tangible fixed assets

Information about tangible fixed assets has not been presented as tangible fixed assets inside Japan accounts for more than 90% of the consolidated tangible fixed assets at 31st March, 2012 and 2011.

#### c. Information about main customers

Information about main customers has not been presented as there is no income from particular customer which accounts for more than 10% of the consolidated income for the years ended 31st March, 2012 and 2011.

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

Other information about reportable segments has not been presented as the Group is engaged only in banking business for the years ended 31st March, 2012 and 2011.

### 32. Related Party Transactions

#### Transactions between a consolidated subsidiary and related parties:

##### Setsuko Sasaki

Transaction and balances with Setsuko Sasaki who was a relative of a director and engaged in the property leasing business, Transactions and balances with Setsuko Sasaki as of 31st March, 2012 and 2011 and for the years then ended were summarized as follows:

2012					
Transactions			Balances		
Type of transaction	Millions of yen	Thousands of U.S. dollars	Account name	Millions of yen	Thousands of U.S. dollars
Loan	¥ -	\$ -	Loans and bills discounted	¥ 67	\$ 815
Interest income	¥ 1	\$ 12	Other assets	¥ 0	\$ 0
			Other liabilities	¥ 0	\$ 0

2011			
Transactions		Balances	
Type of transaction	Millions of yen	Account name	Millions of yen
Loan	¥	Loans and bills discounted	¥ 73
Interest income	¥	2 Other assets	¥ 0
		Other liabilities	¥ 0

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

#### HIMENO GIKEN CO., LTD.

An executive officer of the Company, Yutaka Himeno directly owns 5% shares and his relatives directly own 95% shares in HIMENO GIKEN Co., Ltd. ("HIMENO GIKEN"). HIMENO GIKEN is located in Higashiyodogawa-ku, Osaka, records share capital of ¥20 million and is engaged in the construction business.

Transactions and balances with HIMENO GIKEN as of 31st March, 2011 and for the year then ended were summarized as follows.

2011			
Transactions		Balances	
Type of transaction	Millions of yen	Account name	Millions of yen
Loan	¥	Loans and bills discounted	¥ –
Interest income	¥	0 Other assets	¥ –
		Other liabilities	¥ –

Yutaka Himeno had been a director of the Company's subsidiary until 30th April, 2010, and accordingly, above table presents the transaction between the consolidated subsidiary and HIMENO GIKEN during the period from 1st April, 2010 to 30th April, 2010 and the balance at 31st March, 2011 is not presented since the company does not meet the definition of the related party of the Company at 31st March, 2011.

## 33. Financial Instruments and Related Disclosures

### 1. General Information

#### (1) Policy for financial instruments

The Group, whose core operation is The Senshu Ikeda Bank, Ltd., 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 consolidated banking subsidiary. With respect to credit risk of issuers of securities and counterparty risk of derivative transactions, the risk control departments of the banking subsidiary monitor the identification of credit information and fair values. In addition, the risk control department of the Company reports on a regular basis to the Board of Directors of the Company. Furthermore the internal audit departments audit the status of credit control.

c. Market risk management

(i) Market risk management

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

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

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

(ii) Derivative transactions

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

(iii) Quantitative information of market risk

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

The Group calculates the value at market risk according to the variance-covariance approach (holding period-120 business days, confidence interval-99%, and observation period-240 business days).

The value of market risk on financial instruments was ¥25,100 million (\$305,389 thousand) for interest rate and ¥10,100 million (\$122,885 thousand) for stocks at 31st March, 2012. The value of market risk as a whole with correlation in consideration was ¥22,700 million (\$276,189 thousand).

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. As real loss did not exceed the model-calculating VaR for the year ended 31st March, 2012, the Group considers that the model calculates the value of market risk with sufficient confidence level. 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 banking subsidiary identify the investment and funding status of the whole Group on a timely basis and control liquidity risk by securing liquidity of the assets, diversifying the funding instruments and adjusting the short-term and long-term funding balances considering the market environments to secure stable fund management.

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

#### (4) Supplementary explanation about fair value of financial instruments

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

## 2. Fair value of financial instruments

The carrying value, the fair value and the difference as of 31st March, 2012 and 2011 are summarized in the following tables: Note that securities such as unlisted equity securities for which fair value is extremely difficult to determine were not included in the following tables (See (Note 2) below):

Millions of yen			
31st March, 2012	Carrying value	Fair value	Difference
Cash and due from banks	¥ 134,000	¥ 134,000	¥ -
Call loans and bills bought	698	698	-
Monetary claims bought (*1)	1,473	1,473	-
Trading account securities:			
Trading securities	69	69	-
Money held in trust	19,000	19,000	-
Securities:			
Held-to-maturity debt securities	49,953	50,428	474
Available-for-sale securities	1,142,714	1,142,714	-
Loans and bills discounted	3,516,142		
Reserve for possible loan losses (*1)	(45,571)		
	3,470,571	3,495,031	24,460
Foreign exchange assets (*1)	4,323	4,328	4
<b>Total assets</b>	<b>¥ 4,822,805</b>	<b>¥ 4,847,744</b>	<b>¥ 24,939</b>
Deposits	¥ 4,390,453	¥ 4,392,564	¥ 2,111
Payables under securities lending transactions	237,307	237,307	-
Borrowed money	69,764	69,780	15
Foreign exchange liabilities	431	431	-
Corporate bonds and notes	53,000	52,666	(333)
<b>Total liabilities</b>	<b>¥ 4,750,957</b>	<b>¥ 4,752,751</b>	<b>¥ 1,793</b>
Derivative transactions (*2)			
To which hedge accounting is not applied	¥ 145	¥ 145	¥ -
To which hedge accounting is applied	(2)	(2)	-
<b>Total derivative transactions</b>	<b>¥ 143</b>	<b>¥ 143</b>	<b>¥ -</b>

Millions of yen			
31st March, 2011	Carrying value	Fair value	Difference
Cash and due from banks	¥ 144,348	¥ 144,348	¥ -
Monetary claims bought (*1)	1,271	1,271	-
Trading account securities:			
Trading securities	36	36	-
Money held in trust	19,000	19,000	-
Securities:			
Held-to-maturity debt securities	49,198	49,793	594
Available-for-sale securities	1,020,601	1,020,601	-
Loans and bills discounted	3,501,016		
Reserve for possible loan losses (*1)	(40,991)		
	3,460,024	3,487,598	27,573
Foreign exchange assets (*1)	6,203	6,210	7
Total assets	¥ 4,700,685	¥ 4,728,861	¥ 28,176
Deposits	¥ 4,348,871	¥ 4,353,519	¥ 4,647
Payables under securities lending transactions	172,725	172,725	-
Borrowed money	44,417	44,277	(139)
Foreign exchange liabilities	480	480	-
Corporate bonds and notes	48,000	47,548	(451)
Total liabilities	¥ 4,614,495	¥ 4,618,551	¥ 4,056
Derivative transactions (*2)			
To which hedge accounting is not applied	¥ 26	¥ 26	¥ -
To which hedge accounting is applied	(1,129)	(1,129)	-
Total derivative transactions	¥ (1,103)	¥ (1,103)	¥ -

Thousands of U.S. dollars			
31st March, 2012	Carrying value	Fair value	Difference
Cash and due from banks	\$ 1,630,368	\$ 1,630,368	\$ -
Call loans and bills bought	8,492	8,492	-
Monetary claims bought (*1)	17,921	17,921	-
Trading account securities:			
Trading securities	839	839	-
Money held in trust	231,171	231,171	-
Securities:			
Held-to-maturity debt securities	607,774	613,553	5,767
Available-for-sale securities	13,903,321	13,903,321	-
Loans and bills discounted	42,780,654		
Reserve for possible loan losses (*1)	(554,459)		
	42,226,195	42,523,798	297,603
Foreign exchange assets (*1)	52,597	52,658	48
Total assets	\$58,678,732	\$58,982,163	\$ 303,431
Deposits	\$53,418,335	\$53,444,019	\$ 25,684
Payables under securities lending transactions	2,887,297	2,887,297	-
Borrowed money	848,813	849,008	182
Foreign exchange liabilities	5,243	5,243	-
Corporate bonds and notes	644,847	640,783	(4,051)
Total liabilities	\$57,804,562	\$57,826,390	\$ 21,815
Derivative transactions (*2)			
To which hedge accounting is not applied	\$ 1,764	\$ 1,764	\$ -
To which hedge accounting is applied	(24)	(24)	-
Total derivative transactions	\$ 1,739	\$ 1,739	\$ -

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

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

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

#### Assets:

##### Cash and due from banks

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

#### **Call loans and bills bought**

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

#### **Monetary claims bought**

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

#### **Trading account securities**

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

#### **Money held in trust**

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

#### **Securities**

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

#### **Loans and bills discounted**

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

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

the amount of pledged assets is presented as the fair value since the fair value approximates the carrying value considering the expected repayment schedule and interest rate conditions.

#### **Foreign exchange assets**

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

#### **Liabilities:**

##### **Deposits**

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

##### **Payables under securities lending transactions**

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

##### **Borrowed money**

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

**Foreign exchange liabilities**

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

**Corporate bonds and notes**

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

**Derivative transactions:**

See Note 34.

(Note 2) Financial instruments whose fair value is extremely difficult to determine at 31st March, 2012 and 2011 are as follows: These securities are not included in "Securities" under "Assets" as part of the fair value information of financial instruments.

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Unlisted equity securities (*1) (*2)	¥ 5,756	¥ 5,862	\$ 70,032
Investments in partnerships (*3)	1,302	1,406	15,841
Other	4	0	48
Total	¥ 7,063	¥ 7,269	\$ 85,935

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

(\*2) The Company recognized impairment losses on unlisted equity securities in the amount of ¥146 million (\$1,776 thousand) and ¥362 million for the years ended 31st March, 2012 and 2011, respectively.

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

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

31st March, 2012	Millions of yen		
	Due in one year or less	Due after one year through three years	Due after three years through five years
Due from banks	¥ 76,520	¥ –	¥ –
Call loans and bills bought	698	–	–
Monetary claims bought (*1)	1,473	–	–
Securities:	130,922	356,758	236,190
Held-to maturity debt securities:	14,600	21,100	14,300
Corporate bonds	14,600	21,100	12,300
Other	–	–	2,000
Available-for-sale securities with maturities:	116,322	335,658	221,890
Government bonds	30,000	221,500	87,000
Local government bonds	25,264	37,596	12,593
Corporate bonds	52,076	35,742	35,881
Other	8,982	40,819	86,416
Loans and bills discounted (*1, 2)	638,106	520,613	451,224
Foreign exchanges assets	4,328	–	–
Total	¥ 852,049	¥ 877,372	¥ 687,414

31st March, 2012	Millions of yen		
	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks	¥ –	¥ –	¥ –
Call loans and bills bought	–	–	–
Monetary claims bought (*1)	–	–	–
Securities:	158,382	34,704	137,395
Held-to maturity debt securities:	–	–	–
Corporate bonds	–	–	–
Other	–	–	–
Available-for-sale securities with maturities:	158,382	34,704	137,395
Government bonds	40,000	17,000	–
Local government bonds	350	1,530	–
Corporate bonds	1,908	2,404	51,114
Other	116,123	13,770	86,280
Loans and bills discounted (*1, 2)	266,155	325,631	1,226,163
Foreign exchanges assets	–	–	–
Total	¥ 424,537	¥ 360,336	¥ 1,363,558



Millions of yen				
31st March, 2011	Due in one year or less	Due after one year through three years	Due after three years through five years	
Due from banks	¥ 93,053	¥ -	¥ -	
Monetary claims bought (*1)	1,270	-	-	
Securities:	68,796	153,294	382,067	
Held-to maturity debt securities:	3,200	21,600	24,500	
Corporate bonds	3,200	21,600	24,500	
Available-for-sale securities with maturities:	65,596	131,694	357,567	
Government bonds	30,012	18,000	108,000	
Local government bonds	12,728	37,582	31,292	
Corporate bonds	22,683	50,422	31,450	
Other	172	25,690	186,824	
Loans and bills discounted (*1, 2)	695,662	489,372	411,520	
Foreign exchanges assets	6,210	-	-	
<b>Total</b>	<b>¥ 864,993</b>	<b>¥ 642,666</b>	<b>¥ 793,588</b>	

Millions of yen				
31st March, 2011	Due after five years through seven years	Due after seven years through ten years	Due after ten years	
Due from banks	¥ -	¥ -	¥ -	
Monetary claims bought (*1)	-	-	-	
Securities:	81,590	99,304	140,360	
Held-to maturity debt securities:	-	-	-	
Corporate bonds	-	-	-	
Available-for-sale securities with maturities:	81,590	99,304	140,360	
Government bonds	59,700	86,000	39,500	
Local government bonds	770	1,210	-	
Corporate bonds	6,206	3,004	46,738	
Other	14,914	9,090	54,121	
Loans and bills discounted (*1, 2)	247,521	325,491	1,273,030	
Foreign exchanges assets	-	-	-	
<b>Total</b>	<b>¥ 329,111</b>	<b>¥ 424,795</b>	<b>¥ 1,413,390</b>	

(\*1) Loans and bills discounted and monetary claims bought do not include ¥58,459 million of receivables such as those due from bankrupt, effectively bankrupt or likely to become bankrupt borrowers, 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."

Thousands of U.S. dollars				
31st March, 2012	Due in one year or less	Due after one year through three years	Due after three years through five years	
Due from banks	\$ 931,013	\$ -	\$ -	
Call loans and bills bought	8,492	-	-	
Monetary claims bought (*1)	17,921	-	-	
Securities:	1,592,918	4,340,649	2,873,707	
Held-to maturity debt securities:	177,637	256,722	173,987	
Corporate bonds	177,637	256,722	149,653	
Other	-	-	24,333	
Available-for-sale securities with maturities:	1,415,281	4,083,927	2,699,720	
Government bonds	365,007	2,694,975	1,058,522	
Local government bonds	307,385	457,427	153,218	
Corporate bonds	633,605	434,870	436,561	
Other	109,283	496,641	1,051,417	
Loans and bills discounted (*1, 2)	7,763,791	6,334,262	5,490,010	
Foreign exchanges assets	52,658	-	-	
<b>Total</b>	<b>\$10,366,820</b>	<b>\$10,674,923</b>	<b>\$ 8,363,718</b>	

Thousands of U.S. dollars				
31st March, 2012	Due after five years through seven years	Due after seven years through ten years	Due after ten years	
Due from banks	\$ -	\$ -	\$ -	
Call loans and bills bought	-	-	-	
Monetary claims bought (*1)	-	-	-	
Securities:	1,927,022	422,241	1,671,675	
Held-to maturity debt securities:	-	-	-	
Corporate bonds	-	-	-	
Other	-	-	-	
Available-for-sale securities with maturities:	1,927,022	422,241	1,671,675	
Government bonds	486,677	206,837	-	
Local government bonds	4,258	18,615	-	
Corporate bonds	23,214	29,249	621,900	
Other	1,412,860	167,538	1,049,762	
Loans and bills discounted (*1, 2)	3,238,289	3,961,929	14,918,639	
Foreign exchanges assets	-	-	-	
<b>Total</b>	<b>\$ 5,165,312</b>	<b>\$ 4,384,182</b>	<b>\$16,590,315</b>	

(\*1) Loans and bills discounted and monetary claims bought do not include ¥88,269 million (\$1,073,962 thousand) of receivables such as those due from bankrupt, effectively bankrupt or likely to become bankrupt borrowers, since it is not certain when they can be collected or redeemed.

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

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

Millions of yen			
31st March, 2012	Due in one year or less	Due after one year through three years	Due after three years through five years
Deposits (*1)	¥ 4,021,132	¥ 331,424	¥ 36,258
Payables under securities lending transactions	237,307	-	-
Borrowed money (*2)	34,247	1,532	2,484
Corporate bonds (*3)	-	-	-
Total	¥ 4,292,688	¥ 332,956	¥ 38,743

Millions of yen			
31st March, 2012	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*1)	¥ 613	¥ 1,024	¥ -
Payables under securities lending transactions	-	-	-
Borrowed money (*2)	1,500	18,000	-
Corporate bonds (*3)	-	50,000	-
Total	¥ 2,113	¥ 69,024	¥ -

Millions of yen			
31st March, 2011	Due in one year or less	Due after one year through three years	Due after three years through five years
Deposits (*1)	¥ 3,965,277	¥ 328,742	¥ 52,748
Payables under securities lending transactions	172,725	-	-
Borrowed money (*2)	21,349	1,337	230
Corporate bonds (*3)	-	-	-
Total	¥ 4,159,352	¥ 330,080	¥ 52,978

Millions of yen			
31st March, 2011	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*1)	¥ 788	¥ 1,314	¥ -
Payables under securities lending transactions	-	-	-
Borrowed money (*2)	1,500	8,000	-
Corporate bonds (*3)	30,000	15,000	-
Total	¥ 32,288	¥ 24,314	¥ -

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

(\*2) Borrowed money whose repayment schedule is not determined in the amount of ¥12,000 million is not included.

(\*3) Corporate bonds whose repayment schedule is not determined in the amount of ¥3,000 million are not included.

Thousands of U.S. dollars			
31st March, 2012	Due in one year or less	Due after one year through three years	Due after three years through five years
Deposits (*1)	\$ 48,924,832	\$ 4,032,412	\$ 441,148
Payables under securities lending transactions	2,887,297	-	-
Borrowed money (*2)	416,680	18,639	30,222
Corporate bonds (*3)	-	-	-
Total	\$ 52,228,835	\$ 4,051,052	\$ 471,383

Thousands of U.S. dollars			
31st March, 2012	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*1)	\$ 7,458	\$ 12,458	\$ -
Payables under securities lending transactions	-	-	-
Borrowed money (*2)	18,250	219,004	-
Corporate bonds (*3)	-	608,346	-
Total	\$ 25,708	\$ 839,810	\$ -

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

(\*2) Borrowed money whose repayment schedule is not determined in the amount of ¥12,000 million (\$146,003 thousand) is not included.

(\*3) Corporate bonds whose repayment schedule is not determined in the amount of ¥3,000 million (\$ 36,500 thousand) are not included.

## 34. Derivatives

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

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

(1) Currency related derivatives at 31st March, 2012 and 2011

Millions of yen				
	Contract amount /notional principal			
31st March, 2012	Total	Over one year	Fair value	Valuation gain (loss)
<b>Over-the-counter transactions:</b>				
Currency swaps	¥ 74,353	¥ 44,764	¥ 116	¥ 116
Forward foreign exchange contracts:				
Selling	¥ 2,431	–	(26)	(26)
Buying	¥ 2,330	–	55	55
Currency options:				
Selling	¥ 10,686	¥ 6,768	(988)	(84)
Buying	¥ 10,686	¥ 6,768	988	217
<b>Total</b>			¥ 145	¥ 278

Millions of yen				
	Contract amount /notional principal			
31st March, 2011	Total	Over one year	Fair value	Valuation gain (loss)
<b>Over-the-counter transactions:</b>				
Currency swaps	¥ 98,138	¥ 75,626	¥ 159	¥ 159
Forward foreign exchange contracts:				
Selling	¥ 3,573	–	(28)	(28)
Buying	¥ 2,632	–	34	34
Currency options:				
Selling	¥ 15,254	¥ 10,531	(1,653)	(440)
Buying	¥ 15,254	¥ 10,531	1,641	621
<b>Total</b>			¥ 153	¥ 345

Thousands of U.S. dollars				
	Contract amount /notional principal			
31st March, 2012	Total	Over one year	Fair value	Valuation gain (loss)
<b>Over-the-counter transactions:</b>				
Currency swaps	\$904,647	\$544,640	\$ 1,411	\$ 1,411
Forward foreign exchange contracts:				
Selling	\$ 29,577	–	(316)	(316)
Buying	\$ 28,348	–	669	669
Currency options:				
Selling	\$130,015	\$ 82,345	(12,020)	(1,022)
Buying	\$130,015	\$ 82,345	12,020	2,640
<b>Total</b>			\$ 1,764	\$ 3,382

Notes:

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

(2) Equity related derivatives at 31st March, 2012 and 2011

**31st March, 2012**

There were no equity related derivatives at 31st March, 2012.

Millions of yen				
	Contract amount /notional principal			
31st March, 2011	Total	Over one year	Fair value	Valuation gain (loss)
<b>Transactions listed on the exchange:</b>				
Equity index futures:				
Selling	¥ 2,801	¥ –	¥ (127)	¥ (127)
Buying	¥ –	–	–	–
<b>Total</b>			¥ (127)	¥ (127)

Notes:

1. Transactions in the table above are stated at the fair value and the related valuation gain (loss) is reported in the consolidated statement of operations.
2. The fair value of transactions listed on exchanges is determined using the last quoted market price at the Tokyo Stock Exchange, Inc. or others. The fair value of over-the-counter transactions is determined by using the discounted cash flow method, option pricing models or others.

**2. Derivative transactions to which hedge accounting is applied**

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

(1) Interest related derivatives at 31st March, 2012 and 2011

31st March, 2012				
Millions of yen				
	Contract amount /notional principal			
Hedge accounting method	Transaction type	Major hedged item	Total	Over one year
Swap rate applied to underlying debt	Interest rate swaps: Receivable floating rate/ Payable fixed rate	Borrowed money	¥ 450	¥ 100
				Fair value (*1)
				*2

31st March, 2011			Millions of yen		
			Contract amount /notional principal		
Hedge accounting method	Transaction type	Major hedged item	Total	Over one year	Fair value (*1)
Swap rate applied to underlying debt	Interest rate swaps: Receivable floating rate/ Payable fixed rate	Borrowed money	¥ 1,050	¥ 450	*2

31st March, 2012			Thousands of U.S. dollars		
			Contract amount /notional principal		
Hedge accounting method	Transaction type	Major hedged item	Total	Over one year	Fair value (*1)
Swap rate applied to underlying debt	Interest rate swaps: Receivable floating rate/ Payable fixed rate	Borrowed money	\$ 5,475	\$ 1,216	*2

\*1 The fair value of transactions listed on exchanges is determined using the last quoted market price at the Tokyo Financial Exchange, Inc. or others. The fair value of over-the-counter transactions is determined by using the discounted cash flow method, option pricing models or others.

\*2 The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not valued at the fair value, but the differential paid or received under the swap agreements is recognized and included in interest expenses or income on the borrowed money as hedged items. Accordingly, the fair value of interest rate swaps is considered to be included in the fair value of the borrowed money disclosed in Note 33.

## (2) Currency related derivatives at 31st March, 2012 and 2011

31st March, 2012			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	Securities denominated in foreign currencies	¥ 21,783	¥ -	¥ (2)

31st March, 2011			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	Securities denominated in foreign currencies	¥ 23,683	¥ -	¥ (1,129)

31st March, 2012			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	Securities denominated in foreign currencies	\$ 265,032	\$ -	\$ (24)

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

## 35. Amounts per Share

Amounts per share at 31st March, 2012 and 2011 and for the years then ended are summarized as follows:

	Yen		U.S. dollars
	2012	2011	2012
Net assets	¥ 97.85	¥ 99.07	\$ 1.19
Net income:			
Basic	1.48	4.39	0.01
Diluted	1.48	4.39	0.01
Cash dividends			
Common stock	¥ 3	¥ 3	\$ 0.03
First-class preferred stock	¥ 196 divided by 18.5	¥ 196 divided by 18.5	\$ 2.38 divided by 18.5
Second-class preferred stock	¥ 204 divided by 18.5	¥ 204 divided by 18.5	\$ 2.48 divided by 18.5

Net assets per share as of 31st March, 2012 and 2011 are computed based on the following information:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Total net assets	¥ 163,311	¥ 176,684	\$ 1,986,993
Payment for first-class preferred stock	(20,000)	(30,000)	(243,338)
Dividends for first-class preferred stock	(784)	(1,176)	(9,538)
Payment for second-class preferred stock	(25,000)	(25,000)	(304,173)
Dividends for second-class preferred stock	(1,275)	(1,275)	(15,512)
Stock subscription rights	(62)	(6)	(754)
Minority interests	(1,177)	(1,197)	(14,320)
Amounts to be deducted from total net assets	(48,298)	(58,655)	(587,638)
Net assets attributable to common stock as of 31st March, 2012 and 2011	¥ 115,013	¥ 118,028	\$ 1,399,355
Number of shares of common stock as of 31st March, 2012 and 2011 used to compute net asset per share (Unit: thousand shares)	1,175,363	1,191,285	

Net income per share for the years ended 31st March, 2012 and 2011 are computed based on the following information:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Net income for the year	¥ 3,810	¥ 7,690	\$ 46,356
Dividends for first-class preferred stock based on the resolution at the regular general shareholders' meeting	(784)	(1,176)	(9,538)
Dividends for second-class preferred stock based on the resolution at the regular general shareholders' meeting	(1,275)	(1,275)	(15,512)
Amounts not attributed to common stock shareholders	(2,059)	(2,451)	(25,051)
Net income attributable to common stock	¥ 1,751	¥ 5,239	\$ 21,304
Average outstanding number of shares of common stock (Unit: thousand shares)	1,178,121	1,192,267	
Diluted net income per share after adjusting potential shares			
Adjustment to net income	¥ -	¥ -	\$ -
Number of increased common stock (Unit: thousand shares)	521	19	
Of which, stock subscription rights	521	19	

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

## 36. Subsequent Events

The Company at its Board of Directors' meeting held on 31st May, 2012, resolved to submit the matter of consolidating shares to the 3rd annual shareholders' meeting and the class shareholders' meeting of common shareholders to be held on 28th June, 2012.

### (1) Purpose of the consolidation of shares

When the Company was established through a joint share transfer by The Bank of Ikeda and The Senshu Bank on 1st October, 2009, 18.5 shares of the Company's common stock per 1 share of common stock of Ikeda, and 1 share of the Company's common stock per 1 share of common stock of Senshu were allotted to the shareholders of common stock of Ikeda and Senshu. As a result, the total number of outstanding shares of the Company's common stock (1,192,293,163 shares) as of 31st March, 2012 has become relatively larger than those of neighboring banks and other banks of similar size.

Moreover, while Rule 445 of the Securities Listing Regulations of the Tokyo Stock Exchange stipulates that an investment unit of between ¥50,000 and ¥500,000 is desirable, currently the Company's investment unit falls below this level.

In light of the above, the Company has decided to execute the consolidation of shares of its common stock for the purpose of adjusting the investment unit to proper levels.

Additionally, as the consolidation of shares will result in the total number of outstanding shares of common stock to decrease, consolidation of shares will also be executed for the first-class preferred stock and second-class preferred stock at the same consolidation ratio as common stock, in order to adjust the percentage of potential voting rights relating to preferred stock to the total number of voting rights.

### (2) Details of the consolidation of shares

#### 1) Type of stock subject to consolidation:

Common stock  
First-class preferred stock  
Second-class preferred stock

#### 2) Consolidation ratio: 1 share for 5 shares for each type of stock

#### 3) Number of shares to be decreased:

Total number of outstanding shares before consolidation (As of 31st March, 2012)	Common stock	1,192,293,163 shares
	First-class preferred stock	74,000,000 shares
	Second-class preferred stock	115,625,000 shares
Number of shares to be decreased by consolidation	Common stock	953,834,531 shares
	First-class preferred stock	59,200,000 shares
	Second-class preferred stock	92,500,000 shares
Total number of outstanding shares after consolidation	Common stock	238,458,632 shares
	First-class preferred stock	14,800,000 shares
	Second-class preferred stock	23,125,000 shares



(3) **Treatment of fractional lots of less than 1 share, if any**  
 If, as a result of the consolidation of shares, fractional lots of less than 1 share should occur, such fractional lots shall be disposed in its entirety and the proceeds of the disposal shall be distributed to the shareholders with the fractional lots on a pro rata basis in accordance with the Law No. 235.

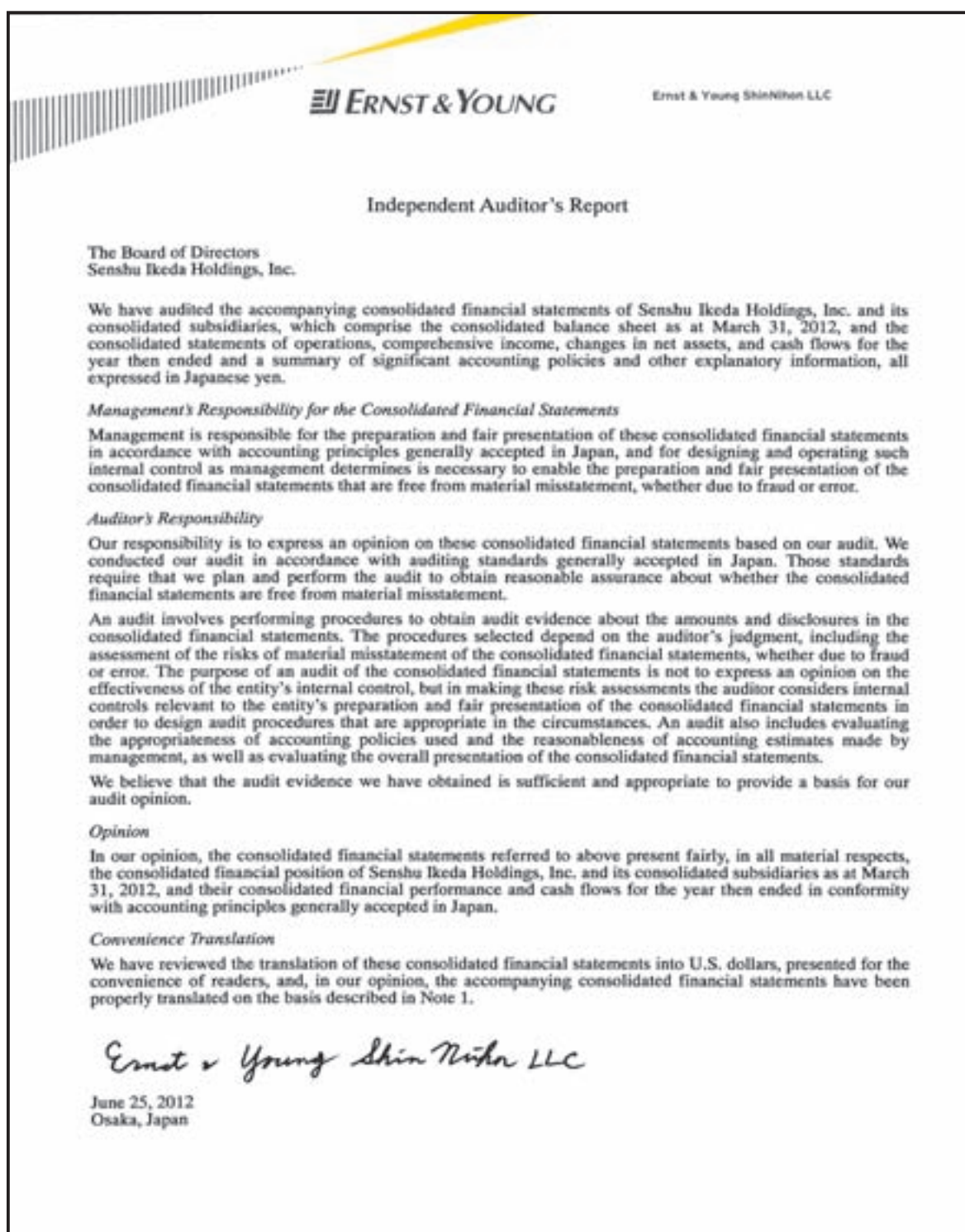
(4) **Effective date of the consolidation of shares**  
 1st August, 2012 (tentative)

(5) **Effects of the consolidation of shares on per share information**  
 Per share information for the year ended 31st March, 2012 assuming that this consolidation of shares had taken place at the beginning of the year ended 31st March, 2011 would be as follows.

	Yen		U.S. dollars
	2012	2011	2012
Net assets per share	¥ 489.26	¥ 495.38	\$ 5.95
Net income per share:			
Basic	7.43	21.97	0.09
Diluted	7.43	21.97	0.09

# Report of Independent Auditors

Senshu Ikeda Holdings, Inc.



## Non-consolidated Balance Sheets (Unaudited)

The Senshu Ikeda Bank, Ltd.  
As of 31st March, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
<b>Assets</b>			
Cash and due from banks	¥ 133,027	¥ 143,728	\$ 1,618,530
Call loans and bills bought	698	—	8,492
Monetary claims bought	1,473	1,270	17,921
Trading account securities	69	36	839
Money held in trust	19,000	19,000	231,171
Securities	1,203,706	1,081,565	14,645,406
Loans and bills discounted	3,527,485	3,512,391	42,918,664
Foreign exchange assets	4,328	6,210	52,658
Other assets	30,421	34,321	370,130
Tangible fixed assets	37,977	37,452	462,063
Intangible fixed assets	9,592	5,629	116,705
Deferred tax assets	30,653	36,017	372,952
Customers' liabilities for acceptances and guarantees	21,482	23,487	261,369
Reserve for possible loan losses	(37,681)	(32,088)	(458,462)
<b>Total assets</b>	<b>¥ 4,982,234</b>	<b>¥ 4,869,023</b>	<b>\$ 60,618,493</b>
<b>Liabilities and net assets</b>			
<b>Liabilities</b>			
Deposits	4,407,710	4,357,005	53,628,300
Negotiable certificates of deposit	17,200	24,300	209,271
Payables under securities lending transactions	237,307	172,725	2,887,297
Borrowed money	60,130	36,352	731,597
Foreign exchange liabilities	431	480	5,243
Corporate bonds and notes	53,000	48,000	644,847
Other liabilities	23,739	28,948	288,830
Provision for employees' bonuses	1,585	1,593	19,284
Accrued retirement benefits for employees	4,416	6,440	53,729
Accrued retirement benefits for directors and corporate auditors	313	372	3,808
Reserve for reimbursement of deposits	258	309	3,139
Reserve for point services	53	41	644
Reserve for loss on integration	—	717	—
Reserve for contingent losses	473	465	5,754
Acceptances and guarantees	21,482	23,487	261,369
<b>Total liabilities</b>	<b>4,828,103</b>	<b>4,701,241</b>	<b>58,743,192</b>
<b>Net assets</b>			
Shareholders' equity:			
Common stock	50,710	50,710	616,985
Capital surplus	93,932	104,361	1,142,864
Retained earnings	21,381	25,625	260,141
<b>Total shareholders' equity</b>	<b>166,025</b>	<b>180,698</b>	<b>2,020,014</b>
Net unrealized loss on available-for-sale securities	(11,892)	(12,895)	(144,689)
Net unrealized loss on deferred hedges	(2)	(19)	(24)
<b>Total valuation and translation adjustments</b>	<b>(11,894)</b>	<b>(12,915)</b>	<b>(144,713)</b>
<b>Total net assets</b>	<b>154,130</b>	<b>167,782</b>	<b>1,875,288</b>
<b>Total liabilities and net assets</b>	<b>¥ 4,982,234</b>	<b>¥ 4,869,023</b>	<b>\$ 60,618,493</b>

## Non-consolidated Statements of Operations (Unaudited)

The Senshu Ikeda Bank, Ltd.

For the years ended 31st March, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
<b>Income</b>			
Interest income:			
Interest on loans and bills discounted	¥ 58,391	¥ 56,861	\$ 710,439
Interest and dividends on securities	12,280	16,084	149,409
Other interest income	144	90	1,752
Fees and commissions	12,712	12,866	154,666
Other operating income	18,132	12,465	220,610
Recoveries of written-off claims	631	1,169	7,677
Other income	1,843	2,635	22,423
<b>Total income</b>	<b>104,137</b>	<b>102,173</b>	<b>1,267,027</b>
<b>Expenses</b>			
Interest expenses:			
Interest on deposits	7,939	10,056	96,593
Interest on borrowings and rediscounts	732	582	8,906
Other interest expenses	2,041	1,624	24,832
Fees and commissions	9,801	9,351	119,248
Other operating expenses	7,136	2,364	86,823
General and administrative expenses	53,048	50,536	645,431
Loss on disposal of fixed assets	176	143	2,141
Loss on impairment of fixed assets	166	189	2,019
Other expenses	15,658	20,755	190,509
<b>Total expenses</b>	<b>96,700</b>	<b>95,605</b>	<b>1,176,542</b>
Income before income taxes	7,436	6,568	90,473
<b>Income taxes</b>			
Current	86	82	1,046
Deferred	5,299	141	64,472
<b>Total income taxes</b>	<b>5,385</b>	<b>224</b>	<b>65,518</b>
<b>Net income</b>	<b>¥ 2,050</b>	<b>¥ 6,343</b>	<b>\$ 24,942</b>

**Corporate Data** (As of July 1, 2012)**Senshu Ikeda Holdings, Inc.**

18-14, Chayamachi, Kita-ku,  
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URL: <http://www.senshuikeda-hd.co.jp>

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

**Major Shareholders** (As of March 31, 2012)

## 1. Common stock

Name	Number of Shares Owned (Thousands)	Proportion of Total Shares (%)
Japan Trustee Services Bank, Ltd. (Trust Account)*1	167,220	14.03
The Master Trust Bank of Japan, Ltd. (Trust Account)*1	143,444	12.04
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	59,597	5.00
Mitsubishi UFJ Financial Group, Inc.	29,799	2.50
Mitsubishi UFJ Trust and Banking Corporation	28,607	2.40
ITAMI SANGYO CO., LTD.	18,463	1.54
Mizuho Corporate Bank, Ltd.	17,282	1.45
The Senshu Ikeda Bank Employees' Shareholders Association	16,914	1.41
OBAYASHI CORPORATION	16,594	1.39
The Nomura Trust and Banking Co., Ltd.		
Trust Account of The Senshu Ikeda Bank Employees' Shareholders Association	15,989	1.34

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

## 2. First-class preferred stock

Name	Number of Shares Owned (Thousands)	Proportion of Total Shares (%)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	74,000	100.00

## 3. Second-class preferred stock

Name	Number of Shares Owned (Thousands)	Proportion of Total Shares (%)
OC FINANCE CORPORATION	32,375	28.00
Daikin Industries, Ltd.	23,125	20.00
Fukoku Mutual Life Insurance Company	9,250	8.00
ITAMI SANGYO CO., LTD.	9,250	8.00
NICHIA STEEL WORKS, LTD.	9,250	8.00
ROHTO Pharmaceutical Co., Ltd.	9,250	8.00
DAINIHON JOCHUGIKU CO., LTD.	4,625	4.00
Hankyu Hanshin Holdings, Inc.	4,625	4.00
T.T CO., LTD.	4,625	4.00
Non-Destructive Inspection Company Limited.	4,625	4.00
Shionogi & Co., Ltd.	2,312	2.00
Nippon Paper Core Industrial Co., Ltd.	2,312	2.00





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