

# ANNUAL REPORT 2015

Year Ended March 31, 2015



SENSHU IKEDA HOLDINGS, INC.

THE SENSHU IKEDA BANK, LTD.

SENSHU IKEDA TOKAI TOKYO  
SECURITIES CO., LTD.





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 "relied on 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.

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

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

On May 1, 2015 the Senshu Ikeda Bank marked the fifth anniversary of its merger. All the employees and officers of the bank appreciate your support.

With regard to the financial results for the fiscal year ended March 31, 2015, on a Senshu Ikeda Holdings consolidated basis, we recorded net income of ¥17.5 billion, up ¥0.9 billion from the previous fiscal year—a record high for the second consecutive year including sum of the each former bank prior to the merger.

The balance of deposits at the Senshu Ikeda Bank increased ¥155.2 billion from the previous fiscal year, and the balance of loans and bills discounted increased ¥71.2 billion mainly for regional small and medium enterprises. Assets under management increased ¥20.9 billion, with steady business performance at both the Senshu Ikeda Bank and Senshu Ikeda Tokai Tokyo Securities.

Senshu Ikeda Holdings announced a long-term capital policy in February 2015 and achieved a capital increase through a public offering in the amount of ¥21.3 billion in May 2015. By using this capital effectively, we will continue to promote financing for regional small and medium enterprises aggressively to contribute to the regional revitalization.

Based on “community-oriented” and “customer-oriented” principles, we will strive to become the “No. 1 Relational Regional Financial Group in the Kansai Area” and “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 2015

**Hirohisa Fujita**

Representative Director and President of Senshu Ikeda Holdings, Inc.  
Representative Director and President of the Senshu Ikeda Bank, Ltd.

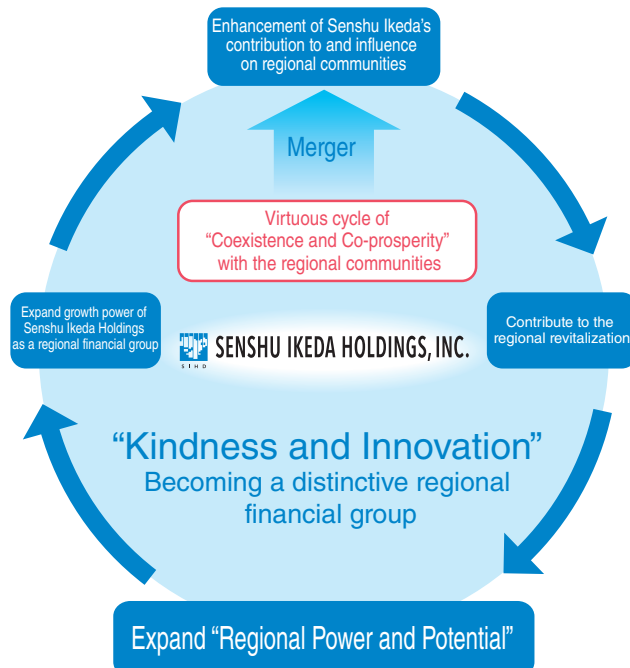
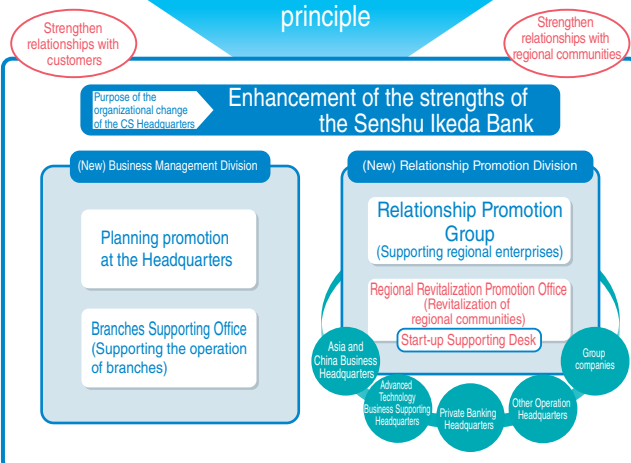


*We strive to become the “No. 1 Reliable Bank for Regional Communities and Customers” to realize “Coexistence and Co-prosperity” with the regional communities.*



~Further Strengthen Relationships with Regional Communities~  
(organizational change in May 2015)

Strive to become the **“No. 1 Relational Regional Financial Group in the Kansai Area”**  
Practice the **“customer-oriented”** principle



The business areas we cover are Japan's leading market area and have an advanced traffic network, two ports in Osaka and Kobe, three airports called "a gateway into Asia and China" and four government-ordinance-designated cities. The number of business offices and population in those areas are comparable with that of Metropolitan Tokyo.

Furthermore, in addition to the existing well-balanced industrial structure, large-scale projects are currently under way such as the privatization of SEMBOKU RAPID RAILWAY CO., LTD., the opening of EXPOCITY and the implementation of the concession for the airport operation of Kansai International Airport. As such, these market areas have extremely high potential power called "Regional Power" and will further grow.

In the above circumstances, to promote our "customer-oriented" principle, the Senshu Ikeda Bank made a partial change to our Head Office in May 2015 to reinforce "relations" with regional communities. Within the CS Headquarters, we established the Business Management Division and the Relationship Promotion Division. Within the Relationship Promotion Division, the Regional Revitalization Promotion Office was newly established to nurture "coexistence with the region" further by concluding collaborative agreements on the region's revitalization with local municipalities and prefectures and the promotion of industries. Inside the Regional Revitalization Promotion Office, the Start-up Supporting Desk was set up to support entrepreneurs by helping establish a network of expert organizations to support businesses start-ups and promote collaborations with local government organizations.

## Long-Term Capital Policy

Senshu Ikeda Holdings announced a long-term capital policy in February 2015 and procured capital of ¥21.3 billion in May 2015 by issuing new shares of common stock of the Company.

### Outline of the Capital Procurement

#### (1) Convert the second-class preferred stock of ¥25.0 billion to Basel III compliant products

Second-class preferred stock  
(corporate bond type)



First series of seventh-class preferred stock  
(mandatory convertible shares)

#### (2) Issued and registered common stock of ¥20.0 billion



Capital procured: **¥21.3 billion**

### Purposes and Aims

#### ◆ Minimum capital procurement to comply with Basel III

①	Achieve our Long-Term Business Plan
②	Cope with Basel III
③	Accumulate retained earnings by reducing expenses for "dividends and subordinated borrowings"
④	Future capital policy ~Strengthen return to shareholders and management with improving ROE

### Uses of the Procured Capital

Appropriate all the procured capital of ¥21.3 billion for investments in the Senshu Ikeda Bank



① Promote financing for regional small and medium enterprises aggressively



② Support new businesses and start-ups



③ Make strategic IT investments

### Shareholder Return Policy

We adopt business performance-based shareholder returns in the fiscal year ending March 31, 2016. We will strengthen the return of profits to shareholders by using retained earnings.

#### Performance-based concept

- ① Sustain steadied dividend of ¥15 per share.
- ② Set the base profit at ¥17.5 billion; if consolidated net income exceeds that amount, 30% of the excess shall be returned to shareholders by paying dividends or acquiring treasury stock, while taking other elements into consideration.
- ③ Assess each term with a target shareholder return ratio of 25%–30%, taking into account the market trend and other matters.

### Consideration of an Interim Dividend

**To meet the needs of investors, we will consider the distribution of interim dividends.**

### Emphasis on a Dialogue with Shareholders

Hold roundtable conferences with shareholders

Enrich the shareholders' benefit system

Enrich IR activities for individual shareholders



# Business Strategies of The Senshu Ikeda Bank

We will continue to strive to promote basic business strategies consisting of “improved efficiency strategies,” “alliance strategies” and “growth strategies (the three challenging strategies)” to become the “No. 1 Reliable Bank for Regional Communities and Customers.”

## Improved efficiency Strategies

### Achieve merger synergies and strengthening the low-cost system

- Realize maximal merger synergies by resolute low-cost operations.
- Strengthen the low-cost system through revision of IT investment and framework for administrative consolidation.

## Alliance Strategies

As an independent regional bank, we will develop the “unique business networks without conglomerate groups.”

(Local governments, domestic and overseas financial institutions, universities and research institutions, government agencies, etc.)

In addition, to meet the various needs of customers, we will utilize these high-quality business networks and offer excellent products and services.

### Collaboration with Local Governments

There are 20 municipalities and prefectures with which we now have collaborative agreements to promote the revitalization of industries and regional communities and environmental and energy measures.

Furthermore, in conjunction with these collaborative agreements, we have established the “Industrial Promotion Funds” and the “Energy Creation and Energy Conservation Funds.” We will continue to strive to revitalize regional communities by funding local customers, developing “regional brands” and communicating these brands throughout Japan.



Collaborative agreements with Inagawa Chambers of Commerce and Industry, Inagawa Town, January 2015

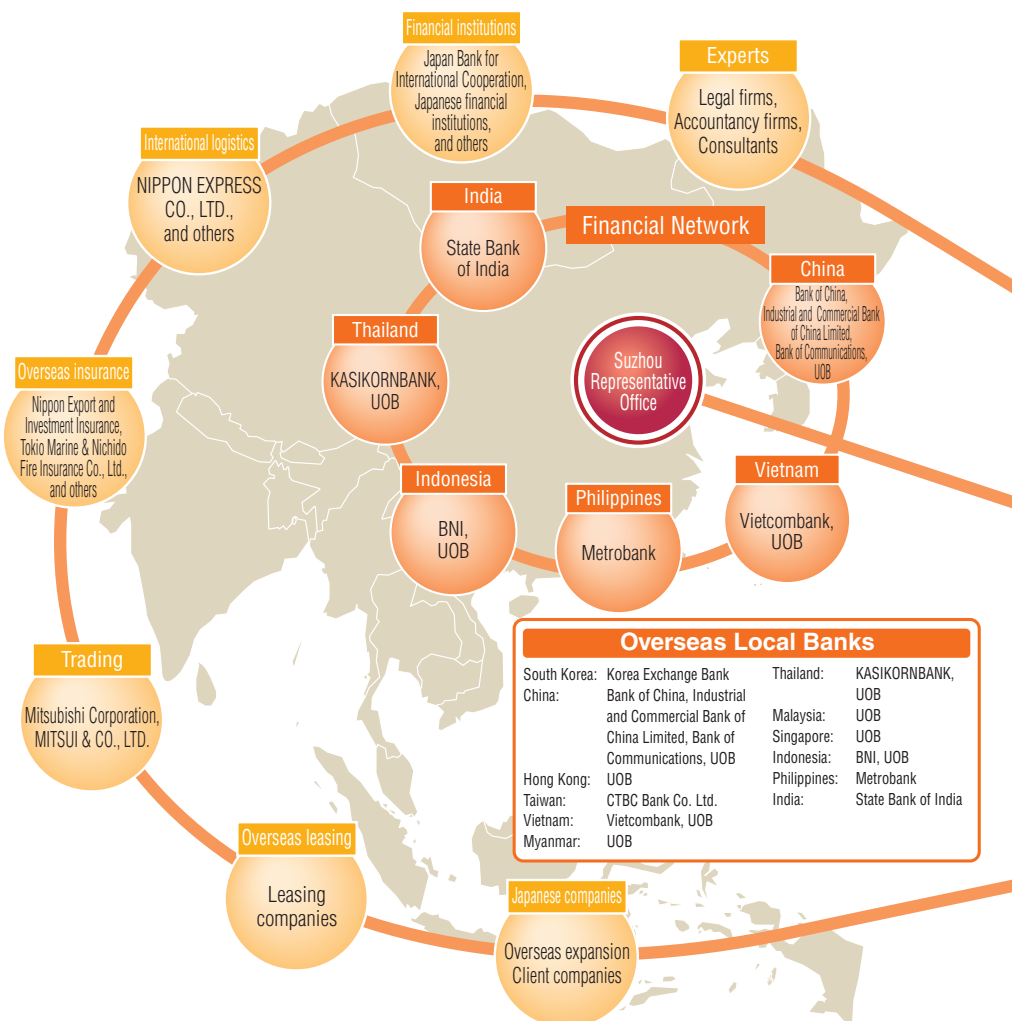
### Collaboration with Universities

Through efforts such as “Basic Agreements for Business-Academia Collaboration,” we have entered partnerships with a total of 16 leading universities in the Kansai region.

We will contribute to the development of local communities through mutual exchange and stronger business-academia collaboration in various fields including financial support for university-launched venture companies, industries, business-academia research, human resources development, and community building.

### Collaboration with Overseas Banks

We are expanding business partnerships with banks in China, South Korea, the ASEAN countries and India. We currently have business partnerships with 11 local banks in 12 countries and regions, forming the largest network among the Kinki regional banks. We will actively support the Asia and China business of our local customers by expanding business network in Asia.



## Three Challenging Strategies

### 1 Asia and China Business Headquarters: Enhance support for the Asia and China business

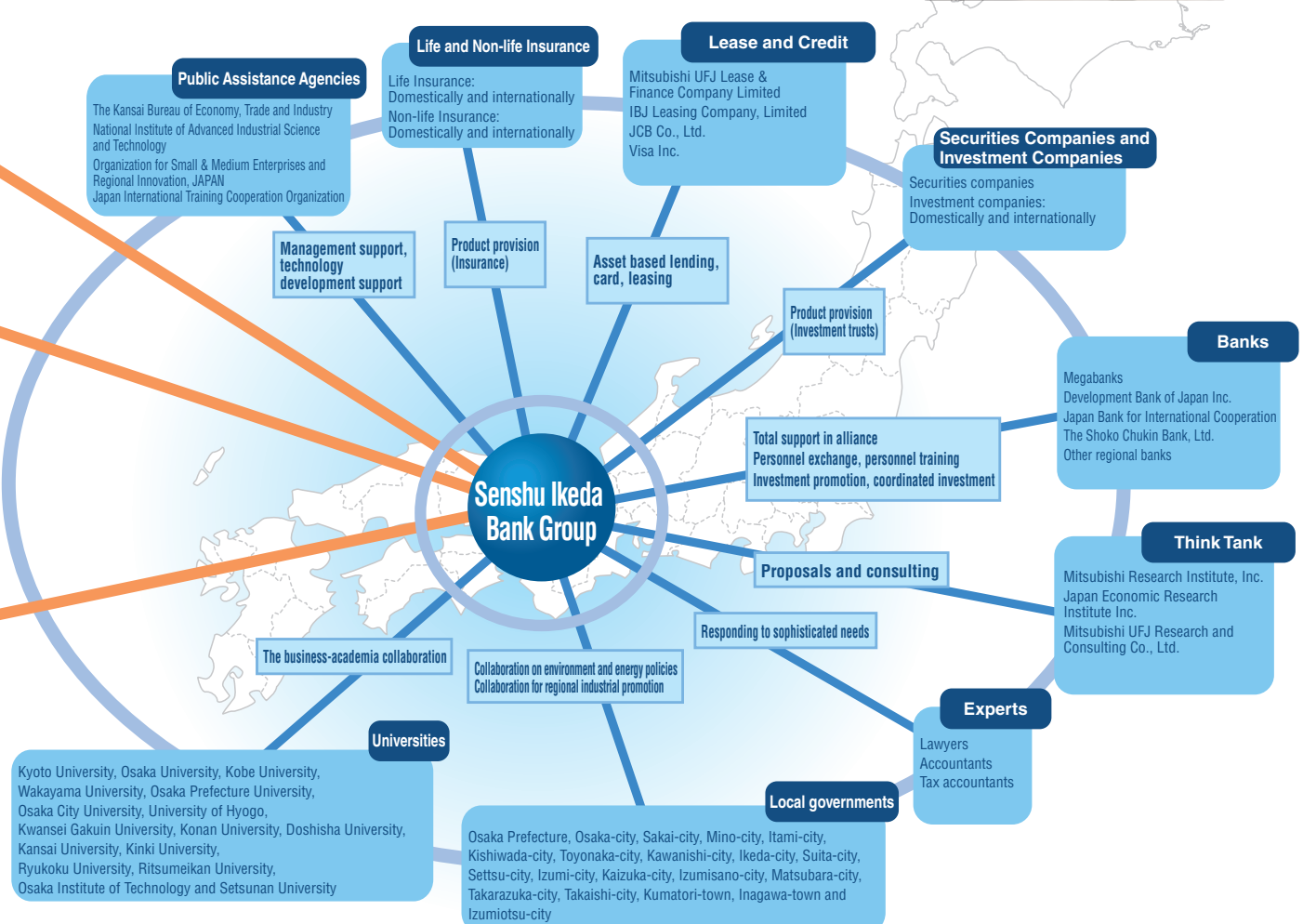
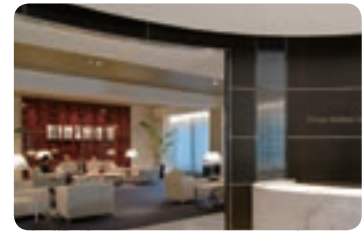
- We will support the overseas expansion and trade of local customers “enthusiastically,” “widely” and “concretely” through collaborative networks among trading companies, banks and legal firms.
- We will support our customers with useful information and services such as seminars with local governments and chambers of commerce and industry, overseas missions and business meetings with overseas companies.

### 2 Advanced Technology Business Supporting Headquarters: Promote industrial-academia-government collaboration and technological support for local companies

We will support growing companies with advanced technologies and contribute to the creation of new industries by means such as utilizing and expanding close networks between the government, local governments, universities, and public research (support) organizations, etc., operating grant program systems (New Business Grant Program, Consortium-based Research & Development Grant Program) and technology matching to companies applying for our grants while promoting industry-academia-government collaboration.

### 3 Private Banking Headquarters: Promote private banking business

Our experienced “private bankers” provide customers with “custom-made” services to meet their various needs such as business succession, asset succession, fund management, M&A, loan arrangements, the medical and elderly care business and investment trust agent operations from “professional,” “long-term” and “diverse” perspectives.



## CSR Activities

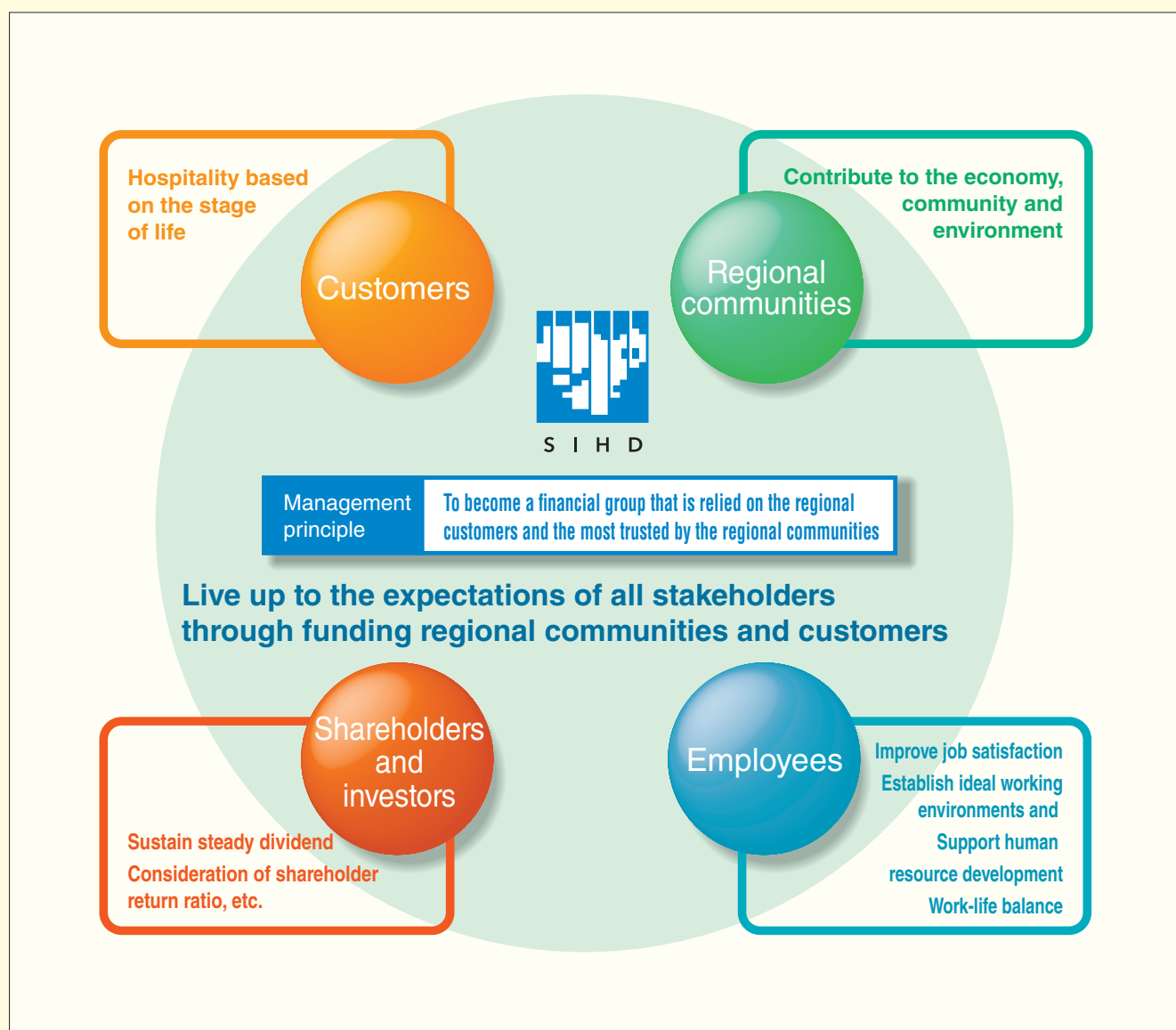
### Senshu Ikeda Holdings promotes CSR Activities

Based on management principle, we will strive to become “a financial group that is relied on the regional customers and the most trusted by the regional communities”.

We will also live up to the expectations of all stakeholders  
such as customers, regional communities,  
shareholders(investors) and employees through business activities.

We will continue to aggressively promote  
“permanent” and “in-depth” CSR activities to realize the sustainability of our business.

CSR: Corporate Social Responsibility

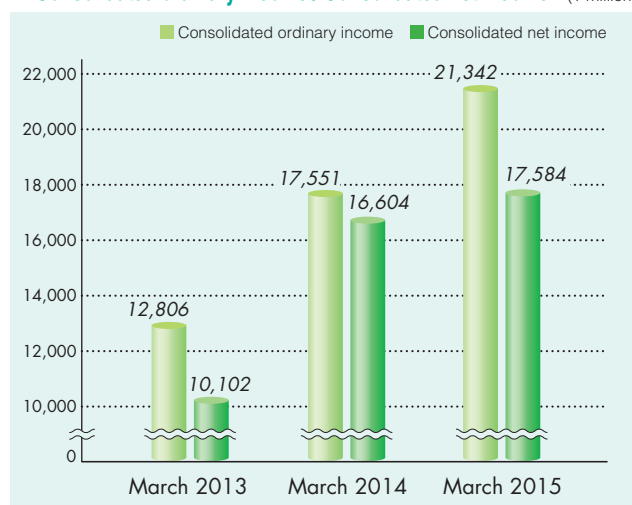




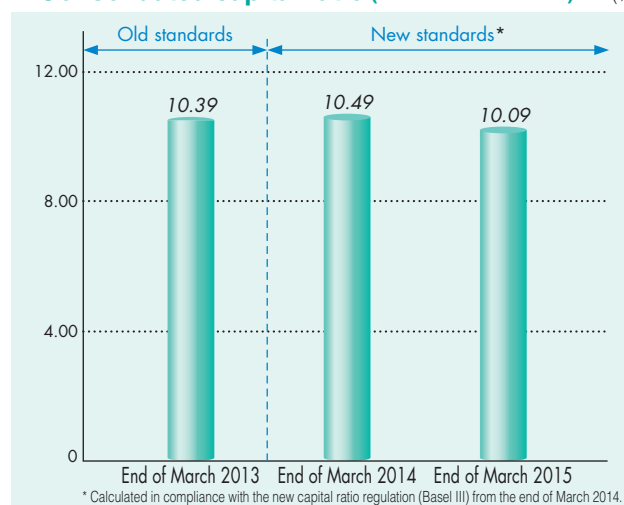
# Business Overview of Senshu Ikeda Holdings

## Consolidated

### Consolidated ordinary income / Consolidated net income (¥ million)



### Consolidated capital ratio (domestic standard) (%)



## Business Environment

The Japanese economy in the consolidated fiscal year under review showed a moderate recovery trend despite a reactionary decline in demand following the rush in demand before the consumption tax raise in April 2014. Individual consumption remained solid thanks to improvement in the employment and income situation, whereas corporate earnings also showed improvement.

With respect to prices, domestic corporate goods prices showed a gradual increase during the first half, followed by a gradual decline due to the falling trends in international commodities market, and consumer prices were level.

In the financial markets, as the monetary base expanded remarkably thanks to the Bank of Japan's innovative monetary easing, the unsecured overnight call rate stayed below 0.1%. Regarding the long-term interest rate, a steady supply and demand of bonds continued with the purchase of a large volume of Japanese government bonds by the Bank of Japan, and U.S. and European long-term interest rates showed a declining trend. As a result, the rate of return on 10-year Japanese government bonds dropped to a record low 0.195% in January 2015 and subsequently hovered in the 0.3%–0.4% range.

The Nikkei Stock Average remained weak until mid-May 2015 but showed a moderate rise in late May and thereafter, reflecting expectations for new growth strategies by the Japanese government and optimism based on rising stock prices in the U.S. market, reaching the 16,000 yen–16,500 yen range at the end of September. Although the Nikkei Stock Average declined in October due to concern of the downturn of the world economy, it bounced back sharply with the effect of additional monetary easing by the Bank of Japan and rose to the 19,500 yen–20,000 yen range at the end of March with the effects of yen depreciation, the postponement of additional rise in consumption tax, the recovery of the domestic economy and the expansion of corporate business performance.

## Business Performance

With regard to the consolidated performance of Senshu Ikeda Holdings Group ("the Group") in the fiscal year under review, consolidated ordinary revenue increased ¥9,469 million from the previous fiscal year to ¥114,324 million. This was mainly due to an increase in interest income primarily by an increase in interest and dividends on securities at the Senshu Ikeda Bank, an increase in fees and commissions income due to increased investment product sales at Senshu Ikeda Tokai Tokyo Securities and an increase in other operating income due to increased gains on sales of debt securities.

Consolidated ordinary expenses increased ¥5,679 million from the previous fiscal year to ¥92,982 million. This was mainly due to an increase in other operating expenses such as a loss on sales of debt securities despite decreases in interest expenses because of a decline in the deposit rate, general and administrative expenses due to cost reduction and other expenses such as net credit costs at the Senshu Ikeda Bank.

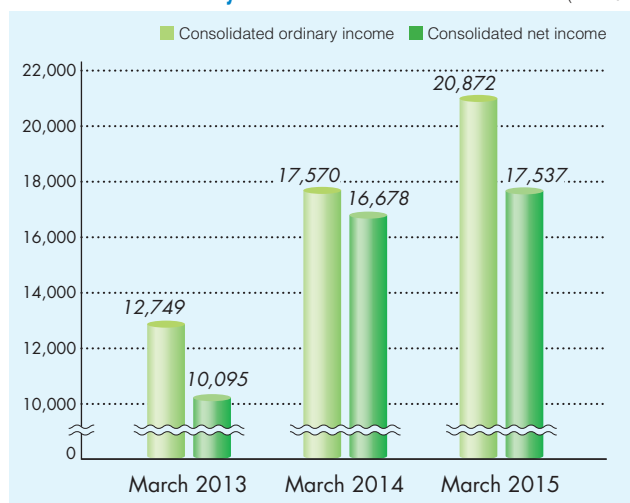
As a result, consolidated ordinary income increased ¥3,791 million from the previous fiscal year to ¥21,342 million. Consolidated net income increased ¥980 million from the previous fiscal year to ¥17,584 million—a record high for the second consecutive year. Although gains on negative goodwill incurred of ¥1,596 million were recorded as extraordinary income, the ¥2,291 million gain on contribution of securities to the retirement benefit trust recorded as extraordinary income for fiscal year ended March 2014 did not exist for the fiscal year under review and ¥4,277 million was recorded as total income taxes.

The Group's consolidated capital ratio was 10.09%, which is well above the 4% level required of banks subject to domestic standards.

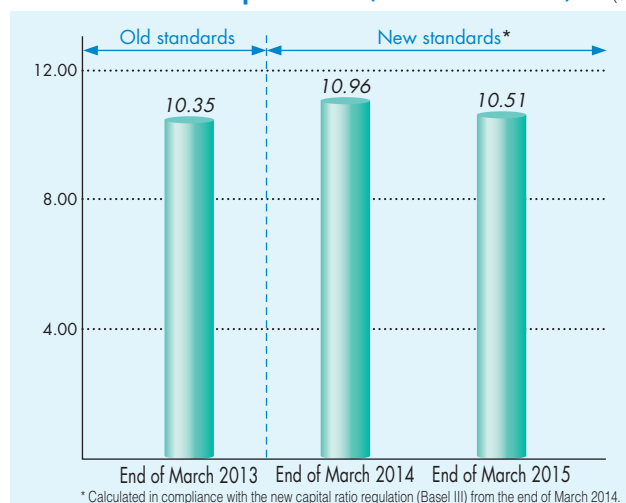
# Business Overview of The Senshu Ikeda Bank

## Consolidated

### Consolidated ordinary income / Consolidated net income (¥ million)

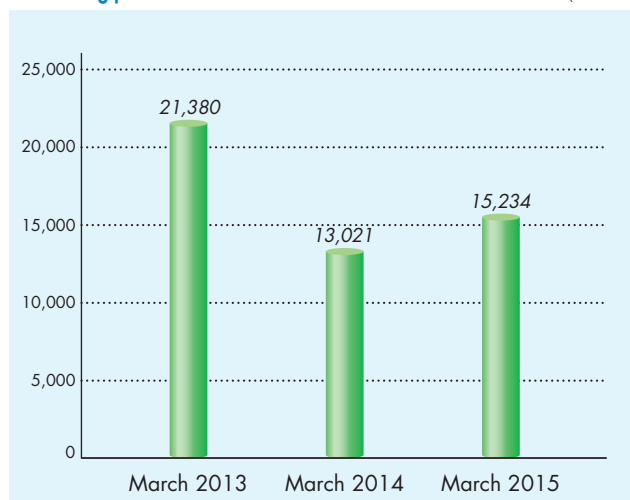


### Consolidated capital ratio (domestic standard) (%)

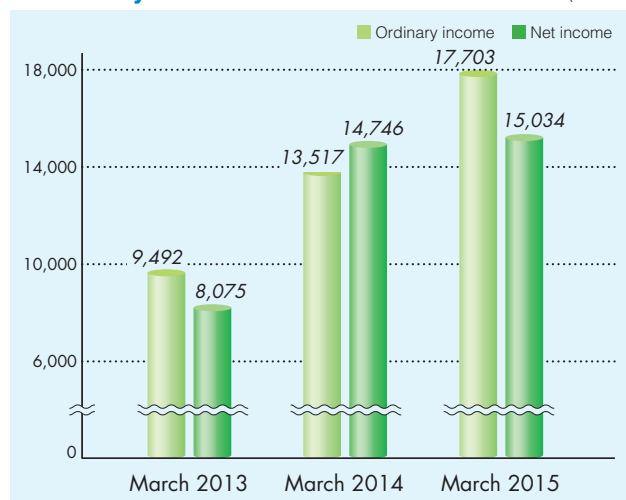


## Non-consolidated

### Banking profit (before provision for general reserve for possible loan losses) (¥ million)



### Ordinary income / Net income (¥ million)



## Business Performance (Consolidated)

With regard to the consolidated performance of the Senshu Ikeda Holdings Group (the "Group") in the fiscal year under review, consolidated ordinary revenue increased ¥8,271 million from the previous fiscal year to ¥112,586 million. This was mainly due to an increase in interest income primarily an increase by an increase in interest and dividends on securities, in fees and commissions income due to increased investment product sales and an increase in other operating income due to increased gains on sales of debt securities.

Consolidated ordinary expenses increased ¥4,969 million from the previous fiscal year to ¥91,713 million. This was mainly due to an increase in other operating expenses such as loss on sales of debt securities despite decreases in interest expenses because of a decline in the deposit rate, general and administrative expenses due to cost reduction and other expenses

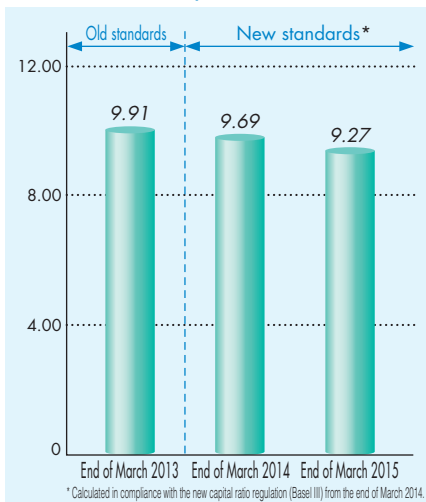
such as net credit costs.

As a result, consolidated ordinary income increased ¥3,302 million from the previous fiscal year to ¥20,872 million. Consolidated net income increased ¥859 million from the previous fiscal year to ¥17,537 million—a record high for the second consecutive fiscal year. Although gains on negative goodwill incurred of ¥1,596 million were recorded as extraordinary income, the ¥2,291 million gain on contribution of securities to the retirement benefit trust recorded as extraordinary income for fiscal year ended March 2014 did not exist for the fiscal year under review and ¥4,038 million was recorded as total income taxes.

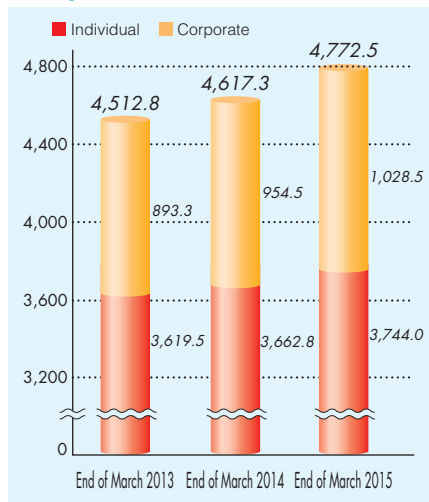
The Group's consolidated capital ratio was 10.51%, which is well above the 4% level required of banks subject to domestic standards.

Non-consolidated

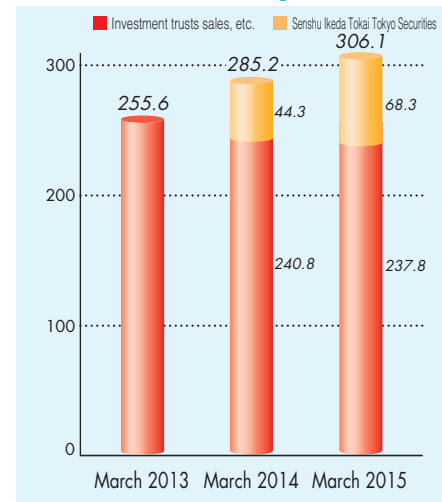
■ Non-consolidated capital ratio (domestic standard) (%)



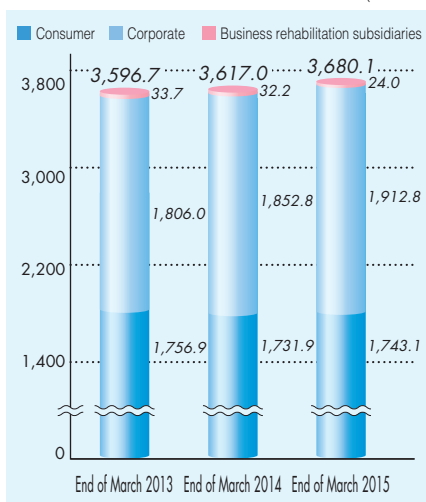
■ Deposits



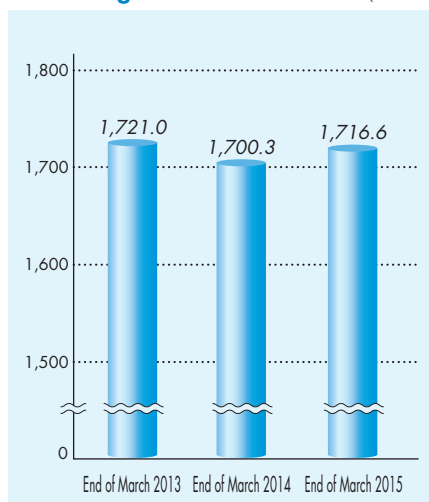
■ Assets under management (¥ billion)



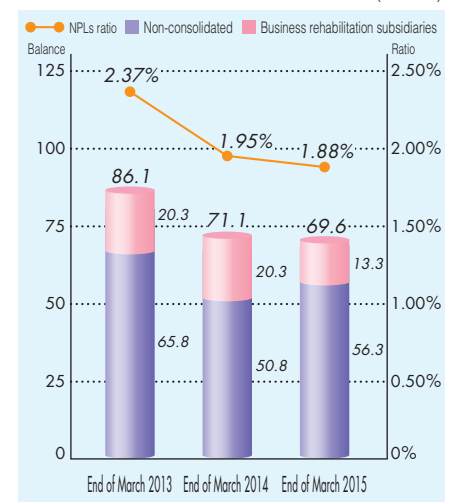
■ Loans and bills discounted (¥ billion)



■ Housing loans



■ Balance and ratio of credits disclosed under the Financial Revitalization Law (¥ billion)



Business Performance (Non-consolidated)

With regard to the non-consolidated performance of the Senshu Ikeda Bank in the fiscal year under review, ordinary revenue was ¥99,739 million. This was mainly due to increases in interest income, fees and commissions and gain on sales of debt securities. Ordinary expenses were ¥82,036 million. This was mainly due to an increase in loss on sales of debt securities partially offset by decreases in interest expenses, general and administrative expenses and net credit costs.

As a result, banking profit (before provision for general reserve for possible loan losses) increased ¥2,213 million from the previous fiscal year to ¥15,234 million and ordinary income increased ¥4,186 million to ¥17,703 million.

Net income for the fiscal year increased ¥288 million to ¥15,034 million.

The balance of deposits at the end of March 2015 increased ¥155.2 billion from the end of March 2014 to ¥4,772.5 billion. Assets under management, including those at Senshu Ikeda Tokai Tokyo Securities, at the end of March 2015 increased ¥20.9 billion to ¥306.1 billion.

The balance of loans and bills discounted at the end of March 2015 increased ¥71.2 billion from the end of March 2014 to ¥3,656.0 billion.

The balance of credits disclosed under the Financial Revitalization Law at the end of March 2015, including two business rehabilitation subsidiaries, decreased ¥1.5 billion from the end of March 2014 to ¥69.6 billion. As a result, the non-performing loans (NPLs) ratio at the end of March 2015 declined 0.07% from the end of March 2014 to 1.88%.



# Corporate Governance

The Company is a holding company which has subsidiaries such as the Senshu Ikeda Bank. In light of the public nature of our operation as a regional financial institutions group, the Company 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 Audit & Supervisory Board.

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

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

### Corporate governance functions within the Company

#### ● The Board of Directors

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

Meanwhile, to improve the effectiveness of the Board of Directors, as well as to maintain the independence of and enhance the collaboration with outside directors, the Company established the Secretary Office as of July 1, 2015, to develop the support system and reinforce dialogues with outside directors.

#### ● The Audit & Supervisory Board

The Company has adopted a audit & supervisory board member system. Under this system, the Company ensures transparency through appointing two outside audit & supervisory board members of the four audit & supervisory board members in all. Each audit & supervisory board member audits business execution of directors through attendance to important meetings including the Board of Directors and the Management Committee, inspection of critical documents and other means, according to the auditing guidelines and audit schedule decided by the Audit & Supervisory Board. Outside audit & supervisory board members are qualified with high

degree of integrity along with superior insight and capability, as well as expertise and hands-on experience in respective area of specialty, providing advice on management from diversified points of view.

#### ● Management Committee

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

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

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

#### ● Accounting auditors

Mr. Kenichiro Arai, Mr. Hirokazu Tanaka 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 seven certified public accountants and twelve others.

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

The Company and the Group companies are developing a structure necessary to ensure the adequacy of operation based on the following concepts 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 of the Company and the Group companies execute business in compliance with laws and regulations as well as with the Articles of Incorporation  
The Company and the Group companies focus on compliance with laws and regulations (hereinafter "compliance") as one of the most critical management task. The Company and the Group also set out the code of ethics along with the code of conduct to ensure that directors and employees behave in compliance with laws and regulations as well as social norms, while setting out

basic rules of compliance under which overall compliance policies and specific measures are discussed at the Compliance Committee.

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

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

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

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

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

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

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

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

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

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

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

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

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

In addition, the Board of Directors establishes the Management Committee with the purpose of enabling directors to efficiently execute their business. The Management Committee

discusses beforehand the agenda of the Board of Directors to facilitate the decision-making process at those meetings, while discussing the critical issues for resolution in implementing the basic management policies that have been resolved by the Board of Directors on the basis of such policies.

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

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

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

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

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

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

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

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

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

In addition, the hotline system is structured to guarantee that the informants who provide the Group Compliance Hotline with compliance-related information are protected from being treated in a disadvantageous manner.

Moreover, to complement this arrangement, the Company and the Group companies have established a structure whereby audit & supervisory board members are permitted to attend important meetings such as those of the Board of Directors, the Management Committee, the Compliance Committee, the Risk Management Committee and the ALM Committee.

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

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

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

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

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

#### ● Internal audits

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

The Internal Audit Division of the Company, which comprises nine members who have been seconded from the banking subsidiary (three full-time members and six members serving concurrently with other posts; as of March 31, 2015), conducts internal audits of all departments within the Company according to the annual audit plan approved by the Board of Directors every fiscal year and is responsible for the integrated management of the overall internal audit work across the Group. The Internal Audit Division also audits the respective subsidiaries on its own or on a joint basis with the internal audit department of each subsidiary as appropriate and provides specific instructions and advice to improve business operation at each subsidiary.

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

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

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

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

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

The Company has two outside directors and two outside audit & supervisory board members. Although we have no specific appointment criteria or policies to evaluate the independence of outside directors and outside audit & supervisory board members, their 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 the Tokyo Stock Exchange and so forth. All four outside directors and outside audit & supervisory board members are designated as independent officers as they satisfy the requirements of independence stipulated by the relevant stock exchange and there is no potential conflict of interest with the general shareholders.

Between the outside director Taro Ohashi and the Company or any of the Group companies, there is no interest in terms of a personal or other interest relationship, except ordinary banking transactions with The Senshu Ikeda Bank, Ltd. Also, he holds 13,710 shares of common stock of the Company (as of March 31, 2015).

As he has experience in corporate management as a representative director of a listed company, we anticipate that he will sufficiently perform supervision duties over the business execution of directors. He also concurrently serves as an outside director of The Senshu Ikeda Bank.

The outside director Kazuo Hiramatsu serves as a trustee of Kwansei Gakuin. Between he or Kwansei Gakuin and the Company or any of the Group companies, there is no interest in terms of personal, capital or other interest relationship, except ordinary banking transactions with The Senshu Ikeda Bank. He also concurrently serves as an officer at Sumitomo Electric Industries, Ltd., ShinMaywa Industries, Ltd., and DAIDO LIFE INSURANCE COMPANY. The Senshu Ikeda Bank has ordinary banking transactions with Sumitomo Electric Industries, Ltd.; The Senshu Ikeda Bank, DAIDO LIFE INSURANCE COMPANY, and the Company have a capital relationship; and ShinMaywa Industries, Ltd. and The Senshu Ikeda Bank has ordinary banking transactions.

As a director of the Company, he performs his duties of auditing the business execution based on his extensive experience in educational corporations and in business. Also, he concurrently serves as an outside director of The Senshu Ikeda Bank.

The outside audit & supervisory board member Toshiaki Imanaka and the Company or any of the Group companies, have no interest in terms of personal or other interest relationship, except ordinary banking transactions with The Senshu Ikeda Bank. He also concurrently serves as a member of the Kansai Law and Patent Office, which concludes an advisory contract with The Senshu Ikeda Bank.

He is qualified as an attorney, and is also involved in general finance and accounting duties as a reorganization trustee, having accumulated a considerable degree of knowledge in those fields. Based on such qualification, he sufficiently performs his duties as an audit & supervisory board member.

The outside audit & supervisory board member Toshiaki Sasaki serves as the President of Senshu Gakuen. Between he or Senshu Gakuen, and the Company or any of the Group companies, there is no interest in terms of personal or other interest relationship, except ordinary banking transactions with The Senshu Ikeda Bank. Also, he holds 27,960 shares of common stock of the Company (as of March 31, 2015).

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

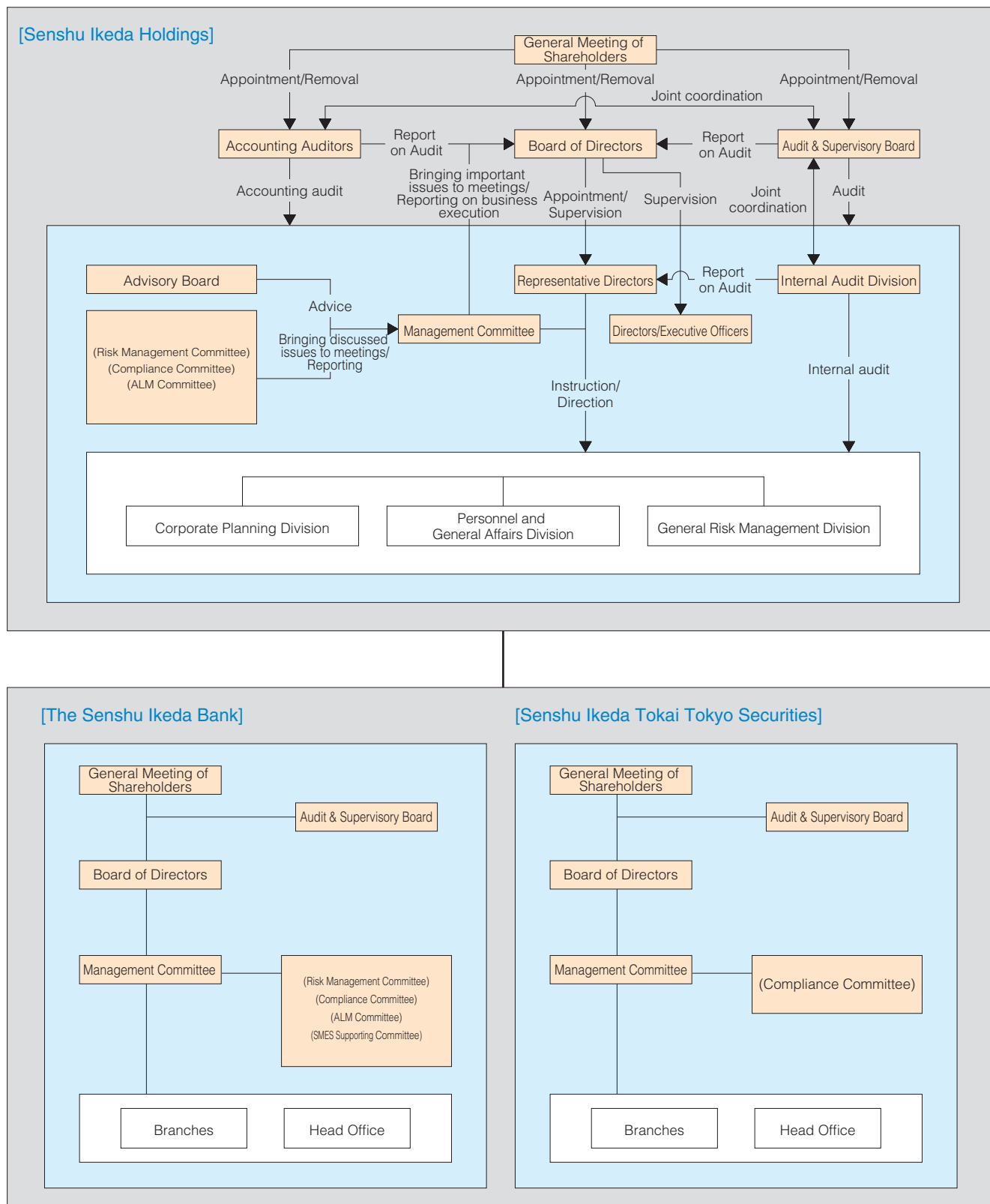
The Company has appointed two outside directors out of twelve directors while two outside audit & supervisory board members out of four. Thus the Company has developed a structure sufficient to continuously enhance its enterprise value through such appointment of outside directors and outside audit &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

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



## Corporate governance structure of the Group

(As of the end of July, 2015)



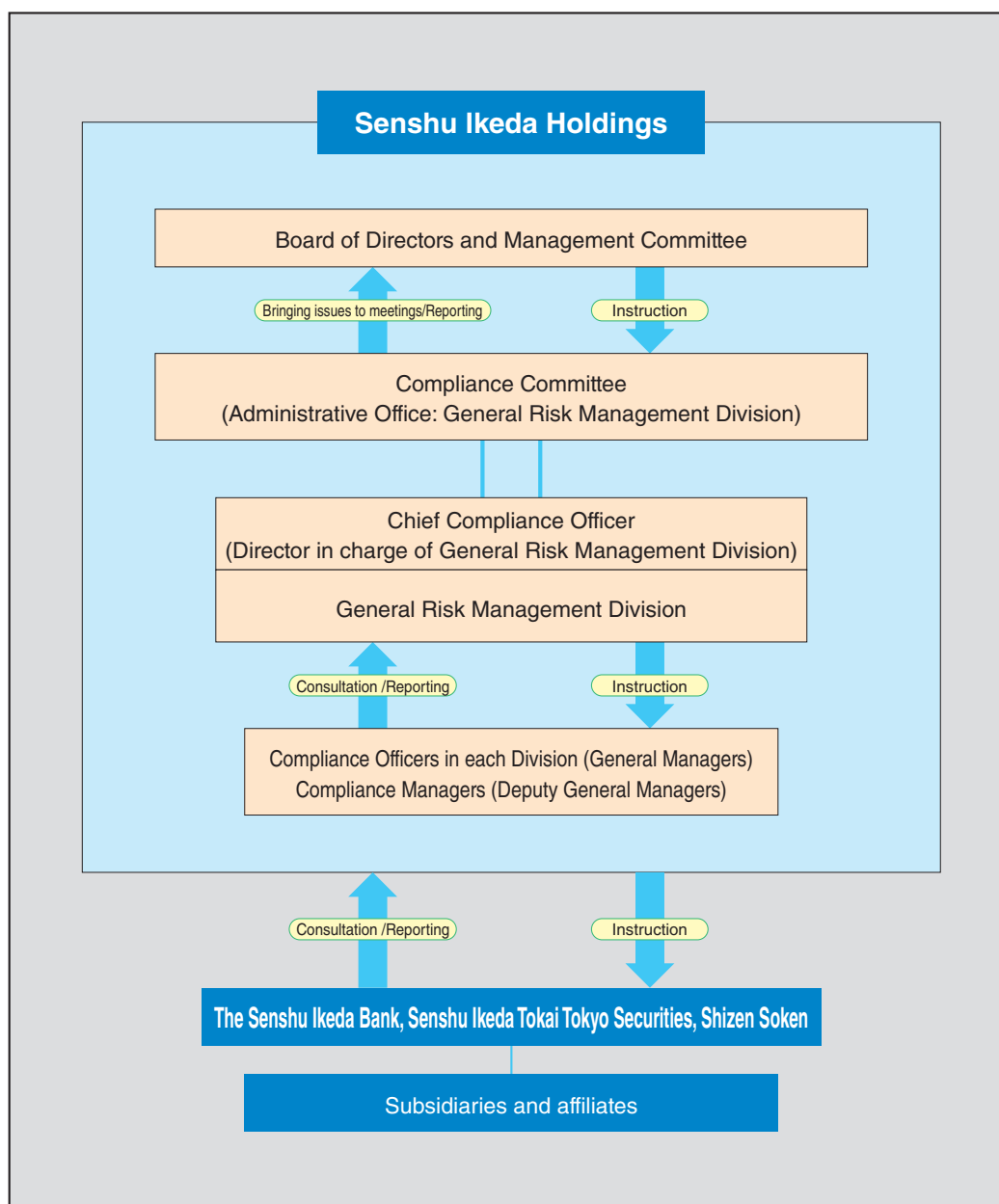
## Compliance Structure

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

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

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

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



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

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

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

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

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

## Code of Ethics

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

### 1. Winning the trust from our customers

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

### 2. Implementing “customer first policy”

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

### 3. Strict compliance

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

### 4. Respecting human rights and the environment

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

### 5. Eliminating anti-social forces

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



# Risk Management Structure

## ■ Basic Approach to Risk Management

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

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

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

Meanwhile, as action plans for risk management based on the Group strategies, basic risk management principles are set out 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

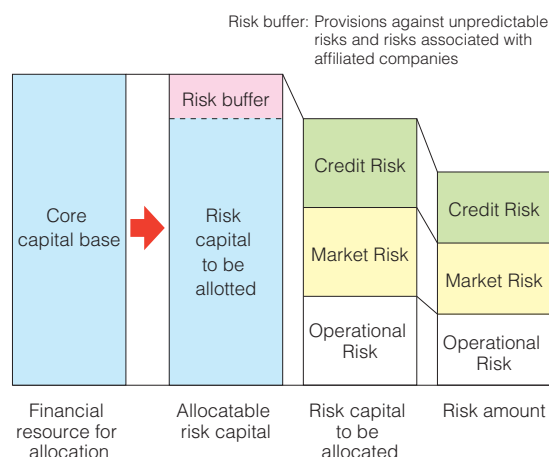
face. The Company evaluates the risks divided into categories of credit risk, credit concentration risk outside the calculation of capital ratio, interest rate risk in banking accounts, market risk and operational risk, and compares them with its management strength (capital ratio).

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



#### ● Calculation method for capital ratio regulation

In respect to risk asset calculation for the purpose of the capital ratio regulation, the Group applies the standard method for credit risk and the gross profit allocation method for operational risk.

#### ■ Credit Risk Management

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

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

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

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

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

#### ■ Market Risk Management

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

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

#### ■ Funding Liquidity Risk Management

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

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

#### ■ Operational Risk Management

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

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

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

#### ● Administrative risk management

Administrative risk, as identified by the Group, is the risk of suffering losses from administration, fraud,

accidents and other risks that the Group's operations will not be carried out as intended.

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

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

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

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

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

#### ● Tangible fixed asset risk

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

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

#### ● Personnel risk

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

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

#### ● Legal risk management

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

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

#### ● Reputation risk management

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

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

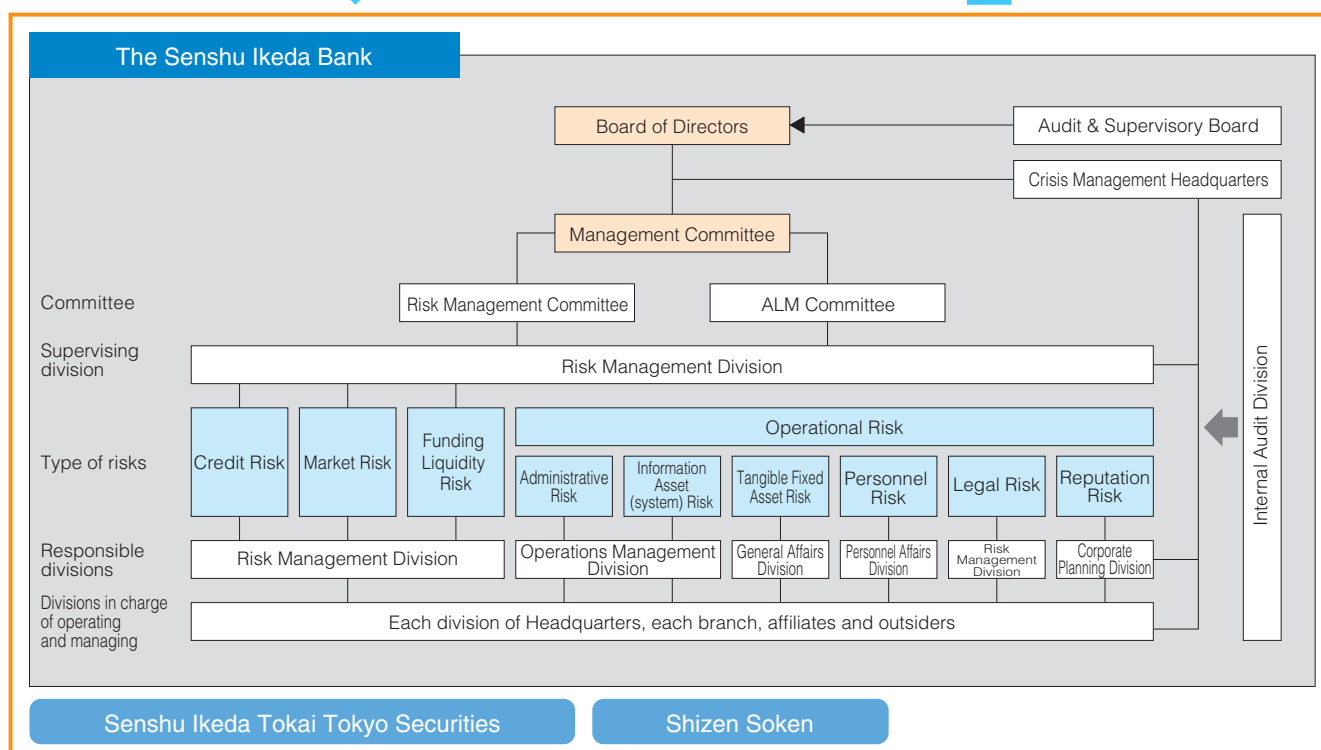
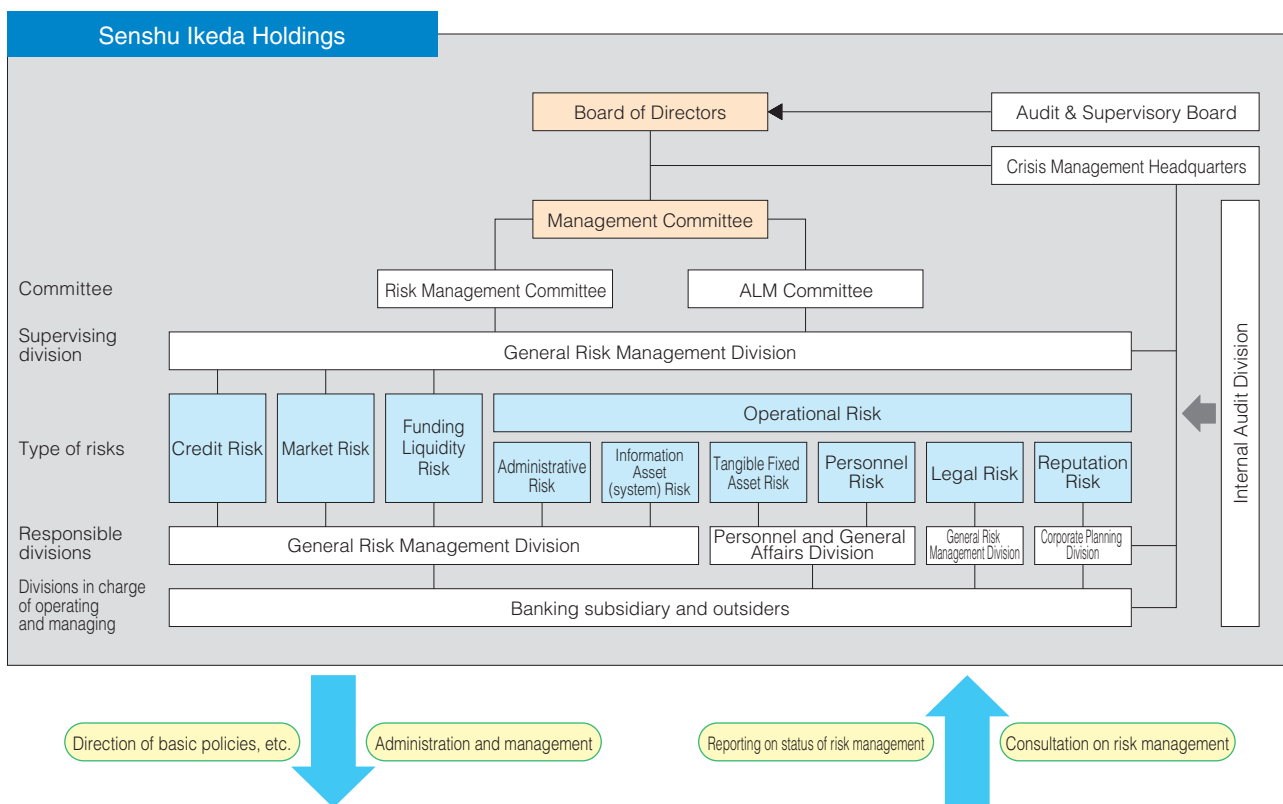
### ■ Crisis Management

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



## The risk management structure of the Group

(As of the end of July, 2015)



## Approach to Facilitation of Financing

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

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

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

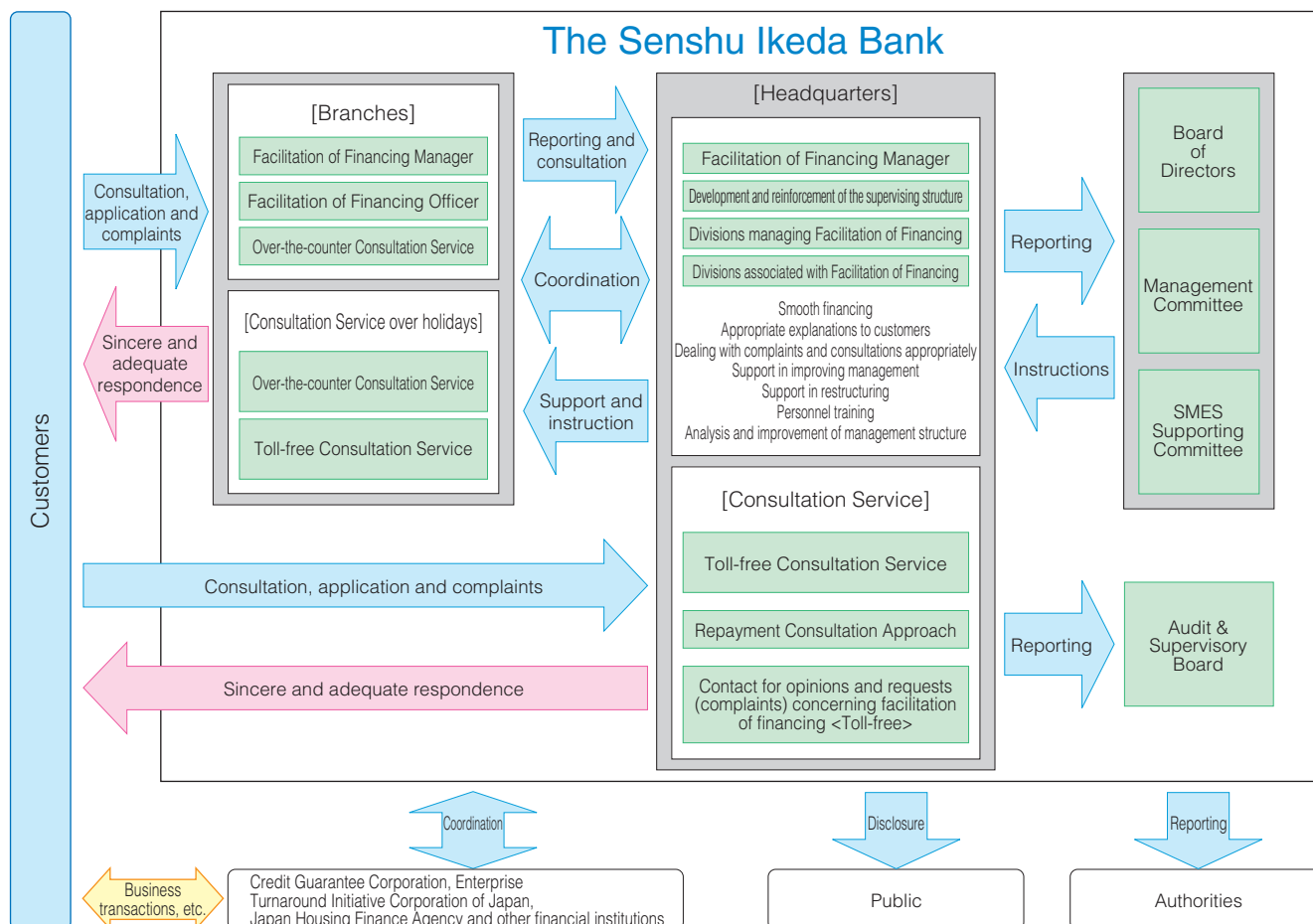
### ● Organizational structure

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

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

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

### System for accepting consultation of facilitation of financing



## ● Basic Policies

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

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

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

## ● Policies for handling of application for housing loan

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

# Corporate Information

## Corporate Data (As of the end of March 2015)

### Senshu Ikeda Holdings, Inc.

Establishment: October 1, 2009  
Location: 18-14 Chayamachi, Kita-ku, Osaka-City, Osaka 530-0013, Japan  
Phone: 81-(0)6-4802-0181  
URL: <http://www.senshuikeda-hd.co.jp>  
Share Capital: ¥79.8 billion (As of the end of July, 2015 ¥102.9 billion)  
Business Activities: Management and other related operations of banks and affiliates whose shares can be held in accordance with the Banking Act and other related operations.  
Number of Employees: 86  
Stock Listing: Tokyo Stock Exchange

### The Senshu Ikeda Bank, Ltd.

Establishment: September 1, 1951  
Location: 18-14 Chayamachi, Kita-ku, Osaka-City, Osaka 530-0013, Japan  
Phone: 81-(0)6-6375-1005  
URL: <http://www.sihd-bk.jp>  
Share Capital: ¥50.7 billion (As of the end of July, 2015 ¥61.3 billion)  
Deposits: ¥4.7725 trillion  
Loans: ¥3.6560 trillion  
Number of Branches: 139  
Number of Employees: 2,512

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

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

### Financial Market Division:

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

### Suzhou Representative Office:

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

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

Establishment: January 30, 2013  
Location: 18-14 Chayamachi, Kita-ku, Osaka-City, Osaka 530-0013, Japan  
Phone: 81-(0)6-6485-0031  
URL: <http://www.sittsec.co.jp>  
Share Capital: ¥1.25 billion  
Number of Branches: 3  
Number of Employees: 78



**Major Shareholders** (As of March 31, 2015)

## 1. Common stock

Name	Number of Shares Owned (Thousands)	Proportion of Total Shares (%)
Japan Trustee Services Bank, Ltd. (Trust Account) *1	50,876	21.33
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	11,869	4.97
The Master Trust Bank of Japan, Ltd. (Trust Account)*1	10,925	4.58
The Senshu Ikeda Bank Employees' Shareholders Association	5,285	2.21
Mizuho Bank, Ltd.	4,192	1.75
Japan Trustee Services Bank, Ltd.(Trust Account 9G)*1.	4,040	1.69
Mizuho Securities Co., Ltd.	3,705	1.55
ITAMI SANGYO CO., LTD.	3,692	1.54
OBAYASHI CORPORATION	3,318	1.39
Japan Trustee Services Bank, Ltd.(Trust Account 4G)*1	2,377	0.99

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

## 2. Second-class preferred stock

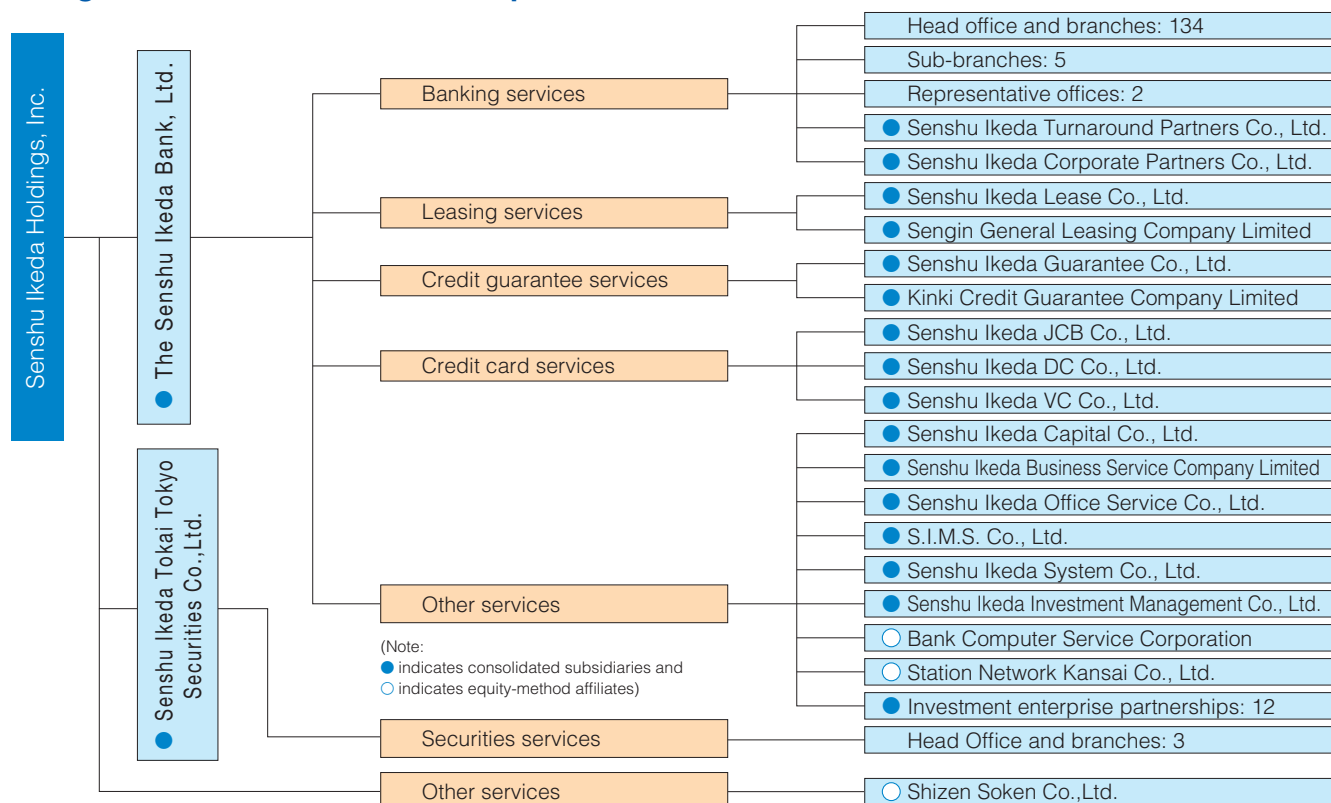
Name	Number of Shares Owned (Thousands)	Proportion of Total Shares (%)
OC FINANCE CORPORATION	6,475	28.00
Daikin Industries, Ltd.	4,625	20.00
Fukoku Mutual Life Insurance Company	1,850	8.00
ITAMI SANGYO CO., LTD.	1,850	8.00
NICHIA STEEL WORKS, LTD.	1,850	8.00
ROHTO Pharmaceutical Co., Ltd.	1,850	8.00
DAINIHOON JOCHUGIKU CO., LTD.	925	4.00
Hankyu Hanshin Holdings, Inc.	925	4.00
T.T CO., LTD.	925	4.00
Non-Destructive Inspection Company Limited.	925	4.00
Shionogi & Co., Ltd.	462	2.00
Nippon Paper Core Industrial Co., Ltd.	462	2.00

## 3. Third-class preferred stock

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

# Business Description of the Group

## ■ Organizational Chart of the Group (As of the end of July, 2015)



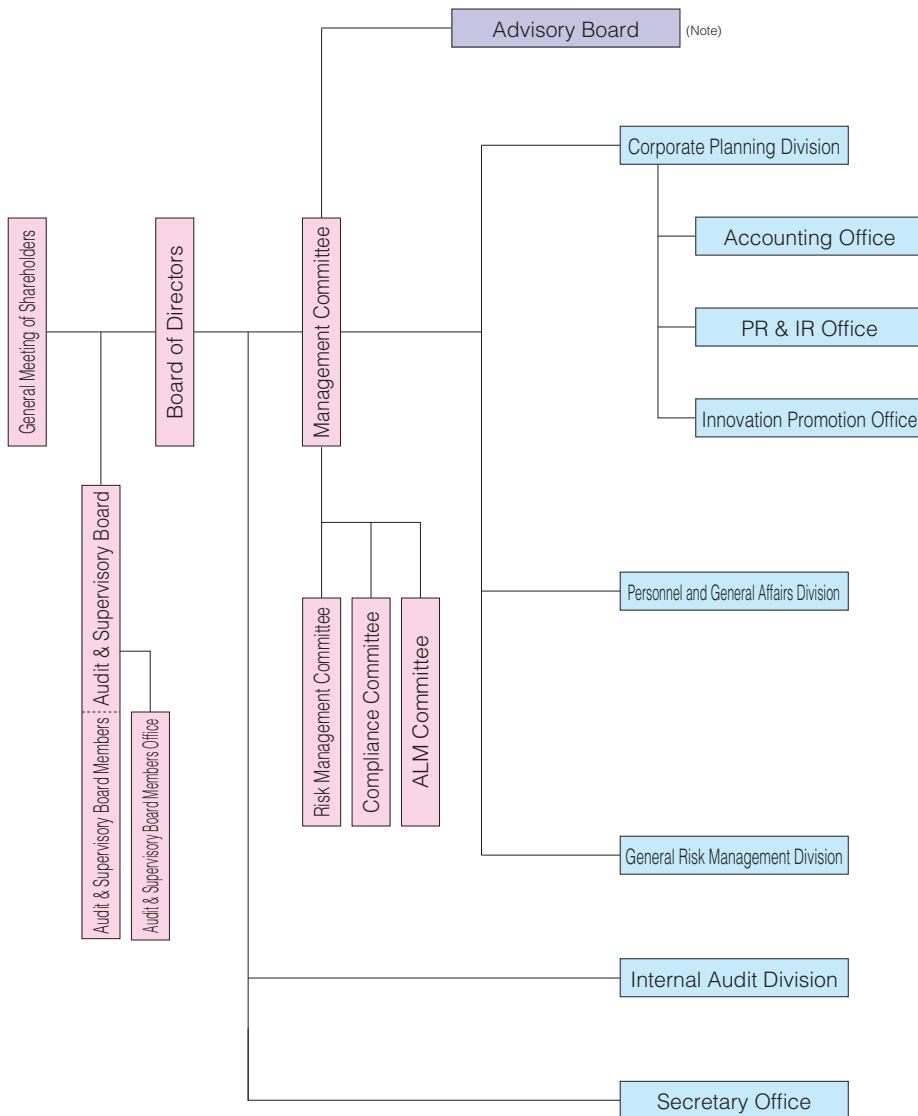
## ■ Subsidiaries and Affiliates (As of the end of July, 2015)

	Name	Address	Major Business	Date of establishment	Share Capital (millions of Japanese yen)	Investment ratio (%)	
						The Company	Subsidiaries and affiliates
Subsidiaries	The Senshu Ikeda Bank, Ltd.	18-14, Chayamachi, Kita-ku, Osaka-city	Banking services	September 1, 1951	61,385	100.00	—
	Senshu Ikeda Tokai Tokyo Securities Co., Ltd.	18-14, Chayamachi, Kita-ku, Osaka-city	Securities services	January 30, 2013	1,250	60.00	—
	Senshu Ikeda Turnaround Partners Co., Ltd.	18-14, Chayamachi, Kita-ku, Osaka-city	Banking services (Business rehabilitation services)	January 4, 2013	100	—	100.00
	Senshu Ikeda Corporate Partners Co., Ltd.	18-14, Chayamachi, Kita-ku, Osaka-city	Banking services (Business rehabilitation services)	January 4, 2013	100	—	100.00
	Senshu Ikeda Lease Co., Ltd.	3-1-22, Toyosaki, Kita-ku, Osaka-city	Leasing services	April 1, 1986	50	—	95.00
	Sengin General Leasing Company Limited	27-1, Miyamotocho, Kishiwada-city	Leasing services	October 23, 1985	120	—	100.00
	Senshu Ikeda Guarantee Co., Ltd.	2-1-11, Jonan, Ikeda-city	Credit guarantee services	July 20, 1973	180	—	100.00
	Kinki Credit Guarantee Company Limited	2-1-1, Nishiki, Kaizuka-city	Credit guarantee services	April 1, 1975	100	—	100.00
	Senshu Ikeda JCB Co., Ltd.	8-10, Kurehacho, Ikeda-city	Credit card services	February 1, 1983	60	—	100.00
	Senshu Ikeda DC Co., Ltd.	8-10, Kurehacho, Ikeda-city	Credit card services	September 5, 1990	30	—	100.00
	Senshu Ikeda VC Co., Ltd.	8-10, Kurehacho, Ikeda-city	Credit card services	November 2, 1990	40	—	100.00
	Senshu Ikeda Capital Co., Ltd.	18-14, Chayamachi, Kita-ku, Osaka-city	Venture capital services	March 6, 1989	90	—	100.00
	Senshu Ikeda Business Service Company Limited	18-14, Chayamachi, Kita-ku, Osaka-city	Back-office administration	April 1, 1983	30	—	100.00
	Senshu Ikeda Office Service Co., Ltd.	2-1-11, Jonan, Ikeda-city	Personnel services	July 11, 1988	20	—	100.00
	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	—	100.00
	Senshu Ikeda System Co., Ltd.	18-14, Chayamachi, Kita-ku, Osaka-city	Computer software development and sale services	June 10, 1985	50	—	98.00
	Senshu Ikeda Investment Management Co., Ltd.	3-1-22, Toyosaki, Kita-ku, Osaka-city	Investment advisory and discretionary investment services	April 1, 1987	120	—	100.00
Affiliates	Shizen Soken Co., Ltd.	2-1-11, Jonan, Ikeda-city	Information offering services	November 1, 1996	80	15.00	—
	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	—	45.00
	Station Network Kansai Co., Ltd.	1-4-8, Shibata, Kita-ku, Osaka-city	Planning and operation of ATM at station	June 29, 2000	100	—	40.00

# Organization and Board of Directors

## Senshu Ikeda Holdings

### ■ Organization (As of the end of July, 2015)



(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.

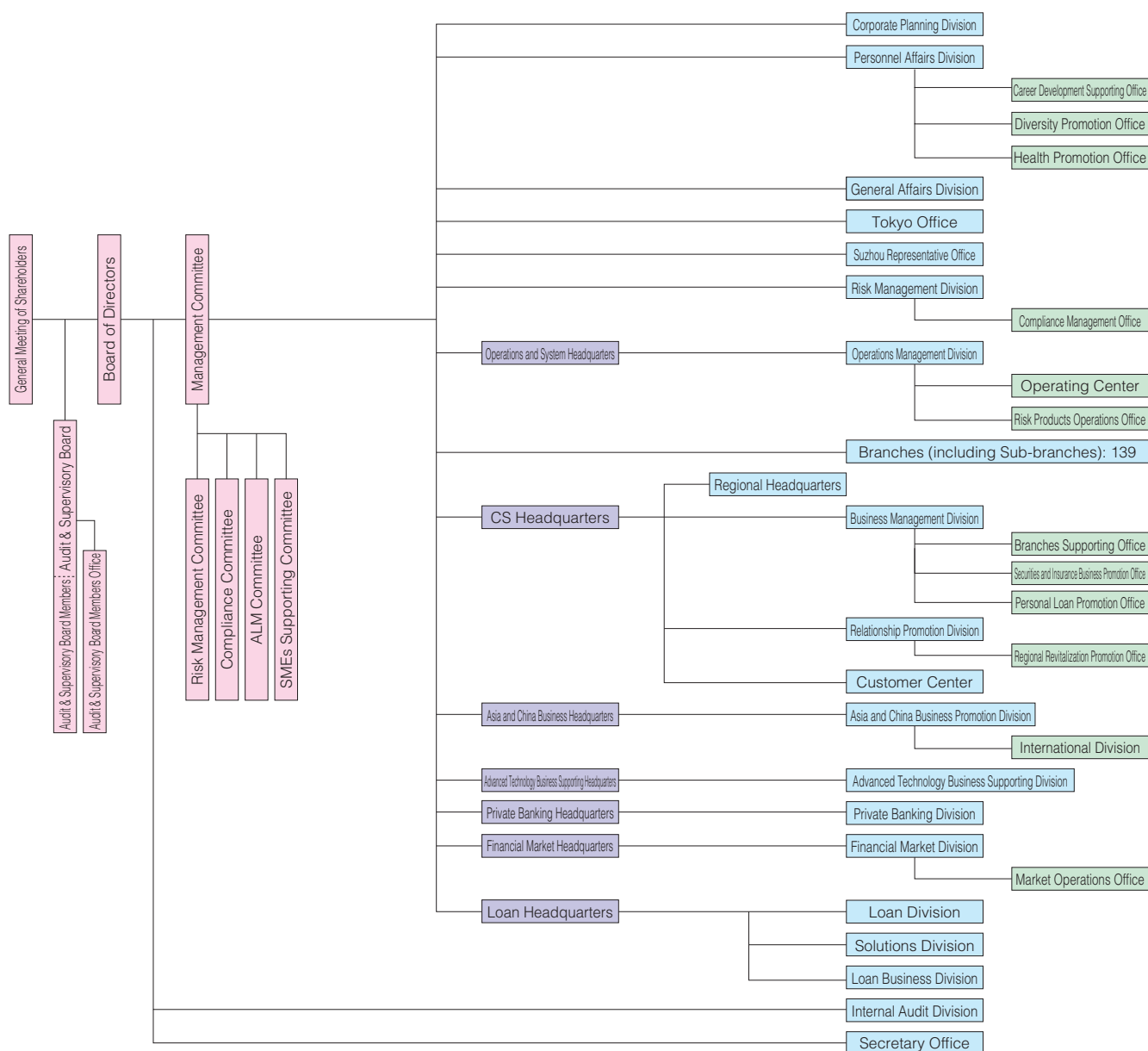
Members: (In the order of the Japanese syllabary)  
 ・Noriyuki Inoue  
 (Chairman of the Board of Daikin Industries, Ltd.)  
 ・Masahiro Shima  
 (President of SHIMA SEIKI Mfg., Ltd.)  
 ・Motohiro Sugai  
 (Former president of Hankyu Corporation)  
 ・Hidenobu Hiraoka  
 (Chairman of the Board of Trustee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

### ■ Board of Directors (As of June 26, 2015)

Representative Director and President	Hirohisa Fujita	Director	Akira Tahara	Director	Hiro Maeno	Audit & Supervisory Board Member (Full-time)	Kazuhiro Masao
Representative Director and Chairman	Kazuyuki Kataoka	Director	Atsushi Ukawa	Director	Koji Miyata	Audit & Supervisory Board Member (Full-time)	Takashi Nishi
Representative Director	Hiroshi Kubota	Director	Motoshi Inoue	Director (Outside)	Taro Ohashi	Audit & Supervisory Board Member (Outside)	Toshiaki Imanaka
Representative Director	Jiro Tsuji	Director	Hirotsugu Maekawa	Director (Outside)	Kazuo Hiramatsu	Audit & Supervisory Board Member (Outside)	Toshiaki Sasaki

# The Senshu Ikeda Bank

## ■ Organization (As of the end of July, 2015)



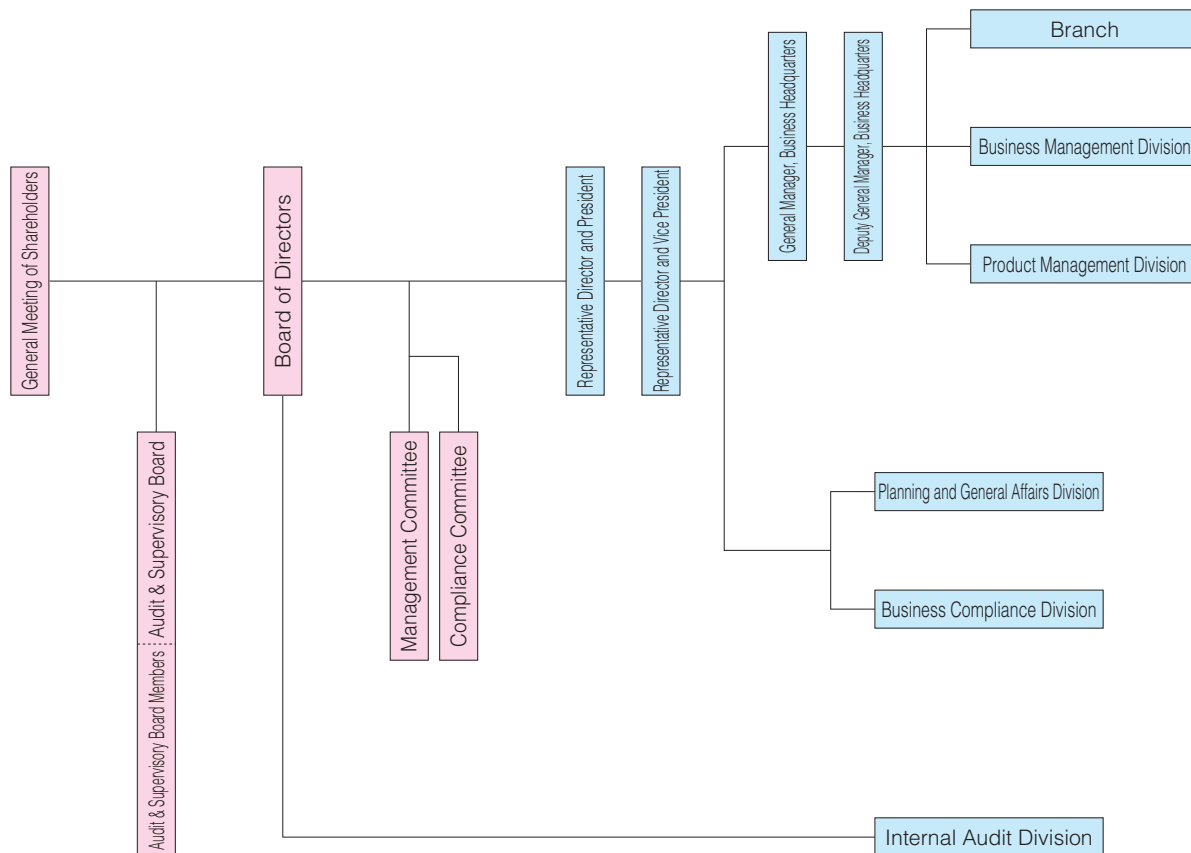
## ■ Board of Directors (As of June 26, 2015)

Representative Director and President	Hirohisa Fujita	Managing Director	Akira Tahara	Director	Hiro Maeno	Audit & Supervisory Board Member (Full-time)	Hiroaki Kobayashi
Representative Director and Chairman	Kazuyuki Kataoka	Managing Director	Atsushi Ukawa	Director	Koji Miyata	Audit & Supervisory Board Member (Full-time)	Satoshi Kitagawa
Representative Senior Managing Director	Hiroshi Kubota	Managing Director	Motoshi Inoue	Director (Outside)	Taro Ohashi	Audit & Supervisory Board Member (Outside)	Tsuneo Yamada
Representative Senior Managing Director	Jiro Tsuji	Director	Hirotsugu Maekawa	Director (Outside)	Kazuo Hiramatsu	Audit & Supervisory Board Member (Outside)	Hideki Fukuda



## Senshu Ikeda Tokai Tokyo Securities

### ■ Organization (As of the end of July, 2015)



### ■ Board of Directors (As of June 26, 2015)

Representative Director and President	Yasuo Kitamura	Audit & Supervisory Board Member (Full-time)	Yutaka Sakato
Representative Director and Vice President	Hiromi Tajima	Audit & Supervisory Board Member (Outside)	Kazuhiro Masao
Managing Director	Mamoru Kudo	Audit & Supervisory Board Member (Outside)	Hiroichi Wakita

# Consolidated Financial Information of Senshu Ikeda Holdings

## Consolidated Balance Sheets

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries  
As of 31st March, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>Assets</b>			
Cash and due from banks (Notes 27 and 33)	¥ 544,513	¥ 215,658	\$ 4,531,189
Call loans and bills bought (Note 33)	616	775	5,126
Monetary claims bought (Note 33)	87	1,128	723
Trading account securities (Notes 4 and 33)	177	122	1,472
Money held in trust (Notes 6 and 33)	27,000	27,000	224,681
Securities (Notes 5, 7, 12, 20 and 33)	1,139,284	1,375,525	9,480,602
Loans and bills discounted (Notes 8, 12 and 33)	3,672,521	3,602,329	30,561,046
Foreign exchange assets (Notes 9 and 33)	6,321	5,529	52,600
Other assets (Notes 10 and 12)	65,835	61,282	547,848
Tangible fixed assets (Note 11)	37,276	38,447	310,193
Intangible fixed assets	7,470	8,045	62,161
Net defined benefit assets (Note 18)	16,014	6,496	133,261
Deferred tax assets (Note 29)	17,224	26,366	143,330
Customers' liabilities for acceptances and guarantees	17,098	19,992	142,281
Reserve for possible loan losses	(31,907)	(38,923)	(265,515)
<b>Total assets</b>	<b>¥ 5,519,533</b>	<b>¥ 5,349,776</b>	<b>\$ 45,931,039</b>
<b>Liabilities and net assets</b>			
<b>Liabilities</b>			
Deposits (Notes 12, 13 and 33)	¥ 4,737,122	¥ 4,580,769	\$ 39,420,171
Negotiable certificates of deposit (Note 33)	1,543	–	12,840
Payables under securities lending transactions (Notes 12 and 33)	251,176	315,691	2,090,172
Borrowed money (Notes 12, 14, 33, 34 and 37)	159,198	118,517	1,324,773
Foreign exchange liabilities (Notes 15 and 33)	538	366	4,476
Corporate bonds and notes (Notes 16 and 33)	70,000	70,000	582,508
Other liabilities (Notes 12 and 17)	45,123	45,146	375,493
Provision for employees' bonuses	1,682	1,678	13,996
Net defined benefit liability (Note 18)	137	120	1,140
Accrued retirement benefits for directors and corporate auditors	39	62	324
Reserve for reimbursement of deposits	409	328	3,403
Reserve for point services	199	170	1,655
Reserve for contingent losses	351	379	2,920
Reserve under special laws	1	0	8
Deferred tax liabilities (Note 29)	121	151	1,006
Negative goodwill	–	2	–
Acceptances and guarantees (Note 20)	17,098	19,992	142,281
<b>Total liabilities</b>	<b>5,284,745</b>	<b>5,153,379</b>	<b>43,977,240</b>
<b>Net assets</b>			
Shareholders' equity (Note 21):			
Common stock	79,811	79,811	664,150
Capital surplus	59,197	59,251	492,610
Retained earnings	60,155	46,949	500,582
Treasury stock	(253)	(728)	(2,105)
<b>Total shareholders' equity</b>	<b>198,910</b>	<b>185,284</b>	<b>1,655,238</b>
Accumulated other comprehensive income:			
Net unrealized gain (loss) on available-for-sale securities (Note 7)	21,101	(147)	175,592
Net unrealized gain on deferred hedges (Note 34)	5	1	41
Remeasurements of defined benefit plans	6,214	1,020	51,710
<b>Total accumulated other comprehensive income</b>	<b>27,321</b>	<b>875</b>	<b>227,352</b>
Stock subscription rights (Note 21)	69	68	574
Minority interests	8,485	10,168	70,608
<b>Total net assets</b>	<b>234,788</b>	<b>196,397</b>	<b>1,953,798</b>
<b>Total liabilities and net assets</b>	<b>¥ 5,519,533</b>	<b>¥ 5,349,776</b>	<b>\$ 45,931,039</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, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>Income</b>			
Interest income:			
Interest on loans and bills discounted	¥ 48,164	¥ 51,103	\$ 400,798
Interest and dividends on securities	15,058	9,459	125,305
Other interest income	459	307	3,819
Fees and commissions	21,514	19,784	179,029
Other operating income (Note 22)	11,036	6,933	91,836
Reversal of provision for possible loan losses	1,350	—	11,234
Recoveries of written-off claims	1,768	1,634	14,712
Gain on negative goodwill	1,596	3	13,281
Gain on contribution of securities to retirement benefit	—	2,291	—
Other income (Note 23)	15,054	15,633	125,272
<b>Total income</b>	<b>116,002</b>	<b>107,150</b>	<b>965,315</b>
<b>Expenses</b>			
Interest expenses:			
Interest on deposits	5,589	6,203	46,509
Interest on borrowings and rediscounts	734	866	6,108
Other interest expenses	1,886	1,736	15,694
Fees and commissions	5,706	5,672	47,482
Other operating expenses (Note 24)	14,350	6,592	119,414
General and administrative expenses	51,794	52,582	431,006
Loss on sales or disposal of fixed assets	93	58	773
Loss on impairment of fixed assets	36	22	299
Loss on change in ownership interest	0	112	0
Other expenses (Note 25)	12,920	13,650	107,514
<b>Total expenses</b>	<b>93,112</b>	<b>87,496</b>	<b>774,835</b>
Income before income taxes and minority interests	22,890	19,653	190,480
<b>Income taxes (Note 29)</b>			
Current	1,869	889	15,552
Deferred	2,407	1,631	20,029
<b>Total income taxes</b>	<b>4,277</b>	<b>2,521</b>	<b>35,591</b>
Net income before minority interests	18,613	17,132	154,888
<b>Minority interests</b>	<b>1,028</b>	<b>527</b>	<b>8,554</b>
<b>Net income</b>	<b>¥ 17,584</b>	<b>¥ 16,604</b>	<b>\$ 146,326</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, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Net income before minority interests	¥ 18,613	¥ 17,132	\$ 154,888
Other comprehensive income (Note 30)			
Net unrealized gain (loss) on available-for-sale securities	21,258	(7,931)	176,899
Net unrealized gain on deferred hedges	4	0	33
Remeasurements of defined benefit plans	5,193	—	43,213
<b>Total other comprehensive income</b>	<b>26,456</b>	<b>(7,930)</b>	<b>220,154</b>
<b>Comprehensive income</b>	<b>¥ 45,069</b>	<b>¥ 9,201</b>	<b>\$ 375,043</b>
Total comprehensive income attributable to:			
Owners of the parent	44,030	8,649	366,397
Minority interests	1,038	551	8,637

## Consolidated Statement of Changes in Net Assets

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries  
Year Ended March 31, 2015

	Millions of Yen										
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholder's equity	Accumulated other comprehensive income					Total net assets
						Net unrealized gain (loss) on available-for-sale securities	Net unrealized gain on deferred hedges	Remeasurements of defined benefit plans	Stock subscription rights	Minority interests	
<b>BALANCE, APRIL 1, 2013</b>	<b>72,311</b>	<b>62,235</b>	<b>35,431</b>	<b>(1,350)</b>	<b>168,627</b>	<b>7,808</b>	<b>0</b>	<b>—</b>	<b>63</b>	<b>8,888</b>	<b>185,389</b>
Issuance of common stock	7,500	7,500			15,000						15,000
Increase by merger			131		131						131
Cash dividends			(5,208)		(5,208)						(5,208)
Net income			16,604		16,604						16,604
Acquisition of treasury stock				(10,390)	(10,390)						(10,390)
Disposition of treasury stock		(96)		624	528						528
Retirement of treasury stock		(10,387)		10,387	—						—
Change in scope of consolidation			(8)		(8)						(8)
Net changes in items other than shareholder's equity						(7,955)	0	1,020	4	1,280	(5,648)
Total changes during the year	7,500	(2,983)	11,518	622	16,657	(7,955)	0	1,020	4	1,280	11,008
<b>BALANCE, MARCH 31, 2014</b>	<b>79,811</b>	<b>59,251</b>	<b>46,949</b>	<b>(728)</b>	<b>185,284</b>	<b>(147)</b>	<b>1</b>	<b>1,020</b>	<b>68</b>	<b>10,168</b>	<b>196,397</b>
Cumulative effect of change in accounting policy (Note 3)			466		466						466
Balance at the beginning of current period which reflects the change in accounting policy	79,811	59,251	47,415	(728)	185,750	(147)	1	1,020	68	10,168	196,863
Cash dividends			(4,832)		(4,832)						(4,832)
Net income			17,584		17,584						17,584
Acquisition of treasury stock				(118)	(118)						(118)
Disposition of treasury stock		(53)		593	539						539
Change in scope of consolidation			(11)		(11)						(11)
Net changes in items other than shareholders' equity						21,248	4	5,193	1	(1,683)	24,764
Total changes during the period	—	(53)	12,739	474	13,160	21,248	4	5,193	1	(1,683)	37,924
<b>BALANCE, MARCH 31, 2015</b>	<b>79,811</b>	<b>59,197</b>	<b>60,155</b>	<b>(253)</b>	<b>198,910</b>	<b>21,101</b>	<b>5</b>	<b>6,214</b>	<b>69</b>	<b>8,485</b>	<b>234,788</b>

	Thousands of U.S. Dollars (Note 1)										
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholder's equity	Accumulated other comprehensive income					Total net assets
						Net unrealized gain (loss) on available-for-sale securities	Net unrealized gain on deferred hedges	Remeasurements of defined benefit plans	Stock subscription rights	Minority interests	
<b>BALANCE, APRIL 1, 2014</b>	<b>664,150</b>	<b>493,059</b>	<b>390,688</b>	<b>(6,058)</b>	<b>1,541,849</b>	<b>(1,223)</b>	<b>8</b>	<b>8,487</b>	<b>565</b>	<b>84,613</b>	<b>1,634,326</b>
Cumulative effect of change in accounting policy (Note 3)			3,877		3,877						3,877
Balance at the beginning of current period which reflects the change in accounting policy	664,150	493,059	394,566	(6,058)	1,545,726	(1,223)	8	8,487	565	84,613	1,638,204
Cash dividends			(40,209)		(40,209)						(40,209)
Net income			146,326		146,326						146,326
Acquisition of treasury stock				(981)	(981)						(981)
Disposition of treasury stock		(441)		4,934	4,485						4,485
Change in scope of consolidation			(91)		(91)						(91)
Net changes in items other than shareholders' equity						176,816	33	43,213	8	(14,005)	206,074
Total changes during the period	—	(441)	106,008	3,944	109,511	176,816	33	43,213	8	(14,005)	315,586
<b>BALANCE, MARCH 31, 2015</b>	<b>664,150</b>	<b>492,610</b>	<b>500,582</b>	<b>(2,105)</b>	<b>1,655,238</b>	<b>175,592</b>	<b>41</b>	<b>51,710</b>	<b>574</b>	<b>70,608</b>	<b>1,953,798</b>

See notes to consolidated financial statements.



## Consolidated Statements of Cash Flows

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries  
For the years ended 31st March, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>Cash flows from operating activities</b>			
Income before income taxes and minority interests	¥ 22,890	¥ 19,653	\$ 190,480
Depreciation	4,833	4,656	40,218
Loss on impairment of fixed assets	36	22	299
Amortization of goodwill	208	133	1,730
Amortization of negative goodwill	(2)	(2)	(16)
Gains on negative goodwill incurred	(1,596)	(3)	(13,281)
(Earnings) losses from investments under the equity method	(40)	(29)	(332)
Increase (decrease) in reserve for possible loan losses	(7,015)	(15,890)	(58,375)
Increase (decrease) in accrued bonuses	3	(29)	24
Loss (gain) on contribution of securities to retirement benefit	—	(2,291)	—
Decrease (increase) in net defined benefit asset	(1,736)	(1,538)	(14,446)
Increase (decrease) in net defined benefit liability	16	12	133
Increase (decrease) in accrued retirement benefits for directors and corporate auditors	(22)	(74)	(183)
Increase (decrease) in reserve for reimbursement of deposits	80	13	665
Increase (decrease) in reserve for point services	29	7	241
Increase (decrease) in reserve for contingent losses	(28)	(13)	(233)
Interest income	(63,681)	(60,870)	(529,924)
Interest expenses	8,210	8,806	68,319
(Gain) loss on securities	(560)	(5,060)	(4,660)
(Gain) loss on money held in trust	(1,670)	219	(13,896)
(Gain) loss on foreign exchange	(35,988)	(31,497)	(299,475)
(Gain) loss on sales or disposal of fixed assets, net	(17)	57	(141)
Net (increase) decrease in loans and bills discounted	(70,192)	(24,104)	(584,105)
Net increase (decrease) in deposits	156,353	90,033	1,301,098
Net increase (decrease) in negotiable certificates of deposit	1,543	—	12,840
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	48,680	46,608	405,092
Net (increase) decrease in due from banks (excluding due from the Bank of Japan)	(2,687)	(3,836)	(22,359)
Net (increase) decrease in trading account securities	(54)	(14)	(449)
Net (increase) decrease in call loans and bills bought	1,200	4,655	9,985
Net increase (decrease) in payables under securities lending transactions	(64,514)	190,776	(536,856)
Net (increase) decrease in foreign exchange (assets)	(792)	(1,153)	(6,590)
Net increase (decrease) in foreign exchange (liabilities)	172	157	1,431
Interest received	65,823	61,215	547,749
Interest paid	(9,444)	(10,313)	(78,588)
Other	2,947	8,300	24,523
Subtotal	52,981	278,607	440,883
Income taxes paid	(1,342)	(1,255)	(11,167)
<b>Net cash provided by (used in) operating activities</b>	¥ 51,639	¥ 277,352	\$ 429,716

## Consolidated Statements of Cash Flows

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries  
For the years ended 31st March, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>Cash flows from investing activities</b>			
Purchases of securities	¥ (841,250)	¥ (1,123,362)	\$ (7,000,499)
Proceeds from sales of securities	818,433	291,683	6,810,626
Proceeds from maturity of securities	311,784	660,551	2,594,524
Increase in money held in trust	(38)	(8,612)	(316)
Decrease in money held in trust	1,691	381	14,071
Purchases of tangible fixed assets	(1,761)	(2,733)	(14,654)
Purchases of intangible fixed assets	(1,857)	(1,500)	(15,453)
Proceeds from sales of tangible fixed assets	565	56	4,701
Proceeds of investments in subsidiaries resulting in charge in scope of consolidation	—	(2,400)	—
<b>Net cash provided by (used in) investing activities</b>	<b>287,566</b>	<b>(185,936)</b>	<b>2,392,993</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of common stock	—	15,000	—
Decrease in subordinated borrowings	(8,000)	—	(66,572)
Increase in subordinated bonds and bonds with stock subscription rights	—	20,000	—
Cash dividends paid	(4,832)	(5,208)	(40,209)
Cash dividends paid for minority shareholders	(480)	(247)	(3,994)
Purchases of treasury stock	(118)	(10,390)	(981)
Proceeds from disposition of treasury stock	593	624	4,934
<b>Net cash provided by (used in) financing activities</b>	<b>(12,839)</b>	<b>19,778</b>	<b>(106,840)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(199)</b>	<b>(239)</b>	<b>(1,655)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>326,167</b>	<b>110,955</b>	<b>2,714,213</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>206,317</b>	<b>95,361</b>	<b>1,716,876</b>
<b>Cash and cash equivalents at end of year (Note 27)</b>	<b>¥ 532,484</b>	<b>¥ 206,317</b>	<b>\$ 4,431,089</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, 2015 and 2014

### 1. Basis of Presentation

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

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

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

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥120.17 = U.S.\$1.00, the exchange rate prevailing on 31st March, 2015. 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 30 (30 in 2014) 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.

D.I. Co., Ltd. has changed its corporate name to Senshu Ikeda DC Co., Ltd. on 1st October, 2014.

#### Change in the scope of consolidation

AD Stable Profit Seeking Fund Silent Partnership and SI Mirai Fund No. 1 Investment Enterprise Limited Partnership have been included in the scope of consolidation from the fiscal year ended 31st March, 2015 as a result of contribution by the Company and its new establishment, respectively.

Ikegin Capital New Business Fund No. 2 Investment Enterprise Limited Partnership and Ikegin Capital Yumejikomi Fund KGI Investment Enterprise Partnership, both of which were consolidated subsidiaries of the Company in the previous fiscal year, were excluded from the scope of consolidation due to completion of their liquidation procedures.

The company has applied the equity method to its investments in three affiliates for the years ended 31st March, 2015 and 2014, respectively.

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

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

The balance sheet date of 11 subsidiaries is 31st December. Appropriate adjustments have been made for significant intervening transactions occurring during the period from 31st December to 31st March.

### 3. Significant Accounting Policies

#### (1) Trading account securities

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

#### (2) Securities

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

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

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

**(4) Derivatives**

Derivatives are stated at fair value.

**(5) Tangible fixed assets**

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

Buildings	3 to 50 years
Other	2 to 20 years

**(6) Intangible fixed assets**

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

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

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

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

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

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

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

For collateralized or guaranteed claims on bankrupt borrowers and effectively bankrupt borrowers, the amount of the claims exceeding the estimated value of collateral and guarantees is deemed to be uncollectible and is written off against the total amount of the outstanding claims. These write-offs amounted to ¥65,356 million (\$543,862 thousand) and ¥62,365 million for the years ended 31st March, 2015 and 2014, respectively.

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

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

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

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

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

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

**(11) Reserve for point services**

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

**(12) Reserve for contingent losses**

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

**(13) Reserve under special laws**

Reserve under special laws consist of the financial instruments transaction liability reserve of ¥1 million (\$8 thousand) as of March 31, 2015, posted by Senshu Ikeda Tokai Tokyo Securities Co., Ltd., which were calculated according to the specifications of Article 46-5 of the Financial Instruments and Exchange Act and Article 175 of the Cabinet Office Ordinance Related to the Financial Instruments Business, to prepare for losses originating from incidents relating to the purchase and sale of securities or other transactions.



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

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

Prior service cost is amortized by the straight-line method over a period of 11 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 (\$82,333 thousand) is amortized over a period of 15 years.

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

**(15) Foreign currency transactions**

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

**(16) Leases**

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

As lessee:

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

As lessor:

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

**(17) Hedge accounting**

Interest rate risk hedging

With respect to hedge accounting for the interest rate risk arising from financial assets and liabilities of the banking subsidiaries, the Group applies deferral hedge accounting, 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.

Foreign exchange rate risk hedging

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

**(18) Cash flows**

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

**(19) Consumption taxes**

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

**(20) Consolidated tax payment system**

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

**(21) Change in accounting policy**

The Company has applied the provisions specified in the main clause of Paragraph 35 of "Accounting Standard for Retirement Benefits" (the Accounting Standards Board of Japan (hereinafter "ASBJ") Statement No. 26, 17th May, 2012; hereinafter "Accounting Standard Retirement Benefits") and in the main clause of Paragraph 67 of "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, 26th March, 2015; hereinafter "Retirement Benefits Guidance") from the fiscal year under review, and reviewed the method of calculating retirement benefit obligation and service cost. Based on the review, the method of period attribution for projected retirement benefits has changed from the straight-line attribution basis to the benefit formula basis, while the method of determining the discount rate has

been changed from the method where the period for bonds, which forms the basis for determining the discount rate, is determined based on the approximate number of years similar to the average remaining service period of employees, to the method using a number of discount rates set for each projected benefits payment period. The application of Accounting Standard Retirement Benefits and others by the Company is subject to transitional handling provided for in Paragraph 37 of Accounting Standard Retirement Benefits. Consequently, the effect of the changes in calculation methods of retirement benefit obligation and service cost is added to or deducted from retained earnings at the beginning of the fiscal year under review.

As a result, net defined benefit assets increased by ¥1,616 million (\$13,447 thousand), deferred tax assets decreased by ¥257 million (\$2,138 thousand), net defined benefit liability increased by ¥892 million (\$7,422 thousand), and retained earnings increased by ¥466 million (\$3,877 thousand) at the beginning of the fiscal year under review. Ordinary income and income before income taxes and minority interests increased by ¥152 million (\$1,264 thousand) for each, and net income increased by ¥98 million (\$815 thousand) during the fiscal year under review.

The Company has applied "Practical Solution on Transactions of Delivering the Company's Shares to Employees, etc. through Trusts" (ASBJ Practical Issues Task Force No. 30, 26th March, 2015). The application does not affect the consolidated financial statements of the Company as the Company accounts for these transactions according to the conventional method which had been put into practice previously.

## (22) Unapplied Accounting Standards

Accounting Standard, etc. for Business Combinations (13th September, 2013)

### (1) Overview

The said Accounting Standard, etc., have been revised, with a focus on 1) treatment of the parent company's change in equity of subsidiaries when the parent company maintains control over subsidiaries after additional acquisition of shares of subsidiaries; 2) treatment of expenses associated with the share acquisition; 3) transitional accounting treatment; and 4) presentation of net income and change from minority interests to non-controlling interests.

### (2) Scheduled date of adoption

The Company will adopt the revised Accounting Standard, etc. from the fiscal year beginning on 1st April, 2015.

### (3) The effect of adopting the said Accounting Standard, etc.

The effect of adopting the said Accounting Standard, etc. is currently under evaluation.

## (23) Additional Information

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

### (1) Overview of the transaction

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

The Plan is an incentive plan in which all employees enrolled in the "Senshu Ikeda Bank Employees' Shareholders Association (hereinafter "Shareholders Association")" are eligible. Under the Plan, the Company establishes a "Senshu Ikeda Bank Employees' Shareholders Association Exclusive Trust Account (hereinafter "Employees' Shareholder Trust")" at a trust bank, and the Employees' Shareholder Trust purchases in advance a certain number of the Company's shares equivalent to the number of shares the Shareholders Association is expected to purchase over the next five years. Subsequently, the Employees' Shareholder Trust is to continuously sell the Company's shares to the Shareholders Association, and if any gains on sale of shares have accumulated within the Employees' Shareholder Trust at the termination of the trust, the amount equivalent to such gains on sale of shares are to be distributed to those who meet the requirements for eligible beneficiaries as residual assets.

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

### (2) The Company has applied "Practical Solution on Transactions of Delivering the Company's Shares to Employees, etc. through Trusts" (ASBJ Practical Issues Task Force No. 30, 26th March, 2015). However, the Company accounts for these transactions according to the conventional method which had been put into practice previously.

- (3) The Company's shares owned by the trust
- 1) The book values of the Company's shares owned by the trust was ¥112 million (\$932 thousand) and ¥675 million at 31st March, 2015 and 2014, respectively.  
The Company's shares owned by the trust are recorded as treasury stock under Shareholders' equity.
  - 2) The number of the Company's shares owned by the trust was 196 thousand and 1,175 thousand at 31st March, 2015 and 2014, respectively.  
The average number of the Company's shares owned by the trust was 644 thousand and 1,684 thousand during the year ended 31st March, 2015 and 2014, respectively. The number of the Company's share as of the year-end and the average number of shares for the year were included in treasury stock to be deducted when calculating relevant per share information.

#### 4. Trading account securities

Valuation gain or loss on trading account securities included in income before income taxes and minority interests was ¥(1) million (\$ (8) thousand) and ¥(1) million for the years ended 31st March, 2015 and 2014, respectively.

#### 5. Securities

Securities at 31st March, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Stocks	¥ 79,935	¥ 68,880	\$ 665,182
Bonds:			
Government bonds	164,153	319,287	1,366,006
Local government bonds	51,256	53,642	426,529
Corporate bonds	273,480	315,224	2,275,775
Other	570,458	618,490	4,747,091
Total	¥ 1,139,284	¥ 1,375,525	\$ 9,480,602

Stocks in the above table include investments in affiliates of ¥306 million (\$2,546 thousand) and ¥265 million at 31st March, 2015 and 2014, respectively.

Held-to-maturity debt securities with fair value at 31st March, 2015 and 2014 were as follows:

	Millions of yen		
	31st March, 2015	Carrying value	Fair value
Government bonds	¥ 24,997	¥ 25,071	
Corporate bonds	31,307	31,390	
Other	27,000	27,434	
Total	¥ 83,305	¥ 83,895	

	Millions of yen		
	31st March, 2015	Difference	Unrealized gain / loss
Government bonds	¥ 73	¥ 73	¥ -
Corporate bonds	83	83	-
Other	434	436	(2)
Total	¥ 590	¥ 592	¥ (2)

	Millions of yen		
	31st March, 2014	Carrying value	Fair value
Government bonds	¥ 24,997	¥ 25,024	
Corporate bonds	45,406	45,601	
Other	18,000	18,321	
Total	¥ 88,403	¥ 88,946	

	Millions of yen		
	31st March, 2014	Difference	Unrealized gain / loss
Government bonds	¥ 26	¥ 26	¥ -
Corporate bonds	195	200	(5)
Other	321	321	-
Total	¥ 542	¥ 548	¥ (5)

Thousands of U.S. dollars		
31st March, 2015	Carrying value	Fair value
Government bonds	\$ 208,013	\$ 208,629
Corporate bonds	260,522	261,213
Other	224,681	228,293
Total	\$ 693,226	\$ 698,135

Thousands of U.S. dollars			
31st March, 2015	Difference	Unrealized gain	Unrealized loss
Government bonds	\$ 607	\$ 607	\$ -
Corporate bonds	690	690	-
Other	3,611	3,628	(16)
Total	\$ 4,909	\$ 4,926	\$ (16)

There were no held-to-maturity debt securities sold during the years ended 31st March, 2015 and 2014.

Available-for-sale securities with fair value at 31st March, 2015 and 2014 were as follows:

Millions of yen		
31st March, 2015	Carrying value	Acquisition cost
Equity securities	¥ 73,869	¥ 42,384
Bonds:		
Government bonds	139,155	139,120
Local government bonds	51,256	51,095
Corporate bonds	242,173	241,243
Subtotal	432,586	431,460
Other	542,135	546,672
Total	¥ 1,048,590	¥ 1,020,516

Millions of yen			
31st March, 2015	Difference	Unrealized gain	Unrealized loss
Equity securities	¥ 31,484	¥ 32,084	¥ (599)
Bonds:			
Government bonds	35	35	-
Local government bonds	161	174	(13)
Corporate bonds	929	1,029	(99)
Subtotal	1,125	1,238	(112)
Other	(4,537)	5,947	(10,484)
Total	¥ 28,073	¥ 39,270	¥ (11,197)

Millions of yen		
31st March, 2014	Carrying value	Acquisition cost
Equity securities	¥ 62,852	¥ 47,885
Bonds:		
Government bonds	294,290	294,110
Local government bonds	53,642	53,478
Corporate bonds	269,818	268,398
Subtotal	617,750	615,986
Other	599,415	613,388
Total	¥ 1,280,018	¥ 1,277,260

Millions of yen			
31st March, 2014	Difference	Unrealized gain	Unrealized loss
Equity securities	¥ 14,966	¥ 17,332	¥ (2,365)
Bonds:			
Government bonds	179	194	(14)
Local government bonds	163	173	(9)
Corporate bonds	1,420	1,512	(92)
Subtotal	1,763	1,880	(117)
Other	(13,972)	2,245	(16,217)
Total	¥ 2,757	¥ 21,458	¥ (18,700)

Thousands of U.S. dollars		
31st March, 2015	Carrying value	Acquisition cost
Equity securities	\$ 614,704	\$ 352,700
Bonds:		
Government bonds	1,157,984	1,157,693
Local government bonds	426,529	425,189
Corporate bonds	2,015,253	2,007,514
Subtotal	3,599,783	3,590,413
Other	4,511,400	4,549,155
Total	\$ 8,725,888	\$ 8,492,269

Thousands of U.S. dollars			
31st March, 2015	Difference	Unrealized gain	Unrealized loss
Equity securities	\$ 261,955	\$ 266,988	\$ (4,984)
Bonds:			
Government bonds	291	291	-
Local government bonds	1,339	1,447	(108)
Corporate bonds	7,730	8,562	(823)
Subtotal	9,361	10,302	(932)
Other	(37,754)	49,488	(87,243)
Total	\$ 233,610	\$ 326,787	\$ (93,176)

Available-for-sale securities sold during the years ended 31st March, 2015 and 2014 were as follows:

Millions of yen			
2015	Proceeds from sales	Gain	Loss
Equity securities	¥ 8,890	¥ 3,818	¥ (429)
Bonds:			
Government bonds	93,072	647	—
Local government bonds	—	—	—
Corporate bonds	83,766	1,597	(0)
Subtotal	176,839	2,245	(0)
Other	639,907	7,336	(12,323)
Total	¥ 825,637	¥ 13,400	¥ (12,752)

Millions of yen			
2014	Proceeds from sales	Gain	Loss
Equity securities	¥ 13,966	¥ 5,822	¥ (472)
Bonds:			
Government bonds	58,472	233	(17)
Local government bonds	—	—	—
Corporate bonds	32,078	490	(4)
Subtotal	90,550	724	(21)
Other	175,927	5,357	(2,927)
Total	¥ 280,445	¥ 11,903	¥ (3,421)

Thousands of U.S. dollars			
2015	Proceeds from sales	Gain	Loss
Equity securities	\$ 73,978	\$ 31,771	\$ (3,569)
Bonds:			
Government bonds	774,502	5,384	—
Local government bonds	—	—	—
Corporate bonds	697,062	13,289	(0)
Subtotal	1,471,573	18,681	(0)
Other	5,325,014	61,046	(102,546)
Total	\$ 6,870,575	\$ 111,508	\$ (106,116)

#### 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, 2015 and 2014 were ¥0 million (\$0 thousand) and ¥3,375 million, respectively, which consisted of ¥0 million (\$0 thousand) on equity securities for the year ended 31st March, 2015, and ¥7 million on equity securities and ¥3,367 million on investment trusts for the year ended 31st March, 2014.

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, 2015 and 2014 consisted of the following:

#### Money held in trust for trading purposes

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Carrying value	¥ 27,000	¥ 27,000	\$ 224,681
Valuation gain (loss) included in consolidated statements of income	¥ 97	¥ (2)	\$ 807

There were no money held in trust owned for other purposes at 31st March, 2015 and 2014.

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

Net unrealized gain (loss) on available-for-sale securities at 31st March, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Differences between acquisition cost and fair value:			
Available-for-sale securities	¥ 28,073	¥ 2,757	\$ 233,610
Deferred tax liabilities	(6,869)	(2,813)	(57,160)
Differences between acquisition cost and fair value, net of taxes	21,203	(55)	176,441
Amounts corresponding to minority interests	(101)	(91)	(840)
Net unrealized gain (loss) on available-for-sale securities, net of taxes	¥ 21,101	¥ (147)	\$ 175,592

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

#### Loans and bills discounted:

Loans and bills discounted at 31st March, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Bills discounted	¥ 20,335	¥ 18,256	\$ 169,218
Loans on bills	78,562	83,430	653,757
Loans on deeds	3,334,749	3,275,517	27,750,262
Overdrafts	238,874	225,125	1,987,800
Total	¥ 3,672,521	¥ 3,602,329	\$30,561,046



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, 2015 and 2014 totaled ¥20,833 million (\$173,362 thousand) and ¥18,686 million, respectively. At 31st March, 2015 and 2014, 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 ¥15,590 million (\$129,732 thousand) and ¥15,600 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 ¥689,418 million (\$5,737,022 thousand) and ¥659,510 million at 31st March, 2015 and 2014, respectively, including the contracts whose contractual periods were either less than one year or revocable at any time, in the amount of ¥678,399 million (\$5,645,327 thousand) and ¥648,268 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, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Loans to bankrupt borrowers	¥ 3,522	¥ 4,000	\$ 29,308
Delinquent loans	54,195	62,173	450,986
Loans past due for 3 months or more	—	—	—
Restructured loans	13,538	6,706	112,657
Total	¥ 71,255	¥ 72,881	\$ 592,951

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

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

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

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

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

## 9. Foreign Exchange Assets

Foreign exchange assets at 31st March, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Due from foreign correspondent banks	¥ 5,151	¥ 4,485	\$ 42,864
Foreign bills of exchange bought	429	362	3,569
Foreign bills of exchange receivable	740	681	6,157
Total	¥ 6,321	¥ 5,529	\$ 52,600

## 10. Other Assets

Other assets at 31st March, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Investment in leased assets	¥ 15,085	¥ 15,937	\$ 125,530
Other receivables	26,082	18,854	217,042
Accrued income	6,934	8,318	57,701
Prepaid expenses	302	301	2,513
Other	17,429	17,871	145,036
Total	¥ 65,835	¥ 61,282	\$ 547,848

## 11. Tangible Fixed Assets

At 31st March, 2015 and 2014, accumulated depreciation of tangible fixed assets was ¥45,130 million (\$375,551 thousand) and ¥43,656 million, respectively.

Under the Tax Act, capital gains arising from the exchange or replacement of assets under certain conditions are permitted to be deducted from the cost of tangible fixed assets in order to obtain certain tax benefits. The amount deducted from the cost of tangible fixed assets at 31st March, 2015 and 2014 was ¥377 million (\$3,137 thousand) and ¥517 million, respectively.

## 12. Assets Pledged

Assets pledged as collateral at 31st March, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Securities	¥ 379,009	¥ 488,918	\$ 3,153,940
Loans and bills discounted	47,477	–	395,081
Other assets	1,277	1,069	10,626

The liabilities secured by the above pledged assets at 31st March, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deposits	¥ 7,718	¥ 14,537	\$ 64,225
Payables under securities lending transactions	251,176	315,691	2,090,172
Borrowed money	99,094	54,222	824,615
Other liabilities	86	205	715

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 ¥29,003 million (\$241,349 thousand) and ¥34,982 million at 31st March, 2015 and 2014, respectively. At 31st March, 2015 and 2014, margins on futures contracts in the amounts of ¥2,532 million (\$21,070 thousand) and ¥3,076 million, guarantee deposits of ¥5,190 million (\$43,188 thousand) and ¥5,263 million, deposits for futures transactions of ¥503 million (\$4,185 thousand) and ¥503 million and collateral money deposited for financial instruments of ¥1,000 million (\$8,321 thousand) and ¥1,200 million were included in "Other assets", respectively.

## 13. Deposits

Deposits at 31st March, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Current deposits	¥ 165,353	¥ 149,018	\$ 1,375,992
Ordinary deposits	1,958,234	1,789,366	16,295,531
Savings deposits	25,626	26,474	213,247
Deposits at notice	28,996	10,359	241,291
Time deposits	2,491,375	2,524,345	20,732,087
Other deposits	67,536	81,204	562,003
Total	¥ 4,737,122	¥ 4,580,769	\$ 39,420,171

## 14. Borrowed Money

Borrowed money at 31st March, 2015 and 2014 consisted of borrowings from the Bank of Japan and certain other financial institutions.

Subordinated borrowings of ¥17,000 million (\$141,466 thousand) and ¥25,000 million were included in borrowed money at 31st March, 2015 and 2014, respectively.

The average interest rate applicable to borrowed money at 31st March, 2015 and 2014 was 0.42% and 0.75%, respectively.

The aggregate annual maturities of borrowed money subsequent to 31st March, 2015 were summarized as follows:

Year ending 31st March,	Millions of yen	Thousands of U.S. dollars
2016	¥ 67,372	\$ 560,639
2017	13,564	112,873
2018	1,629	13,555
2019	59,083	491,611
2020	477	3,969
2021 and thereafter	17,072	142,065
Total	¥ 159,198	\$ 1,324,773

## 15. Foreign Exchange Liabilities

Foreign exchange liabilities at 31st March, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Foreign bills sold	¥ 518	¥ 363	\$ 4,310
Foreign bills of exchange payable	20	2	166
Total	¥ 538	¥ 366	\$ 4,476

## 16. Corporate Bonds and Notes

Short-term and long-term bonds payable at 31st March, 2015 and 2014 consisted of the following:

Issuer	Description	Issued	Millions of yen
			2015
The Senshu Ikeda Bank, Ltd.	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
	5th subordinated bonds	25th Sep., 2013	10,000
	6th subordinated bonds	27th Dec., 2013	10,000
Total			¥ 70,000

Issuer	Millions of yen	Thousands of U.S. dollars	Interest rates (%)	Secured/ unsecured	Due
	2014	2015			
The Senshu Ikeda Bank, Ltd.	¥ 15,000	\$ 124,823	1.67	Unsecured	17th Dec., 2020
	10,000	83,215	2.01	Unsecured	21st Sep., 2021
	5,000	41,607	2.06	Unsecured	16th Dec., 2021
	20,000	166,430	2.23	Unsecured	23rd Mar., 2022
	10,000	83,215	1.40	Unsecured	25th Sep., 2023
	10,000	83,215	1.35	Unsecured	27th Dec., 2023
Total	¥ 70,000	\$ 582,508			

The aggregate annual maturities of short-term and long-term bonds payable subsequent to 31st March, 2015 were summarized as follows:

Year ending 31st March,	Millions of yen	Thousands of U.S. dollars
2016	¥ -	\$ -
2017	-	-
2018	-	-
2019	-	-
2020	-	-
2021 and thereafter	70,000	582,508
Total	¥ 70,000	\$ 582,508

## 17. Other Liabilities

Other liabilities at 31st March, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Accrued expenses	¥ 4,370	¥ 5,541	\$ 36,365
Unearned income	16,223	9,666	135,000
Accrued income taxes	1,182	620	9,836
Other	23,347	29,317	194,283
Total	¥ 45,123	¥ 45,146	\$ 375,493

The amounts of lease obligations included in "Other" were ¥21 million (\$174 thousand) and ¥31 million at 31st March, 2015 and 2014, respectively. The average interest rates on lease obligations at 31st March, 2015 with maturity dates on or before and subsequent to 31st March, 2016 were 2.18% and 1.99%, respectively. The average interest rates on lease obligations at 31st March, 2014 with maturity dates on or before and subsequent to 31st March, 2015 were 2.28% and 2.07%, respectively.

The aggregate annual maturities of lease obligations subsequent to 31st March, 2015 were summarized as follows:

Year ending 31st March,	Millions of yen	Thousands of U.S. dollars
2016	¥ 9	\$ 74
2017	7	58
2018	3	24
2019	0	0
2020	-	-
2021 and thereafter	-	-
Total	¥ 21	\$ 174

## 18. Retirement Benefit Plans

Outline of the retirement benefit plan adopted by the Company

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

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

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

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Retirement benefit obligation at beginning of the year	¥ 31,304	¥ 32,008	\$ 260,497
Cumulative effect of change in accounting policy	(723)	–	(6,016)
Balance at the beginning of current period which reflects the change in accounting policy	30,581	32,008	254,481
Service cost	793	1,029	6,598
Interest cost	395	401	3,287
Actuarial gain or loss incurred during the year	433	(356)	3,603
Payment of retirement benefits	(1,592)	(1,791)	(13,247)
Other	13	12	108
Retirement benefit obligation at end of the year	¥ 30,625	¥ 31,304	\$ 254,847

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Pension plan assets at beginning of the year	¥ 37,680	¥ 29,370	\$ 313,555
Expected return on plan assets	735	624	6,116
Actuarial gain or loss incurred during the year	7,490	3,752	62,328
Contributions from employer	1,750	1,756	14,562
Payment of retirement benefits	(1,154)	(1,202)	(9,603)
Contribution of securities to retirement benefit trust	–	3,378	–
Pension plan assets at end of the year	¥ 46,502	¥ 37,680	\$ 386,968

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Funded retirement benefit obligation	¥ 30,488	¥ 31,184	\$ 253,707
Pension plan assets	(46,502)	(37,680)	(386,968)
	(16,014)	(6,496)	(133,261)
Unfunded retirement benefit obligation	137	120	1,140
Net amount of liability and asset on consolidated balance sheets	¥ (15,877)	¥ (6,376)	\$ (132,121)

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Net defined benefit liability	¥ 137	¥ 120	\$ 1,140
Net defined benefit asset	(16,014)	(6,496)	(133,261)
Net amount of liability and asset on consolidated balance sheets	¥ (15,877)	¥ (6,376)	\$ (132,121)

(4) Retirement benefit expenses consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service cost	¥ 793	¥ 1,029	\$ 6,598
Interest cost	395	401	3,287
Expected return on plan assets	(735)	(624)	(6,116)
Amortization of actuarial loss	201	892	1,672
Amortization of prior service cost	(336)	(336)	(2,796)
Amortization of transitional obligation	659	659	5,483
Net periodic retirement benefit expenses for defined benefit pension plans	¥ 978	¥ 2,022	\$ 8,138

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

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Prior service cost	¥ (336)	–	\$ (2,796)
Actuarial gain or loss	7,258	–	60,397
Net retirement benefit obligation at transition	659	–	5,483
Total	¥ 7,581	–	\$ 63,085

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

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrecognized prior service cost	¥ (2,113)	¥ (2,450)	\$ (17,583)
Unrecognized actuarial gain or loss	(7,052)	205	(58,683)
Unrecognized net retirement benefit obligation at transition	–	659	–
Total	¥ (9,166)	¥ (1,585)	\$ (76,275)

(7) Matters related to pension plan assets

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

	2015	2014
Bonds	10%	10%
Stocks	61%	67%
Short-term investment fund including cash and deposits	14%	6%
Life insurance company general accounts	4%	4%
Others	11%	13%
Total	100%	100%

Note:

Total pension plan assets include retirement benefit trust of which securities are contributed for the pension plan, which accounts for 34% of the total.

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

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

(8) The assumptions used for actuarial calculations

	2015	2014
Discount rate	0.08%-1.91%	1.0%-1.3%
Expected rate of return on plan assets	2.5%	2.5%
Expected rate of salary increase	1.66%-3.45%	1.62%-3.37%

## 19. Asset Retirement Obligations

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

## 20. Contingent Liabilities

Contingent liabilities for guarantee of corporate bonds included in “Securities,” which were issued by private placement (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act of Japan) amounted to ¥4,247 million (\$35,341 thousand) and ¥7,879 million at 31st March, 2015 and 2014, respectively.

## 21. Shareholders' Equity

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

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



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

Movements in common stock, first-class preferred stock, second-class preferred stock and treasury stock during the years ended 31st March, 2015 and 2014 were summarized as follows:

Number of shares (in thousands)					Note
Year ended 31st March, 2015	1st April, 2014	Increase	Decrease	31st March, 2015	
Outstanding shares:					
Common stock	238,458	–	–	<b>238,458</b>	
Second-class preferred stock	23,125	–	–	<b>23,125</b>	
Third-class preferred stock	7,500	–	–	<b>7,500</b>	
Total	269,083	–	–	<b>269,083</b>	
Treasury stock:					
Common stock	1,269	203	1,034	<b>438</b>	
Total	1,269	203	1,034	<b>438</b>	

**Notes:**

1. The number of treasury stock as of 1st April, 2014 and as of 31st March, 2015 includes the Company's shares owned by the trust of 1,175 thousand shares and 196 thousand shares, respectively.
2. Increase in treasury stock of common stock (203 thousand shares) was due to acquisition of shares based on resolution of the Board of Directors (200 thousand shares) and acquisition of shares from the shareholders who owned fractional shares less than one unit (3 thousand shares).
3. Decrease in treasury stock of common stock (1,034 thousand shares) consisted of disposal of shares following the acquisition request from the shareholders who owned fractional shares less than one voting right (0 thousand shares), transfer due to exercise of stock option (54 thousand shares) and transfer to the Senshu Ikeda Bank Employees' Shareholders Association (979 thousand shares).

Number of shares (in thousands)					
Year ended 31st March, 2014	1st April, 2013	Increase	Decrease	31st March, 2014	Note
Outstanding shares:					
Common stock	238,458	–	–	238,458	
First-class preferred stock	7,400	–	7,400	–	1
Second-class preferred stock	23,125	–	–	23,125	
Third-class preferred stock	–	7,500	–	7,500	2
Total	268,983	7,500	7,400	269,083	
Treasury stock:					
Common stock	2,352	4	1,088	1,269	3 and 4
First-class preferred stock	–	7,400	7,400	–	5 and 6
Total	2,352	7,404	8,488	1,269	

**Notes:**

1. Decrease in outstanding shares of first-class preferred stock (7,400 thousand shares) was due to retirement of treasury stock.
2. Increase in outstanding shares of third-class preferred stock (7,500 thousand shares) was due to issuance of new shares through a third-party allotment.
3. Increase in treasury stock of common stock (4 thousand shares) was due to acquisition of shares from the shareholders who owned fractional shares less than one unit.
4. Decrease in treasury stock of common stock (1,088 thousand shares) consisted of disposal of shares following the acquisition request from the shareholders who owned fractional shares less than one voting right (0 thousand shares), transfer due to exercise of stock option (45 thousand shares) and transfer to the Senshu Ikeda Bank Employees' Shareholders Association (1,043 thousand shares).
5. Increase in treasury stock of first-class preferred stock (7,400 thousand shares) was due to purchase of treasury stock based on resolution of the Board of Directors.
6. Decrease in treasury stock of first-class preferred stock (7,400 thousand shares) was due to retirement of treasury stock based on resolution of the Board of Directors.

**(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, 30th July, 2014, 31st July, 2013, 31st August, 2012, 28th July, 2011 and 24th February, 2011.

The balance of stock subscription rights granted for stock option program are ¥69 million (\$574 thousand) and ¥68 million at 31st March, 2015 and 2014, respectively. Stock option related expenses for the years ended 31st March, 2015 and 2014 amounted to ¥26 million (\$216 thousand) and ¥26 million, respectively.

The stock option outstanding at 31st March, 2015 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: 84,780	Common stock: 72,760
Date of grant	15th March, 2011	31st August, 2011
Vesting conditions	To exercise within 10 days after retirement	To exercise within 10 days after retirement
Applicable service period	From 15th March, 2011 to the date of retirement	From 31st August, 2011 to the date of retirement
Exercise period	From 16th March, 2011 to 31st July, 2041	From 1st September, 2011 to 31st July, 2041
Date of resolution	31st August, 2012	31st July, 2013
Persons granted	Directors of the subsidiaries: 10 Executive officers of the subsidiaries: 16	Directors of the subsidiaries: 10 Executive officers of the subsidiaries: 16
Number of stock option by type of shares (*)	Common stock: 69,500	Common stock: 53,800
Date of grant	1st October, 2012	2nd September, 2013
Vesting conditions	To exercise within 10 days after retirement	To exercise within 10 days after retirement
Applicable service period	From 1st October, 2012 to the date of retirement	From 2nd September, 2013 to the date of retirement
Exercise period	From 2nd October, 2012 to 31st July, 2042	From 3rd September, 2013 to 31st July, 2043
Date of resolution	30th July, 2014	
Persons granted	Directors of the subsidiaries: 10 Executive officers of the subsidiaries: 15	
Number of stock option by type of shares (*)	Common stock: 55,900	
Date of grant	28th August, 2014	
Vesting conditions	To exercise within 10 days after retirement	
Applicable service period	From 28th August, 2014 to the date of retirement	
Exercise period	From 29th August, 2014 to 31st July, 2044	

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

The stock option activity is as follows:

Date of resolution	24th February, 2011	28th July, 2011	31st August, 2012	31st July, 2013	30th July, 2014
<b>Non-vested:</b>					
31st March, 2014-Outstanding	28,340	30,400	49,500	53,800	–
Granted	–	–	–	–	55,900
Forfeited	–	–	–	–	–
Vested	11,220	11,700	15,500	14,600	1,500
31st March, 2015-Outstanding	17,120	18,700	34,000	39,200	54,400
<b>Vested:</b>					
31st March, 2014-Outstanding	–	–	–	–	–
Vested	11,220	11,700	15,500	14,600	1,500
Exercised	11,220	11,700	15,500	14,600	1,500
Forfeited	–	–	–	–	–
31st March, 2015-Outstanding	–	–	–	–	–

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

Price information is as follows:

Date of resolution	24th February, 2011	28th July, 2011	31st August, 2012	31st July, 2013	30th July, 2014
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average stock price at exercise	518	518	518	518	529
Fair value price at grant date	¥ 490	¥ 535	¥ 449	¥ 430	¥ 497
Date of resolution	24th February, 2011	28th July, 2011	31st August, 2012	31st July, 2013	30th July, 2014
Exercise price	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Average stock price at exercise	4.31	4.31	4.31	4.31	4.40
Fair value price at grant date	\$ 4.07	\$ 4.45	\$ 3.73	\$ 3.57	\$ 4.13

Note:

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

The method for estimating the fair value price of 2014 stock option granted in the year ended 31st March, 2015 was as follows:

Measurement method: Black-Scholes model

Major fundamental factors and assumptions used to measure fair value

	30th July, 2014
Date of resolution	30th July, 2014
Volatility of stock price *1	29.03%
Estimated remaining outstanding period *2	3.937years
Estimated dividend *3	2.708%
Interest rate with risk free *4	0.122%

\*1 Actual stock price during the period (from 20th September, 2010 to 28th August, 2014) corresponding to the estimated remaining outstanding period

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

\*3 ¥15 (\$0.12) of latest annual dividend (including the effect of reverse stock split) /¥554 (\$4.61) 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, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Gain on sales of securities and trading account securities	¥ 10,074	¥ 6,192	\$ 83,831
Other	962	740	8,005
Total	¥ 11,036	¥ 6,933	\$ 91,836

## 23. Other Income

Other income for the years ended 31st March, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Gain on sales of equity securities	¥ 3,907	¥ 5,879	\$ 32,512
Gain on money held in trust	1,707	384	14,204
Other	9,439	9,370	78,547
Total	¥ 15,054	¥ 15,633	\$ 125,272

## 24. Other Operating Expenses

Other operating expenses for the years ended 31st March, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Loss on sales of debt securities	¥ 12,323	¥ 2,948	\$ 102,546
Loss on redemption of debt securities	—	—	—
Loss on devaluation of debt securities	—	3,367	—
Other	2,027	275	16,867
Total	¥ 14,350	¥ 6,592	\$ 119,414

## 25. Other Expenses

Other expenses for the years ended 31st March, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Provision for possible loan losses	¥ —	¥ 745	\$ —
Write-offs of loans and bills discounted	4,720	3,984	39,277
Loss on sales of equity securities	511	480	4,252
Loss on devaluation of equity securities	95	104	790
Loss on money held in trust	37	603	307
Other	7,555	7,732	62,869
Total	¥ 12,920	¥ 13,650	\$ 107,514

## 26. Dividends

### Cash dividends paid during the fiscal year ended 31st March, 2015

Resolution by annual shareholders' meeting on 30th June, 2014

Types 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, 2014	30th June, 2014	¥ 3,575	\$ 29,749	¥ 15	\$ 0.12
Second-class preferred stock	31st March, 2014	30th June, 2014	¥ 1,275	\$ 10,609	¥1,020 divided by 18.5	\$8.48 divided by 18.5

Note:

The amount of cash dividends on common stock by resolution of annual shareholders' meeting on 27th June, 2014 includes the ¥17 million (\$141 thousand) in cash dividends on the Company's shares owned by the trust.

### Cash dividends with record dates falling in the fiscal year ended 31st March, 2015 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	Thousands of U.S. dollars	Yen	U.S. dollars
Common stock	Retained earnings	31st March, 2015	29th June, 2015	¥ 3,573	\$ 29,732	¥ 15	\$ 0.12
Second-class preferred stock	Retained earnings	31st March, 2015	29th June, 2015	¥ 1,275	\$ 10,609	¥1,020 divided by 18.5	\$ 8.48 divided by 18.5
Third-class preferred stock	Retained earnings	31st March, 2015	29th June, 2015	¥ 530	\$ 4,410	¥ 70.7	\$ 0.58

Note:

The amount of cash dividends on common stock by resolution of annual shareholders' meeting on 26th June, 2015 includes the ¥2 million (\$16 thousand) in cash dividends on the Company's shares owned by the trust.

### Cash dividends paid during the fiscal year ended 31st March, 2014

Resolution by annual shareholders' meeting on 26th June, 2013

Type of stock	Record date	Effective date	Dividend amount		Dividends per share	
			Millions of yen	Yen	Yen	Yen
Common stock	31st March, 2013	27th June, 2013	¥ 3,574	¥ 15	¥ 15	¥ 15
First-class preferred stock	31st March, 2013	27th June, 2013	¥ 392	¥ 980 divided by 18.5	¥ 980	¥ 980
Second-class preferred stock	31st March, 2013	27th June, 2013	¥ 1,275	¥1,020 divided by 18.5	¥ 1,020	¥ 1,020

### Cash dividends with record dates falling in the fiscal year ended 31st March, 2014 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, 2014	30th June, 2014	¥ 3,575	¥ 15	¥ 15	¥ 15
Second-class preferred stock	Retained earnings	31st March, 2014	30th June, 2014	¥ 1,275	¥1,020 divided by 18.5	¥ 1,020	¥ 1,020

## 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, 2015 and 2014 was summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Cash and due from banks	¥ 544,513	¥ 215,658	\$ 4,531,189
Deposits other than deposits with the Bank of Japan	(12,028)	(9,341)	(100,091)
Cash and cash equivalents	¥ 532,484	¥ 206,317	\$ 4,431,089

## 28. Leases

### a. Finance leases

#### As Lessee

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

### b. Operating leases

#### As Lessee

Future minimum lease payments under non-cancellable operating leases subsequent to 31st March, 2015 were as follows:

Year ending 31st March	Millions of yen	Thousands of U.S. dollars
2016	¥ 817	\$ 6,798
2017 and thereafter	5,190	43,188
Total	¥ 6,007	\$ 49,987

## 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 35.5% and 37.9% for the years ended 31st March, 2015 and 2014, respectively.

The tax effect of temporary differences which gave rise to significant portions of the deferred tax assets and liabilities at 31st March, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Reserve for possible loan losses	¥ 28,533	¥ 31,867	\$ 237,438
Provision for employees' bonuses	558	599	4,643
Net defined benefit liability	47	1,791	391
Loss on devaluation of securities	4,765	6,747	39,652
Tax loss carryforwards	8,220	16,562	68,403
Depreciation	689	777	5,733
Net unrealized loss on available-for-sale securities	1	3,680	8
Other	3,352	3,350	27,893
Gross deferred tax assets	46,167	65,377	384,180
Valuation allowance	(20,430)	(35,831)	(170,009)
Total deferred tax assets	25,737	29,545	214,171
Deferred tax liabilities:			
Non-taxable accrued dividend income	(264)	(324)	(2,196)
Net unrealized gain on available-for-sale securities	(6,922)	(2,991)	(57,601)
Net defined benefit asset	(1,419)	–	(11,808)
Other	(27)	(14)	(224)
Total deferred tax liabilities	(8,634)	(3,330)	(71,848)
Net deferred tax assets	¥ 17,103	¥ 26,215	\$ 142,323

A reconciliation of the statutory tax rate to the effective tax rate for the years ended 31st March, 2015 and 2014 was as follows:

	2015	2014
Statutory tax rate	35.5%	37.9%
Permanently non-taxable income	(1.3)	(0.0)
Permanently non-deductible expenses	0.3	0.3
Valuation allowance	(50.2)	(26.6)
Per capita portion of inhabitants' taxes	0.5	0.5
Unused tax loss carryforwards that had expired	18.3	–
Deduction limit of tax loss carryforwards	6.1	–
Decrease in deferred tax assets due to changes in tax rate	12.0	1.7
Other	(2.5)	(1.0)
Effective tax rate	18.7%	12.8%

Following the promulgation of "Act for Partial Amendment of the Income Tax Act" (Act No. 9, 2015) on 31st March, 2015, the corporate tax rates, etc. was lowered from the year beginning on or after 1st April, 2015. Accordingly, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities was changed from 35.59% to 33.01% with respect to the temporary differences expected to be eliminated in the year beginning on 1st April, 2015 or 32.21% with respect to the temporary differences expected to be eliminated in the year beginning on 1st April, 2016. Due to such change in tax rate, deferred tax assets decreased by ¥2,015 million (\$16,767 thousand), while net unrealized gain (loss) on available-for-sale securities increased by ¥719 million (\$5,983 thousand), net unrealized gain (loss) on deferred hedges increased by ¥0 million (\$0 thousand), and income taxes-deferred increased by ¥2,735 million (\$22,759 thousand).

From the year beginning on or after 1st April, 2015, the amount of deductible losses carried forward is limited up to the amount corresponding to 65/100 of income before deduction of losses carried forward. The limitation will be changed to the amount corresponding to 50/100 of income before deduction of losses carried forward for the year beginning on or after 1st April, 2017. Following the change, deferred tax assets decreased by ¥1,396 million (\$11,616 thousand) and income taxes-deferred increased the same amount.



### 30. Comprehensive Income

Reclassification adjustments and tax effect amounts of other comprehensive income for the year ended 31st March, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrealized gain (loss) on available-for-sale securities:			
Amount for the year	¥ 25,911	¥ (3,107)	\$ 215,619
Reclassification adjustment	(595)	(3,823)	(4,951)
Amount before tax effect	25,315	(6,931)	210,659
Tax effect amount	(4,056)	(999)	(33,752)
Net unrealized gain (loss) on available-for-sale securities	21,258	(7,931)	176,899
Unrealized gain (loss) on deferred hedges:			
Amount for the year	96	(43)	798
Reclassification adjustment	(91)	42	(757)
Amount before tax effect	4	(0)	33
Tax effect amount	(0)	0	(0)
Net unrealized gain on deferred hedges	4	0	33
Remeasurements of defined benefit plans	7,057	–	58,725
Amount for the year			
Reclassification adjustment	524	–	4,360
Amount before tax effect	7,581	–	63,085
Tax effect amount	(2,388)	–	(19,871)
Remeasurements of defined benefit plans	5,193	–	43,213
Total other comprehensive income	¥ (26,456)	¥ (7,930)	\$ (220,154)

### 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, 2015 and 2014.

#### (1) Related information

##### a. Information about services

For the year ended 31st March, 2015

	Millions of yen			
	Lending	Securities trading and investment	Other	Total
Income from external customers	¥ 48,164	¥ 31,153	¥ 35,007	¥ 114,324

For the year ended 31st March, 2014

	Millions of yen			
	Lending	Securities trading and investment	Other	Total
Income from external customers	¥ 51,103	¥ 22,831	¥ 30,920	¥ 104,855

Note:

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

For the year ended 31st March, 2015

	Thousands of U.S. dollars			
	Lending	Securities trading and investment	Other	Total
Income from external customers	\$ 400,798	\$ 259,241	\$ 291,312	\$ 951,352

#### 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, 2015 and 2014.

##### (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, 2015 and 2014.

#### 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, 2015 and 2014.

#### (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, 2015 and 2014.

### 32. Related Party Transactions

There were no transactions between a consolidated subsidiary and related parties for the years ended 31st March, 2015 and 2014.

### 33. Financial Instruments and Related Disclosures

#### 1. General Information

##### (1) Policy for financial instruments

The Group, whose core operation is The Senshu Ikeda Bank, Ltd. (the “Bank”), is engaged in the various financial services as a regional financial institution. The Group holds financial assets and liabilities which are subject to fluctuations in the interest rates and market prices in the principal businesses such as deposit-taking

and lending services and market activities including securities investment. In order to serve for setting up strategic targets in response to the changes in market environments, the Group conducts integrated asset and liability management ("ALM") and utilizes derivative contracts as a part of ALM.

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

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

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

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

**a. Integrated risk management**

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

**b. Credit risk management**

The Group analyzes and controls the credit portfolio in accordance with the Company's policy on credit risk control and various credit risk control rules. The Group maintains and operates a system of investigation, internal rating, asset self-assessment in monitoring individual transactions.

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

**c. Market risk management**

**(i) Market risk management**

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

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

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

(ii) Derivative transactions

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

(iii) Quantitative information of market risk

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

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

The value of market risk on financial instruments was ¥23.3 billion (\$193.8 million) for interest rate and ¥22.8 billion (\$189.7 million) for stocks at 31st March, 2015. The value of market risk as a whole with correlation in consideration was ¥51.9 billion (\$431.8 million).

The Group carries out back-testing to compare the model-calculating VaR of securities on the banking activities which influenced by market fluctuation (holding period–one business day) with real gain and loss in order to verify their accuracy. As real loss did not exceed the model-calculating VaR even once for the year ended 31st March, 2015, 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 Bank identify the investment and funding status of the whole Group on a timely basis and control liquidity risk by securing liquidity of the assets, diversifying the funding instruments and adjusting the short-term and long-term funding balances considering the market environments to secure stable fund management.

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

(4) Supplementary explanation about fair value of financial instruments

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

2. Fair value of financial instruments

The carrying value, the fair value and the difference as of 31st March, 2015 and 2014 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, 2015	Carrying value	Fair value	Difference
Cash and due from banks	¥ 544,513	¥ 544,513	¥ –
Call loans and bills bought	616	616	–
Monetary claims bought (*1)	80	80	–
Trading account securities:			
Trading securities	177	177	–
Money held in trust	27,000	27,000	–
Securities:			
Held-to-maturity debt securities	83,305	83,895	590
Available-for-sale securities	1,048,590	1,048,590	–
Loans and bills discounted	3,672,521		
Reserve for possible loan losses (*1)	(30,488)		
	3,642,033	3,654,870	12,837
Foreign exchange assets (*1)	6,320	6,321	0
<b>Total assets</b>	<b>¥ 5,352,637</b>	<b>¥ 5,366,065</b>	<b>¥ 13,428</b>
Deposits	¥ 4,737,122	¥ 4,737,336	¥ 213
Negotiable certificates of deposit	1,543	1,543	–
Payables under securities lending transactions	251,176	251,176	–
Borrowed money	159,198	159,638	439
Foreign exchange liabilities	538	538	–
Corporate bonds and notes	70,000	71,336	1,336
<b>Total liabilities</b>	<b>¥ 5,219,580</b>	<b>¥ 5,221,570</b>	<b>¥ 1,989</b>
Derivative transactions (*2)			
To which hedge accounting is not applied	¥ (1,121)	¥ (1,121)	¥ –
To which hedge accounting is applied	1,098	1,098	–
<b>Total derivative transactions</b>	<b>¥ (22)</b>	<b>¥ (22)</b>	<b>¥ –</b>

Millions of yen			
31st March, 2014	Carrying value	Fair value	Difference
Cash and due from banks	¥ 215,658	¥ 215,658	¥ -
Call loans and bills bought	775	775	-
Monetary claims bought (*1)	1,121	1,121	-
Trading account securities:			
Trading securities	122	122	-
Money held in trust	27,000	27,000	-
Securities:			
Held-to-maturity debt securities	88,403	88,946	542
Available-for-sale securities	1,280,018	1,280,018	-
Loans and bills discounted	3,602,329		
Reserve for possible loan losses (*1)	(37,082)		
	3,565,246	3,583,502	18,256
Foreign exchange assets (*1)	5,528	5,529	1
Total assets	¥ 5,183,875	¥ 5,202,675	¥ 18,800
Deposits	¥ 4,580,769	¥ 4,581,200	¥ 431
Payables under securities lending transactions	315,691	315,691	-
Borrowed money	118,517	119,132	614
Foreign exchange liabilities	366	366	-
Corporate bonds and notes	70,000	71,529	1,529
Total liabilities	¥ 5,085,345	¥ 5,087,921	¥ 2,575
Derivative transactions (*2)			
To which hedge accounting is not applied	¥ (336)	¥ (336)	¥ -
To which hedge accounting is applied	358	358	-
Total derivative transactions	¥ 22	¥ 22	¥ -

Thousands of U.S. dollars			
31st March, 2015	Carrying value	Fair value	Difference
Cash and due from banks	\$ 4,531,189	\$ 4,531,189	\$ -
Call loans and bills bought	5,126	5,126	-
Monetary claims bought (*1)	665	665	-
Trading account securities:			
Trading securities	1,472	1,472	-
Money held in trust	224,681	224,681	-
Securities:			
Held-to-maturity debt securities	693,226	698,135	4,909
Available-for-sale securities	8,725,888	8,725,888	-
Loans and bills discounted	30,561,046		
Reserve for possible loan losses (*1)	(253,707)		
	30,307,339	30,414,163	106,823
Foreign exchange assets (*1)	52,592	52,600	0
Total assets	\$ 44,542,206	\$ 44,653,948	\$ 111,741
Deposits	\$ 39,420,171	\$ 39,421,952	\$ 1,772
Negotiable certificates of deposit	12,840	12,840	-
Payables under securities lending transactions	2,090,172	2,090,172	-
Borrowed money	1,324,773	1,328,434	3,653
Foreign exchange liabilities	4,476	4,476	-
Corporate bonds and notes	582,508	593,625	11,117
Total liabilities	\$ 43,434,967	\$ 43,451,527	\$ 16,551
Derivative transactions (*2)			
To which hedge accounting is not applied	\$ (9,328)	\$ (9,328)	\$ -
To which hedge accounting is applied	9,137	9,137	-
Total derivative transactions	\$ (183)	\$ (183)	\$ -

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

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

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

#### Assets:

##### Cash and due from banks

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

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

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

#### **Monetary claims bought**

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

#### **Trading account securities**

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

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

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

#### **Securities**

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

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

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

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

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

#### **Foreign exchange assets**

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

#### **Liabilities:**

##### **Deposits and Negotiable certificates of deposit**

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

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

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

##### **Borrowed money**

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

##### **Foreign exchange liabilities**

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



**Corporate bonds and notes**

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

**Derivative transactions:**

See Note 34.

(Note 2) Financial instruments whose fair value is extremely difficult to determine at 31st March, 2015 and 2014 were as follows: These securities are not included in "Securities" under "Assets" as part of the fair value information of financial instruments.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unlisted equity securities (*1) (*2)	¥ 5,759	¥ 5,763	\$ 47,923
Investments in partnerships (*3)	1,316	1,068	10,951
Other	6	5	49
Total	¥ 7,082	¥ 6,837	\$ 58,933

(\*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 ¥94 million (\$782 thousand) and ¥96 million for the years ended 31st March, 2015 and 2014, 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, 2015	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	¥ 495,689	¥ -	¥ -
Call loans and bills bought	616	-	-
Monetary claims bought (*1)	80	-	-
Securities:	235,797	253,585	86,355
Held-to maturity debt securities:	7,600	64,700	11,000
Government bonds	-	25,000	-
Corporate bonds	7,600	23,700	-
Other	-	16,000	11,000
Available-for-sale securities with maturities:	228,197	188,885	75,355
Government bonds	125,000	14,100	-
Local government bonds	17,773	26,212	3,940
Corporate bonds	70,372	104,680	24,025
Other	15,052	43,892	47,390
Loans and bills discounted (*1, 2)	741,513	607,975	450,681
Foreign exchanges assets	6,321	-	-
Total	¥ 1,480,020	¥ 861,561	¥ 537,037

31st March, 2015	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:	189,919	14,255	99,010
Held-to maturity debt securities:	-	-	-
Government bonds	-	-	-
Corporate bonds	-	-	-
Other	-	-	-
Available-for-sale securities with maturities:	189,919	14,255	99,010
Government bonds	-	-	-
Local government bonds	1,050	2,000	-
Corporate bonds	372	304	41,352
Other	188,497	11,951	57,657
Loans and bills discounted (*1, 2)	306,197	314,915	1,189,918
Foreign exchanges assets	-	-	-
Total	¥ 496,117	¥ 329,170	¥ 1,288,928

Millions of yen				
31st March, 2014	Due in one year or less	Due after one year through three years	Due after three years through five years	
Due from banks	¥ 163,565	¥ -	¥ -	
Call loans and bills bought	775	-	-	
Monetary claims bought (*1)	1,121	-	-	
Securities:	187,889	389,430	382,957	
Held-to maturity debt securities:	14,100	33,500	40,800	
Government bonds	-	-	25,000	
Corporate bonds	14,100	28,500	2,800	
Other	-	5,000	13,000	
Available-for-sale securities with maturities:	173,789	355,930	342,157	
Government bonds	105,000	134,100	15,000	
Local government bonds	25,049	23,453	1,350	
Corporate bonds	42,914	114,038	50,932	
Other	826	84,338	274,875	
Loans and bills discounted (*1, 2)	684,986	613,908	436,033	
Foreign exchanges assets	5,529	-	-	
<b>Total</b>	<b>¥ 1,043,868</b>	<b>¥ 1,003,339</b>	<b>¥ 818,991</b>	

Millions of yen				
31st March, 2014	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:	73,402	52,910	105,555	
Held-to maturity debt securities:	-	-	-	
Government bonds	-	-	-	
Corporate bonds	-	-	-	
Other	-	-	-	
Available-for-sale securities with maturities:	73,402	52,910	105,555	
Government bonds	35,500	2,500	-	
Local government bonds	950	2,580	-	
Corporate bonds	2,463	304	57,405	
Other	34,488	47,526	48,149	
Loans and bills discounted (*1, 2)	288,451	324,227	1,184,523	
Foreign exchanges assets	-	-	-	
<b>Total</b>	<b>¥ 361,853</b>	<b>¥ 377,138</b>	<b>¥ 1,290,079</b>	

Thousands of U.S. dollars				
31st March, 2015	Due in one year or less	Due after one year through three years	Due after three years through five years	
Due from banks	\$ 4,124,898	\$ -	\$ -	
Call loans and bills bought	5,126	-	-	
Monetary claims bought (*1)	665	-	-	
Securities:	1,962,195	2,110,218	718,606	
Held-to maturity debt securities:	63,243	538,403	91,536	
Government bonds	-	208,038	-	
Corporate bonds	63,243	197,220	-	
Other	-	133,144	91,536	
Available-for-sale securities with maturities:	1,898,951	1,571,814	627,069	
Government bonds	1,040,193	117,333	-	
Local government bonds	147,898	218,124	32,786	
Corporate bonds	585,603	871,099	199,925	
Other	125,255	365,249	394,357	
Loans and bills discounted (*1, 2)	6,170,533	5,059,291	3,750,361	
Foreign exchanges assets	52,600	-	-	
<b>Total</b>	<b>\$ 12,316,052</b>	<b>\$ 7,169,518</b>	<b>\$ 4,468,977</b>	

Thousands of U.S. dollars				
31st March, 2015	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:	1,580,419	118,623	823,916	
Held-to maturity debt securities:	-	-	-	
Government bonds	-	-	-	
Corporate bonds	-	-	-	
Other	-	-	-	
Available-for-sale securities with maturities:	1,580,419	118,623	823,916	
Government bonds	-	-	-	
Local government bonds	8,737	16,643	-	
Corporate bonds	3,095	2,529	344,112	
Other	1,568,586	99,450	479,795	
Loans and bills discounted (*1, 2)	2,548,031	2,620,579	9,901,955	
Foreign exchanges assets	-	-	-	
<b>Total</b>	<b>\$ 4,128,459</b>	<b>\$ 2,739,202</b>	<b>\$ 10,725,871</b>	

(\*1) Loans and bills discounted and monetary claims bought do not include ¥61,324 million (\$510,310 thousand) and ¥70,204 million of receivables such as those due from bankrupt, effectively bankrupt or likely to become bankrupt borrowers at 31st March, 2015 and 2014, respectively, since it is not certain when they can be collected or redeemed.

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

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

Millions of yen			
31st March, 2015	Due in one year or less	Due after one year through three years	Due after three years through five years
Deposits (*1)	¥ 4,424,904	¥ 250,152	¥ 32,268
Negotiable certificates of deposit	1,543	-	-
Payables under securities lending transactions	251,176	-	-
Borrowed money	67,372	15,193	59,560
Corporate bonds	-	-	-
Total	¥ 4,744,997	¥ 265,345	¥ 91,828

Millions of yen			
31st March, 2015	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*1)	¥ 721	¥ 963	¥ -
Negotiable certificates of deposit	-	-	-
Payables under securities lending transactions	-	-	-
Borrowed money	10,072	7,000	-
Corporate bonds	50,000	20,000	-
Total	¥ 60,793	¥ 27,963	¥ -

Millions of yen			
31st March, 2014	Due in one year or less	Due after one year through three years	Due after three years through five years
Deposits (*1)	¥ 4,239,778	¥ 272,112	¥ 39,004
Payables under securities lending transactions	315,691	-	-
Borrowed money(*2)	85,075	15,007	1,247
Corporate bonds	-	-	-
Total	¥ 4,640,544	¥ 287,120	¥ 40,251

Millions of yen			
31st March, 2014	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*1)	¥ 883	¥ 623	¥ -
Payables under securities lending transactions	-	-	-
Borrowed money(*2)	154	17,032	-
Corporate bonds	15,000	55,000	-
Total	¥ 16,038	¥ 72,656	¥ -

Thousands of U.S. dollars			
31st March, 2015	Due in one year or less	Due after one year through three years	Due after three years through five years
Deposits (*1)	\$36,822,035	\$ 2,081,650	\$ 268,519
Negotiable certificates of deposit	12,840	-	-
Payables under securities lending transactions	2,090,172	-	-
Borrowed money	560,639	126,429	495,631
Corporate bonds	-	-	-
Total	\$39,485,703	\$ 2,208,080	\$ 764,150

Thousands of U.S. dollars			
31st March, 2015	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*1)	\$ 5,999	\$ 8,013	\$ -
Negotiable certificates of deposit	-	-	-
Payables under securities lending transactions	-	-	-
Borrowed money	83,814	58,250	-
Corporate bonds	416,077	166,430	-
Total	\$ 505,891	\$ 232,695	\$ -

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

(\*2) As described in "Significant subsequent events" of notes to consolidated financial statements, borrowed money of The Senshu Ikeda Bank, Ltd., one of the Company's subsidiaries, whose borrowing of ¥8,000 million (\$66,572 thousand) were repaid before maturity on 9th June, 2014, is disclosed under "Due in one year or less" of borrowed money.

## 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, 2015 and 2014

Millions of yen				
	Contract amount /notional principal			
31st March, 2015	Total	Over one year	Fair value	Valuation gain (loss)
<b>Over-the-counter transactions:</b>				
Currency swaps	¥ 35,529	¥ 26,239	¥ 95	¥ 95
Forward foreign exchange contracts:				
Selling	¥ 47,617	6	(1,409)	(1,409)
Buying	¥ 12,983	-	188	188
Currency options:				
Selling	¥ 17,382	¥ 11,243	(528)	260
Buying	¥ 17,382	¥ 11,243	528	(94)
Total			¥ (1,124)	¥ (959)

Millions of yen				
	Contract amount /notional principal			
31st March, 2014	Total	Over one year	Fair value	Valuation gain (loss)
<b>Over-the-counter transactions:</b>				
Currency swaps	¥ 34,606	¥ 22,934	¥ 72	¥ 72
Forward foreign exchange contracts:				
Selling	¥ 44,331	12	(478)	(478)
Buying	¥ 9,463	-	69	69
Currency options:				
Selling	¥ 10,507	¥ 6,591	(400)	291
Buying	¥ 10,507	¥ 6,591	400	(167)
Total			¥ (336)	¥ (212)

Thousands of U.S. dollars				
	Contract amount /notional principal			
31st March, 2015	Total	Over one year	Fair value	Valuation gain (loss)
<b>Over-the-counter transactions:</b>				
Currency swaps	\$295,656	\$218,349	\$ 790	\$ 790
Forward foreign exchange contracts:				
Selling	\$396,246	49	(11,725)	(11,725)
Buying	\$108,038	-	1,564	1,564
Currency options:				
Selling	\$144,645	\$ 93,559	(4,393)	2,163
Buying	\$144,645	\$ 93,559	4,393	(782)
Total			\$ (9,353)	\$ (7,980)

Notes:

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

(2) Bond related derivatives at 31st March, 2015

Millions of yen				
	Contract amount /notional principal			
31st March, 2015	Total	Over one year	Fair value	Valuation gain (loss)
<b>Financial instruments exchanges:</b>				
Bond futures:				
Selling	-	-	-	-
Buying	-	-	-	-
Bond futures options:				
Selling	-	-	-	-
Buying	¥ 30,000	-	¥ 6	¥ 3
Total			¥ 6	¥ 3

Thousands of U.S. dollars				
	Contract amount /notional principal			
31st March, 2015	Total	Over one year	Fair value	Valuation gain (loss)
<b>Financial instruments exchanges:</b>				
Bond futures:				
Selling	-	-	-	-
Buying	-	-	-	-
Bond futures options:				
Selling	-	-	-	-
Buying	\$249,646	-	\$ 49	\$ 24
Total			\$ 49	\$ 24

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. Calculation method for fair value  
The fair value of transactions listed on exchanges is determined using the last quoted market price at the Osaka Exchange, Inc., etc.

There were no bond related derivatives at 31st March, 2014.

## 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) Currency related derivatives at 31st March, 2015 and 2014

31st March, 2015			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	Deposits denominated in foreign currencies	¥ -	¥ -	¥ -
	Forward foreign exchange contracts	-	25,172	-	1,098
Total					¥ 1,098

31st March, 2014			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	¥ 5,664	¥ -	¥ (0)
	Forward foreign exchange contracts	-	29,768	-	359
Total					¥ 358

31st March, 2015			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	Deposits denominated in foreign currencies	\$ -	\$ -	\$ -
	Forward foreign exchange contracts	-	209,469	-	9,137
Total					\$ 9,137

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. Business Combination

### Transactions under common control

The Senshu Ikeda Bank, Ltd. and Senshu Ikeda Lease Co., Ltd., both of which are subsidiaries of the Company, have acquired shares of consolidated subsidiaries from minority shareholders.

#### 1. Overview of the transactions

##### (1) Names and descriptions of businesses of combined companies

- Senshu Ikeda Lease Co., Ltd. (leasing services)
- Sengin General Leasing Company Limited (leasing services)
- Senshu Ikeda Guarantee Co., Ltd. (credit guarantee services)
- Senshu Ikeda JCB Co., Ltd. (credit card services)
- Senshu Ikeda DC Co., Ltd. (credit card services)
- Senshu Ikeda VC Co., Ltd. (credit card services)
- Senshu Ikeda Capital Co., Ltd. (venture capital services)
- Senshu Ikeda System Co., Ltd. (computer software development and sales services)
- Senshu Ikeda Investment Management Co., Ltd. (investment advisory and discretionary investment services)
- 9 Investment enterprise partnerships

##### (2) Date of business combination

Deemed acquisition date: 31st March, 2015

##### (3) Legal form of the business combinations

Acquisition of shares from minority shareholders

##### (4) Name of the acquired companies

The names remain unchanged after the business combination

##### (5) Other overview of the transactions

In view of enhancing integrated management of the Group and its corporate governance, some of common stock of consolidated subsidiaries have been acquired from minority shareholders. As a result, the ratio of equity interests, including indirect holding, has increased.

#### 2. Overview of accounting treatment applied

In accordance with "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, 26th December, 2008) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, 26th December, 2008), the transactions have been treated as transactions with minority shareholders among common control transactions.



### 3. Additional acquisition of shares of subsidiaries

#### (1) Acquisition cost and its components

Consideration for the acquisition	Cash and due from banks	¥657 million (\$5,467 thousand)
Acquisition cost		¥657 million (\$5,467 thousand)

#### (2) The amount of amortization of goodwill incurred, amount of gains on negative goodwill incurred and the basis for recognition

1) Amortization of goodwill incurred	¥18 million (\$149 thousand)
Gains on negative goodwill incurred	¥1,596 million (\$13,281 thousand)

#### 2) The basis for recognition

Due to differences between costs of shares of subsidiaries acquired from minority shareholders and the amount of decrease in minority interests.

## 36. Amounts per Share

Amounts per share at 31st March, 2015 and 2014 and for the years then ended were summarized as follows:

	Yen		U.S. dollars
	2015	2014	2015
Net assets	¥ 774.83	¥ 610.84	\$ 6.44
Net income:			
Basic	66.38	64.77	0.55
Diluted	66.34	64.73	0.55
Cash dividends			
Common stock	¥ 15	¥ 15	\$ 0.12
Second-class preferred stock	¥1,020 divided by 18.5	¥1,020 divided by 18.5	\$ 8.48 divided by 18.5
Third-class preferred stock	¥ 70.7	–	\$ 0.58

Net assets per share as of 31st March, 2015 and 2014 were computed based on the following information:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Total net assets	¥ 234,788	¥ 196,397	\$ 1,953,798
Payment for second-class preferred stock	(25,000)	(25,000)	(208,038)
Dividends for second-class preferred stock	(1,275)	(1,275)	(10,609)
payment for third-class preferred stock	(15,000)	(15,000)	(124,823)
Dividends for third-class preferred stock	(530)	–	(4,410)
Stock subscription rights	(69)	(68)	(574)
Minority interests	(8,485)	(10,168)	(70,608)
Amounts to be deducted from total net assets	(50,360)	(51,512)	(419,072)
Net assets attributable to common stock as of 31st March, 2015 and 2014	¥ 184,427	¥ 144,884	\$ 1,534,717
Number of shares of common stock as of 31st March, 2015 and 2014 used to compute net asset per share (Unit: thousand shares)	238,020	237,189	

Net income per share for the years ended 31st March, 2015 and 2014 are computed based on the following information:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Net income for the year	¥ 17,584	¥ 16,604	\$ 146,326
Dividends for second-class preferred stock based on the resolution at the regular general shareholders' meeting	(1,275)	(1,275)	(10,609)
Dividends for third-class preferred stock based on the resolution at the regular general shareholders' meeting	(530)	–	(4,410)
Amounts not attributed to common stock shareholders	(1,805)	(1,275)	(15,020)
Net income attributable to common stock	¥ 15,778	¥ 15,329	\$ 131,297
Average outstanding number of shares of common stock (Unit: thousand shares)	237,686	236,671	
Diluted net income per share after adjusting potential shares			
Adjustment to net income	¥ –	¥ –	\$ –
Number of increased common stock (Unit: thousand shares)	146	138	
Of which, stock subscription rights	146	138	

Note:

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

(Change in accounting policy)

As per described in "Change in Accounting Policy," the Company has applied the provisions specified in the main clause of Paragraph 35 of "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, 17th May, 2012; hereinafter "Accounting Standard Retirement Benefits") and in the main clause of Paragraph 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, 26th March, 2015; hereinafter "Retirement Benefits Guidance") from the fiscal year under review, while in conformity to transitional handling provided for in Paragraph 37 of Accounting Standard Retirement Benefits.

As a result, net assets per share increased by ¥1.96 (\$0.01), net income per share and diluted net income per share increased by ¥0.41 (\$0.00), in the fiscal year under review.

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

The average outstanding number of shares of treasury stock subtracted for the calculation of net income per share and diluted net income per share after adjusting potential shares.

2015	2014
<b>644 thousand shares</b>	1,684 thousand shares

The number of treasury stock at the end of the fiscal year subtracted for the calculation of net assets per share.

2015	2014
<b>196 thousand shares</b>	1,175 thousand shares

### 37. Subsequent events

#### 1. Issuance of preferred stock

The Company issued the first series of seventh-class preferred stock through a third-party allotment pursuant to the resolution at the Board of Directors' meeting held on 23rd February, 2015, as detailed below.

(1) Class of shares issued	Senshu Ikeda Holdings, Inc. First series of seventh-class preferred stock (preferred stock with mandatory convertible conditions)	
(2) Number of shares newly issued	25,000,000	
(3) Paid-in amount	¥1,000 (\$8.32) per share	
(4) Total paid-in amount	¥25,000,000,000 (\$208,038 thousand)	
(5) Increased amount in capital and legal capital surplus	¥12,500,000,000 (\$104,019 thousand) for each (¥500 (\$4.16) per share)	
(6) Allottee	OC FINANCE CORPORATION	Daikin Industries, Ltd.
	Aozora Bank, Ltd.	ITAMI SANGYO CO., LTD.
	NICHIA STEEL WORKS, LTD.	Non-Destructive Inspection Company Limited
	NEC Capital Solutions Limited	IBJ Leasing Company, Limited
	SHIMA SEIKI MFG., LTD.	Hankyu Hanshin Holdings, Inc.
	ROHTO Pharmaceutical Co., Ltd.	Shionogi & Co., Ltd.
	Nippon Paper Core Industrial Co., Ltd.	
(7) Payment due date	Tuesday, 7th April, 2015	
(8) Use of Funds	Acquisition of second-class preferred stock	

#### 2. Acquisition and retirement of treasury stock

In accordance with Article 17, Paragraph 1 of the Articles of Incorporation of the Company, the Company purchased treasury stock pursuant to the resolution at the Board of Directors' meeting held on 23rd February, 2015, as detailed below.

The above stocks were retired on 7th April, 2015.

(1) Class of shares subject to Acquisition	Senshu Ikeda Holdings, Inc. Second-class preferred stock	
(2) Total number of shares subject to Acquisition	23,125,000	
(3) Amount of Acquisition	Amount derived by dividing ¥20,000 (\$166.43) by 18.5 and then adding ¥0.90 (\$0.00) per second-class preferred stock	
(4) Total amount of Acquisition	¥25,020,812,500 (\$208,211 thousand)	
(5) Entities from which the Company acquired the shares	OC FINANCE CORPORATION	Daikin Industries, Ltd.
	Fukoku Mutual Life Insurance Company	ITAMI SANGYO CO., LTD.
	NICHIA STEEL WORKS, LTD.	ROHTO Pharmaceutical Co., Ltd.
	DAINIHOON JOCHUGIKU CO., LTD.	Hankyu Hanshin Holdings, Inc.
	T.T CO., LTD.	Non-Destructive Inspection Company Limited
	Shionogi & Co., Ltd.	Nippon Paper Core Industrial Co., Ltd.
(6) Acquisition date	Tuesday, 7th April, 2015	

### 3. Issuance of common stock

The Company issued its common stock through a public offering pursuant to the resolution at the Board of Directors' meeting held on 10th April, 2015, as detailed below.

(1) Class of shares issued	Senshu Ikeda Holdings, Inc. Common stock
(2) Number of shares newly issued	37,000,000
(3) Paid-in amount	¥502.36 per share (\$4.18)
(4) Total paid-in amount	¥18,587,320,000 (\$154,675 thousand)
(5) Increased amount in common stock and legal capital surplus	¥9,293,660,000 (\$77,337 thousand) for each (¥251.18 (\$2.09) per share)
(6) Payment due date	Tuesday, 28th April, 2015
(7) Use of Funds	Used for investment in The Senshu Ikeda Bank, Ltd.

In addition, it was resolved at the Board of Directors' meeting on 10th April, 2015, that the Company issued common stocks through a third-party allotment, as detailed below.

(1) Class of shares issued	Senshu Ikeda Holdings, Inc. Common stock
(2) Number of shares newly issued	5,550,000
(3) Paid-in amount	¥502.36 (\$4.18) per share
(4) Total paid-in amount	¥2,788,098,000 (\$23,201 thousand)
(5) Increased amount in common stock and legal capital surplus	¥1,394,049,000 (\$11,600 thousand) each (¥251.18 (\$2.09) per share)
(6) Allottee	Nomura Securities Co., Ltd.
(7) Payment due date	Tuesday, 26th May, 2015
(8) Use of Funds	Used for investment in The Senshu Ikeda Bank, Ltd.

## Report of Independent Auditors

Senshu Ikeda Holdings, Inc.



Ernst & Young ShinNihon LLC

### Independent Auditor's Report

The Board of Directors  
Senshu Ikeda Holdings, Inc.

We have audited the accompanying consolidated financial statements of Senshu Ikeda Holdings, Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheet as of March 31, 2015, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

#### *Management's Responsibility for the Consolidated Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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

#### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Senshu Ikeda Holdings, Inc. and its consolidated subsidiaries as of March 31, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

#### *Convenience Translation*

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

*Ernst & Young ShinNihon LLC*

June 25, 2015  
Osaka, Japan

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

## Non-consolidated Balance Sheets (Unaudited)

The Senshu Ikeda Bank, Ltd.  
As of 31st March, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>Assets</b>			
Cash and due from banks	¥ 540,935	¥ 213,940	\$ 4,501,414
Call loans and bills bought	616	775	5,126
Monetary claims bought	80	1,121	665
Trading account securities	177	122	1,472
Money held in trust	27,000	27,000	224,681
Securities	1,163,549	1,399,377	9,682,524
Loans and bills discounted	3,656,051	3,584,827	30,423,991
Foreign exchange assets	6,321	5,529	52,600
Other assets	36,954	30,555	307,514
Tangible fixed assets	36,581	37,905	304,410
Intangible fixed assets	7,386	7,798	61,462
Prepaid pension cost	8,421	5,683	70,075
Deferred tax assets	18,947	25,536	157,668
Customers' liabilities for acceptances and guarantees	16,078	18,220	133,793
Reserve for possible loan losses	(16,198)	(18,188)	(134,792)
Reserve for possible investment losses	(1,830)	(1,599)	(15,228)
<b>Total assets</b>	<b>¥ 5,501,072</b>	<b>¥ 5,338,605</b>	<b>\$ 45,777,415</b>
<b>Liabilities and net assets</b>			
<b>Liabilities</b>			
Deposits	¥ 4,772,536	¥ 4,617,334	\$ 39,714,870
Negotiable certificates of deposit	12,443	11,100	103,544
Payables under securities lending transactions	251,176	315,691	2,090,172
Borrowed money	147,469	107,383	1,227,169
Foreign exchange liabilities	538	366	4,476
Corporate bonds and notes	70,000	70,000	582,508
Other liabilities	22,677	22,483	188,707
Provision for employees' bonuses	1,455	1,444	12,107
Accrued retirement benefits for employees	1,574	772	13,098
Accrued retirement benefits for directors and corporate auditors	35	57	291
Reserve for reimbursement of deposits	409	328	3,403
Reserve for point services	112	86	932
Reserve for contingent losses	351	379	2,920
Acceptances and guarantees	16,078	18,220	133,793
<b>Total liabilities</b>	<b>5,296,860</b>	<b>5,165,649</b>	<b>44,078,056</b>
<b>Net assets</b>			
Shareholders' equity:			
Common stock	50,710	50,710	421,985
Capital surplus	93,932	93,932	781,659
Retained earnings	38,608	28,513	321,278
<b>Total shareholders' equity</b>	<b>183,252</b>	<b>173,156</b>	<b>1,524,939</b>
Net unrealized gain (loss) on available-for-sale securities	20,955	(201)	174,377
Net unrealized gain on deferred hedges	3	1	24
<b>Total valuation and translation adjustments</b>	<b>20,959</b>	<b>(200)</b>	<b>174,411</b>
<b>Total net assets</b>	<b>204,212</b>	<b>172,956</b>	<b>1,699,359</b>
<b>Total liabilities and net assets</b>	<b>¥ 5,501,072</b>	<b>¥ 5,338,605</b>	<b>\$ 45,777,415</b>



## Non-consolidated Statements of Operations (Unaudited)

The Senshu Ikeda Bank, Ltd.  
For the years ended 31st March, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>Income</b>			
Interest income:			
Interest on loans and bills discounted	¥ 47,605	¥ 50,538	\$ 396,147
Interest and dividends on securities	16,949	11,017	141,041
Other interest income	421	272	3,503
Fees and commissions	16,460	15,441	136,972
Other operating income	10,574	6,839	87,992
Recoveries of written-off claims	477	685	3,969
Gain on contribution of securities to retirement benefit	—	2,291	—
Other income	7,357	8,117	61,221
<b>Total income</b>	<b>99,847</b>	<b>95,202</b>	<b>830,881</b>
<b>Expenses</b>			
Interest expenses:			
Interest on deposits	5,629	6,231	46,841
Interest on borrowings and rediscounts	620	752	5,159
Other interest expenses	1,897	1,761	15,785
Fees and commissions	8,710	9,443	72,480
Other operating expenses	14,350	6,592	119,414
General and administrative expenses	47,799	49,226	397,761
Loss on sales or disposal of fixed assets	87	52	723
Loss on impairment of fixed assets	36	22	299
Other expenses	3,028	5,358	25,197
<b>Total expenses</b>	<b>82,159</b>	<b>79,442</b>	<b>683,689</b>
Income before income taxes	17,687	15,760	147,183
<b>Income taxes</b>			
Current	451	(130)	3,753
Deferred	2,201	1,144	18,315
<b>Total income taxes</b>	<b>2,652</b>	<b>1,013</b>	<b>22,068</b>
<b>Net income</b>	<b>¥ 15,034</b>	<b>¥ 14,746</b>	<b>\$ 125,106</b>



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