



ANNUAL REPORT 2016

Year Ended March 31, 2016



SENSHU IKEDA HOLDINGS, INC.

**THE SENSHU IKEDA
BANK, LTD.**

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



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

Management Policy

1. Create a “most trusted by customers” financial group which respects personal relationships and promotes honest and approachable banking.
2. Create a financial group with a commanding regional presence by researching and predicting trends to provide advanced, high-quality services.
3. Pursue transparent operations and live up to the trust of the shareholders, while maintaining a competitive edge through strong financial standing, high profitability and management efficiency.
4. Promote “coexistence with the region” by utilizing industrial, academic and management networks for business matching.
5. Focus on gaining the trust of the 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.

With regard to the financial results for the fiscal year ended March 31, 2016, on a Senshu Ikeda Holdings consolidated basis, we recorded net income of ¥16.4 billion, mainly due to the effects of deteriorating market conditions and tax reform. Although we did not mark a record high for the third consecutive year, our performance remained stable.

Senshu Ikeda Holdings has recently formulated the “Third Medium-Term Business Plan.”

We will aim to achieve “consolidated net income of ¥20.0 billion or more,” “return on equity (ROE) of 8% or more,” “balance of loans for small and medium enterprises (“SMEs,” the Senshu Ikeda Bank, non-consolidated basis) of ¥1.5 trillion or more,” “assets under management of individual customers of ¥5 trillion or more,” and a “non-interest income ratio of 20%” in the fiscal year ending March 31, 2019, building on the concept of “Seven Structural Innovations.”

We will strive to become a bank group which can secure high profits and ROE through building firm revenue stream from transactions with SMEs and individual customers, as well as interest income. To achieve that goal, we will implement various measures focusing on regional SMEs and individual customers.

Furthermore, we will make every effort to build a sustainable business model that can keep on contributing to revitalize “regional communities” in five to ten years’ time from now.

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 the “No. 1 Reliable Bank for the Regional Communities and Customers,” by valuing our “bond” and “relationships” with regional customers.

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

July 2016

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 the Regional Communities and Customers” to realize “Coexistence and Co-prosperity” with the regional communities.

“Coexistence and Co-prosperity” with the regional communities

—“community-oriented” principle

- Initiatives for revitalization of “regional communities”
- Initiatives for “revitalization of communities, people and work”
- Development and utilization of networks with local governments and universities

As a “regional financial group,” the Senshu Ikeda Holdings Group believes that our own growth stems from regional prosperity, and that “Coexistence and Co-prosperity with the regional communities” is most important. We consider our mission is to build a “virtuous cycle of Coexistence and Co-prosperity with the regional communities”.

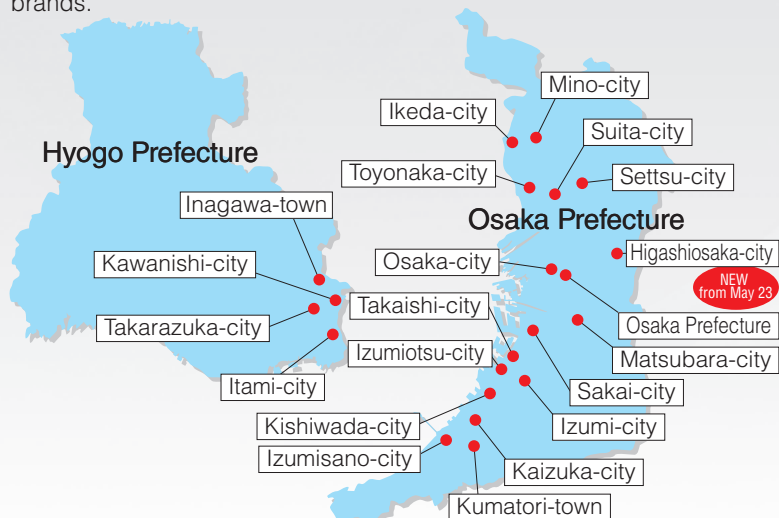
We aim to make more contribution to the regional revitalization to enhance the regional power, and we will achieve further growth.

We will continue to strive for achieving Coexistence and Co-prosperity with the regional communities, and to become a distinctive regional financial group through providing products and services with “Kindness and Innovation.”



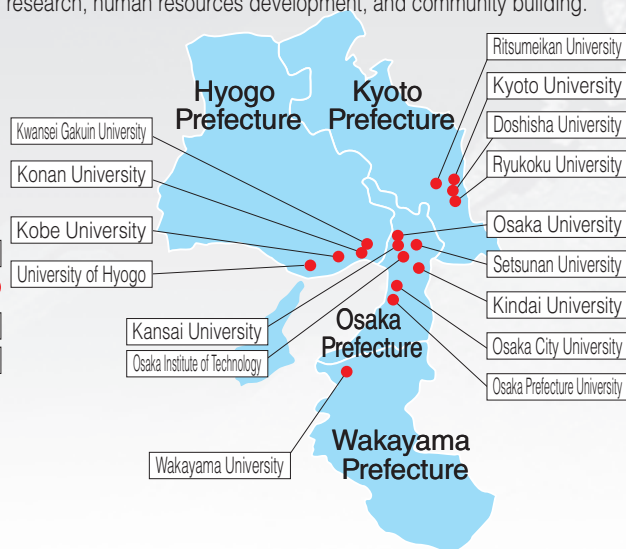
Collaboration with local governments

Through collaboration with local governments, we are striving to revitalize regional communities by funding local customers, developing “regional brands” and communicating these brands.



Collaboration with universities

Through collaboration with universities, we are helping the development of regional communities in various fields including financial support for university-launched venture companies, industries, business-academic research, human resources development, and community building.



Long-Term Business Plan

Senshu Ikeda Holdings has formulated its “Long-Term Business Plan,” and announced the “Long-Term Capital Policy.” The “Long-Term Business Plan” presents priority strategies towards FY2020, and the “Long-Term Capital Policy” presents the principles of our capital policy.

We will proceed with the redemption and retirement of subordinated borrowings and preferred stock, by the accumulated retained earnings, and strive to offer better return to shareholders through the means including dividends on common stock and acquisition of treasury stock.

Long-Term Business Plan

● Priority strategies

Strengthen profitability

Strengthen unique proposal and establish “Business Model” to respond changes

Establish strong company constitution

Exhaustive BPR

Maximization of merger synergies

Sufficient equity capital

Executing appropriate long-term capital policy

● Our “New business target”

SME / Owners

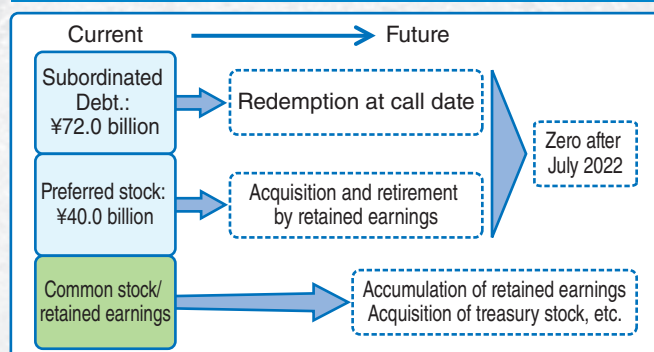
Local estate owners

Senior customers

- ① Loan business as introduction for profit business
- ② Inheritance business
- ③ Diversification in sales proposal to housing loan users
- ④ Strengthen investment products sales
- ⑤ Strengthen in Asia and China strategy
- ⑥ Change in channel strategy
- ⑦ Business Process Re-engineering (cost reduction)

Long-Term Capital Policy

1. Optimization of capital structure



2. Reduction of capital cost

Accelerate accumulation of retained earnings

	March 2015	March 2016	March 2019 (Plan)
Dividends and subordinated borrowings (¥ billion)	7.1	7.1	5.6
EPS after deducting preferred dividends (¥)	66	55	69
BPS after deducting preferred stock (¥)	774	759	819

Expand shareholders return

3. Expected ROE

	FY2015	FY2016 (forecast)
Shareholders' equity ROE (income before income taxes)	10.31%	—
Shareholders' equity ROE	7.74%	Around 7.5%
(Note) Shareholders' equity basis after deduction of total accumulated other comprehensive income.		
ROE (income before income taxes)	9.21%	—
ROE	6.92%	—

FY2020
Maintain and improve
around 8%

4. Maintain ROE exceeding shareholders' equity cost (expected investment return)

Shareholders' equity ROE **7.7%**



Shareholders' equity cost **5.6%**

The Third Medium-Term Business Plan

Senshu Ikeda Holdings formulated the “Third Medium-Term Business Plan,” in order to firm up its growth strategies in response to the drastic changes in business environment, including the Negative Interest Rate Policy (“NIRP”) adopted by the Bank of Japan.

We present the “Seven Structural Innovations” as a key concept under the “Third Medium-Term Business Plan,” thereby radically transforming the Group’s earnings structure, while tackling the regional revitalization even more aggressively than ever.

1. Positioning of the Third Medium-Term Business Plan

FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Long-Term Business Plan ~ towards FY2020							
The Second Medium-Term Business Plan			The Third Medium-Term Business Plan				
Senshu Ikeda Holdings (consolidated) Management indicators	FY2015		FY2018 [The Third Medium-Term Business Plan]		FY2020 [Long-Term Business Plan]		
	[The Second Medium-Term Business Plan]	[Results]					
	Ordinary income	¥18.5 billion or above	¥22.3 billion	¥23.5 billion or above	¥25.0 billion or above		
	Income before income taxes	¥18.5 billion or above	¥21.9 billion	¥23.5 billion or above	¥25.0 billion or above		
	Net income	¥16.0 billion or above	¥16.4 billion	¥20.0 billion or above	¥16.5 billion or above		
Capital ratio	Around 10%	10.59%	Around 10%	Around 10%			

2. Management indicators for the Third Medium-Term Business Plan

As targeted management indicators for FY2018, Senshu Ikeda has set “consolidated net income of ¥20.0 billion or above,” “shareholders’ equity ROE of 8% or above,” and “group total individual assets under management of ¥5 trillion or above” for the Holdings group, and “balance of loans for small and medium enterprises (“SMEs”) of ¥1.5 trillion or above” and “non-interest income ratio of 20%” for the Bank on the non-consolidated basis. Achieving these targets, we are aiming to become a bank group with high profits and ROE, which has individual customers and SMEs as its revenue base, and possesses strong income sources in addition to interest income.

Management indicators		FY2015 [Actual results]	FY2018 [The Third Medium-Term Management Plan]
Holding company (consolidated)	Net income	¥16.4 billion	¥20.0 billion or above
	Shareholders’ equity ROE	7.7%	8% or above
	Group total individual assets under management	¥4.4 trillion	¥5 trillion or above
Bank (non-consolidated)	Balance of loans for SMEs	¥1.2 trillion	Increase by 20% or above ⇒ ¥1.5 trillion or above
	Non-interest income ratio	12.7%	20%

■ Prerequisites to this Plan

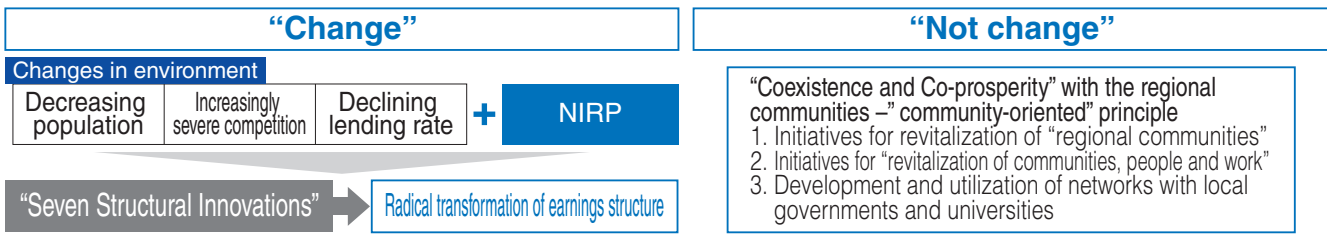
Gradual economic recovery scenario

- Short-term interest rate
→ to remain flat (negative interest rate to be continued)
- Long-term interest rate
→ gradually increasing in the latter half of the Plan period

■ Risk scenarios of possible further reduction in short-term interest rates are recognized as well

We have confirmed that the stable dividend payment and capital policy shall remain unchanged in the event of these risk scenarios.

3. “Change” and “Not change”



Establishment of business models that should remain viable in five to ten years’ time, thereby continuing to contribute to regional communities

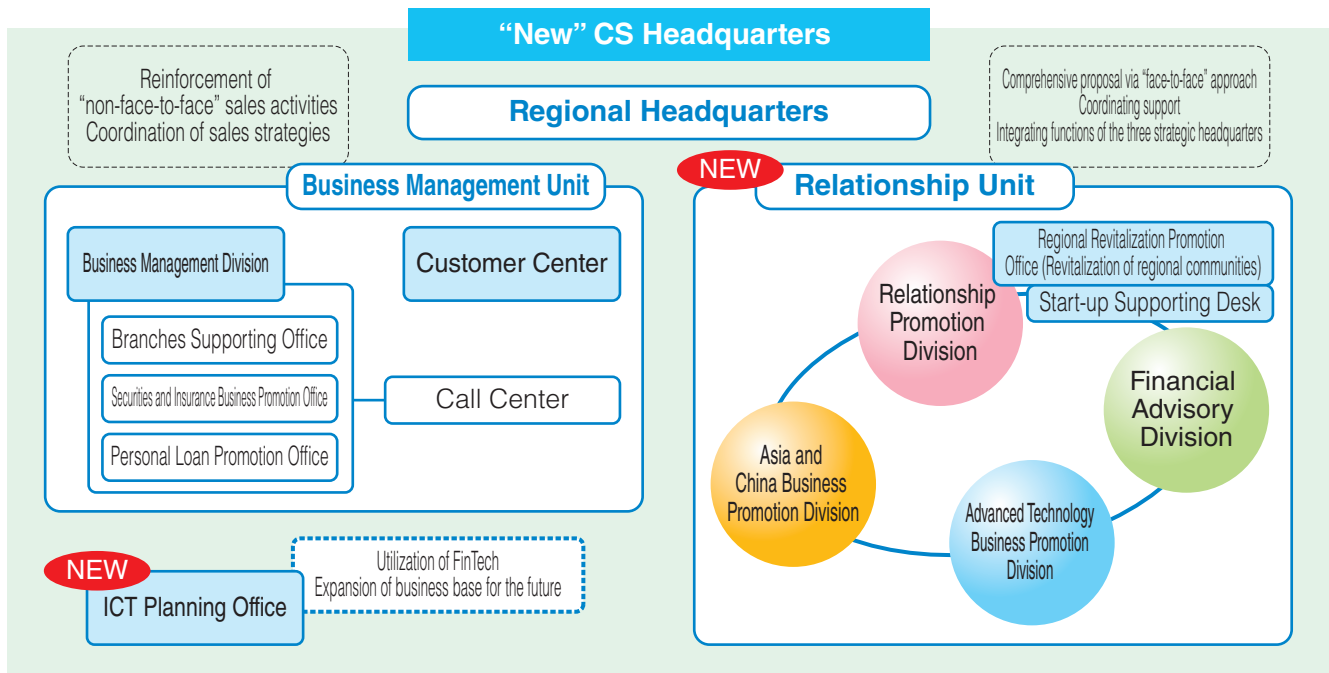
4. <<Change>> “Seven Structural Innovations”

“Seven Structural Innovations”	
① Loans	Lending structure focused on the “local SMEs and individuals”
② Deposits	“Enhancement of liquidity ratio” and “improvement in deposit rates”
③ Securities	Advancing “diversification of investment” and “enhancement of risk management”
④ Non-interest income	Changing sales of assets under management to the “interest business” Expansion of “Inheritance business”
⑤ Customers	(Corporate customers) Drastic expansion of market share in the “offensive areas” (Individual customers) Expand transactions for each generation of customers
⑥ Employees	From “reduction” to “strategic reinforcement”
⑦ Expenses	Into the second phase of BPR – Transformation of the “structure”

Expansion of local customer bases (Accelerating the implementation of the strategic themes under the Second Medium-Term Business Plan)

Radical transformation of earnings structure

Development of organization: “Establishment of Relationship Unit” - for further strengthening presenting proposals and providing support



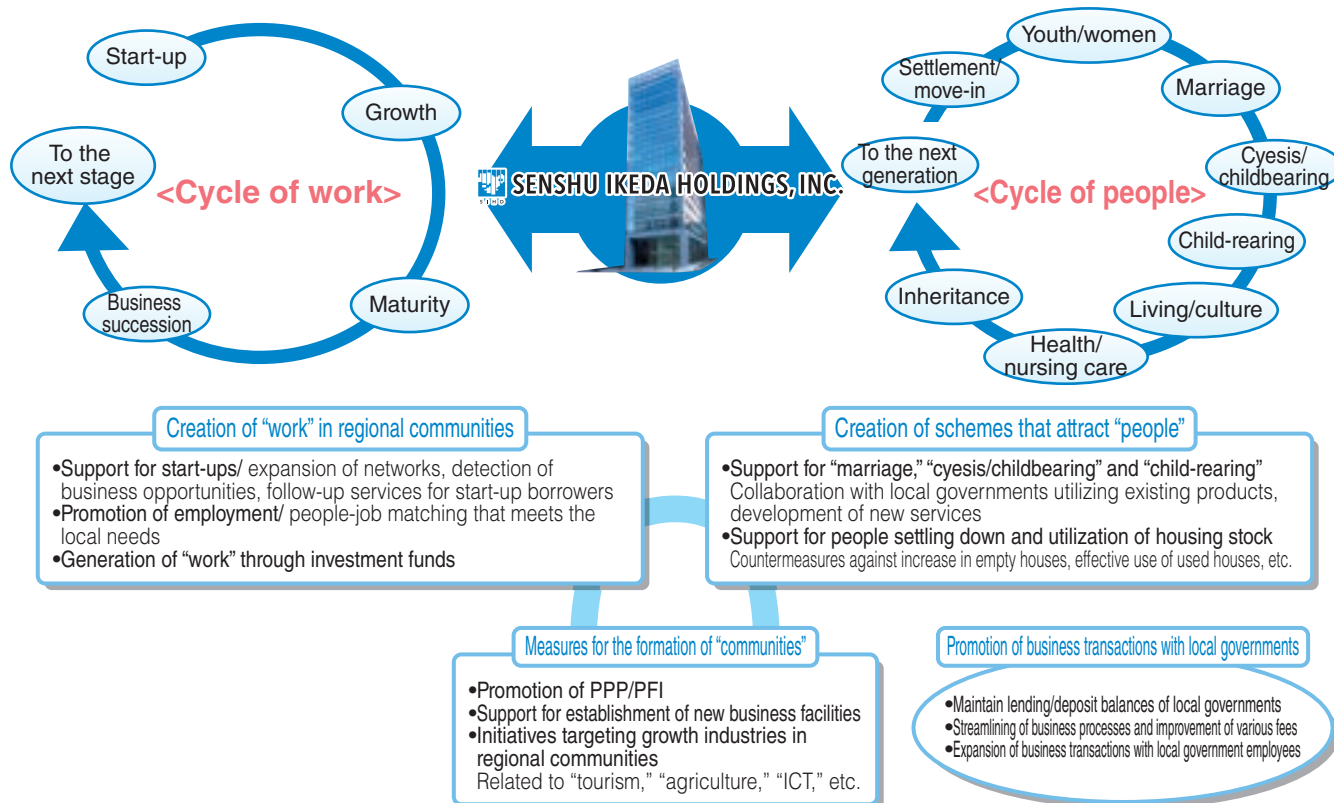
The Third Medium-Term Business Plan

5. <<Not change>> Enhancement of regional revitalization

Enhancement of regional revitalization Promotion of regional revitalization ("Creation of virtuous cycle of communities, people and work"), while promoting the presence of Senshu Ikeda Holdings

Strengthen networks involving "regional communities," while supporting creation of "work"

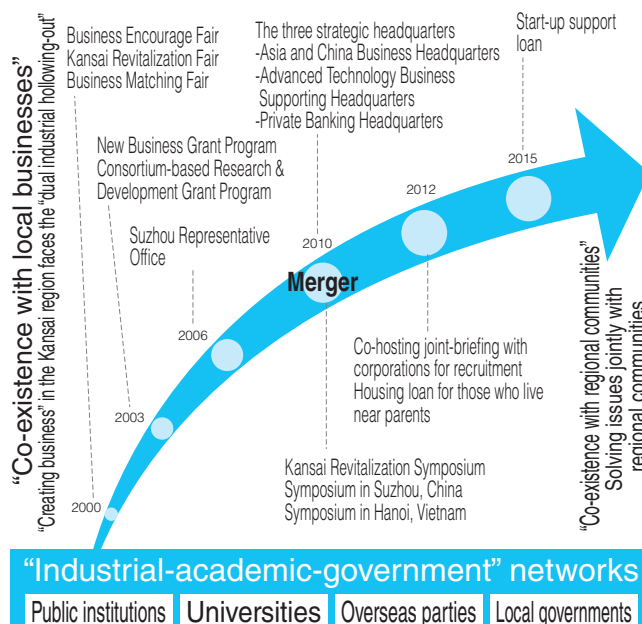
Supporting creation of "people" with "regional communities"



Utilization of collaboration networks

- Collaboration with local governments
 - Co-hosting joint-briefing with corporations for recruitment
 - Establishment of loan funds
 - Support through products such as the housing loan for those who live near parents
- Collaboration with universities
 - Proposal for technological consultation to universities
 - Exhibition at the "Business Encourage Fair"
 - Investing in venture funds
 - Consortium-based Research & Development Grant Program

Continuous engagement in regional revitalization initiatives



CSR Activities

Enhancement of CSR activities based on the concepts of “environment” and “education”

<<CSR activities concept>> To become a financial group that is relied on by the regional customers and the most trusted by the regional communities

For customers Provision of financial intermediary function

For regional communities Contributions to the regional communities

For shareholders and investors Enhancement of corporate value

For employees Enhancement of job satisfaction

Initiatives for enhancing CSR

Environment

Donation to environmental protection organizations, etc. from deposits/loan products
 -Time deposit for greenery promotion
 -Fund for Supporting Eco-friendly Companies
 Participation to voluntary tree-planting and grass-cutting activities at the “forests of symbiosis”
 Eco-friendly arrangement of bank branch premises

Culture

Contest for the original image that features the promotional calendar for Senshu Ikeda Bank
 Special sponsorship for the Kishiwada Castle Music Festival
 Sponsorship for National Chrysanthemum Exhibition
 Organizing events featuring exclusive private performance by the Takarazuka Revue
 Support towards World Heritage Inscription of Mozu-Furuichi Kofun Ancient Tumulus Clusters

Initiatives for regional revitalization

Expansion of product line-up that meets the needs of “people” in their respective life-stage
 -Housing loan for those who live near parents
 -“Angel” installment time deposit
 -Support loan for trying to conceive/child-rearing
 -Baby-friendly room in branches, etc.

Education

Organizing “ALL JAPAN HIGH SCHOOL ECONOMICS QUIZ TOURNAMENT” for Hyogo Prefecture tournament
 Jointly organizing Kwansai Gakuin Business Plan Contest
 Organizing the “Soccer School for Kids and Parents”
 Activities to improve financial literacy (visiting lecture at primary schools)

Health

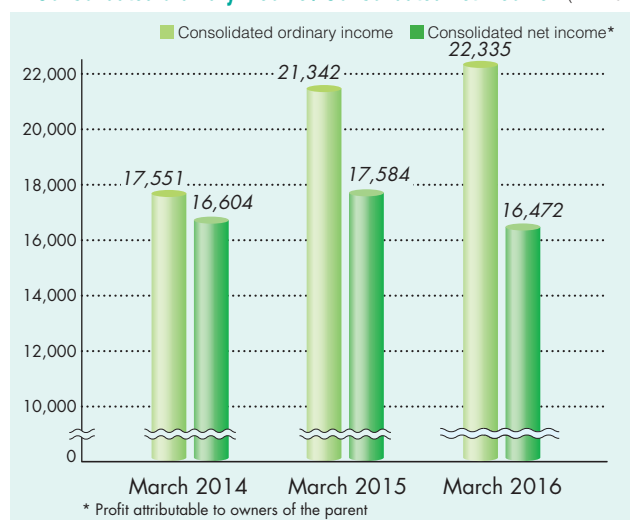
Special sponsorship for the Senshu International City Marathon
 Initiatives for enhancing cancer screening rate in Takarazuka-city
 Sponsorship for the Senshu Table Tennis Tournament

Commit to further strengthen our initiatives for “environment” and “education” in particular.

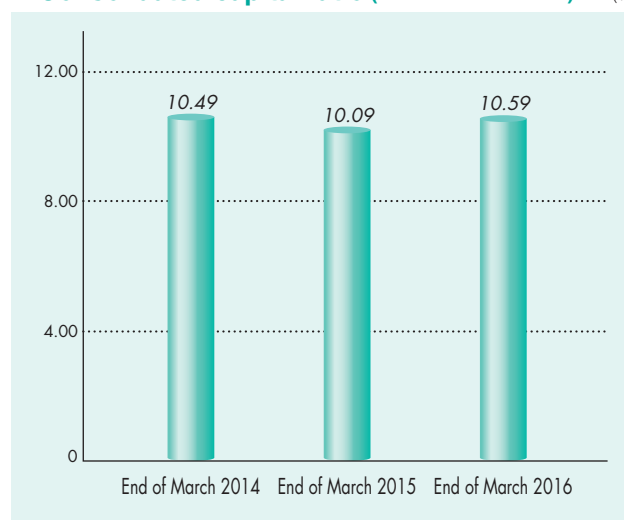
Business Overview of Senshu Ikeda Holdings

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 was on the path toward overcoming deflation completely and realizing economic recovery, as corporate earnings continued to improve thanks to economic measures led by the government and the Bank of Japan, and individual consumption remained solid reflecting the steady improvement of employment and income situations. Despite certain weaknesses resulting from the slowdown in China and other emerging economies, the economy overall remained on a moderated recovery trend.

With respect to prices, domestic corporate goods showed a gradual increase followed by a gradual decline due to falling international commodities prices and deteriorating supply and demand in Asia. In addition, while consumer prices (excluding fresh foods) remained on the same level, they exhibited a moderate rise, if petroleum products were excluded, due to the significant impact of falling energy prices.

In the financial markets, the monetary base continued to expand amid the ongoing monetary easing by the Bank of Japan. With the introduction of quantitative and qualitative monetary easing with negative interest rates in February, the unsecured overnight call rate which had previously stayed below 0.1% dipped into the negative range. Long-term interest rates gradually declined to the 0.2% range due to the effects of declining U.S. long-term interest rates and economic easing by the Bank of Japan. With the announcement of the negative interest rate policy at the end of January, interest rates declined further and dropped below negative 0.1% in March.

The Nikkei Stock Average rose thanks to the recovery of the domestic economy and improvements in corporate performance, reaching the 20,000 yen levels in April for the first time in nearly 15 years. Subsequently, the Nikkei Stock Average dropped below 15,000 yen due to uncertainties about the slowdown of the Chinese economy and geopolitical risks, among other factors. However, the stability was later restored and the Nikkei Stock Average closed out the year in the 16,500-17,000 yen range.

Business Performance

With regard to the consolidated performance of Senshu Ikeda Holdings Group in the fiscal year under review, consolidated ordinary revenue decreased ¥3,977 million from the previous fiscal year to ¥110,347 million. This was due to a decrease in interest income mainly as a result of the decline in interest on loans and bills discounted, a decrease in fees and commissions due to a decline in commission income on sales of assets under management and a decrease in other operating income due to decreased gains on sales of debt securities.

Consolidated ordinary expenses decreased ¥4,971 million from the previous fiscal year to ¥88,011 million. This was due to a decrease in interest expenses primarily because of a decline in the deposit rate, a decrease in other operating expenses due to decreased losses on sales of debt securities and a decrease general and administrative expenses due to cost reductions.

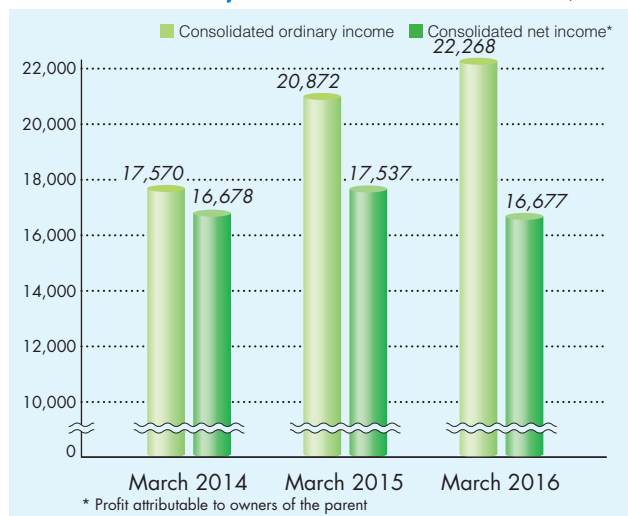
As a result, consolidated ordinary income increased ¥993 million from the previous fiscal year to ¥22,335 million. The "Act on Partial Revision of Income Tax Act, etc." (Act No. 15 of 2016) and other laws passed the Diet on March 29, 2016. As the corporate tax rate for fiscal years commencing on and after April 1, 2016 was lowered, it became necessary to reverse ¥4,710 million in deferred tax assets and total income taxes of ¥5,343 million were reported. As a result, profit attributable to owners of the parent decreased ¥1,112 million from the previous fiscal year to ¥16,472 million.

Senshu Ikeda Holdings Group's consolidated capital ratio was 10.59%, which is well above the 4% level required of banks subject to domestic standards.

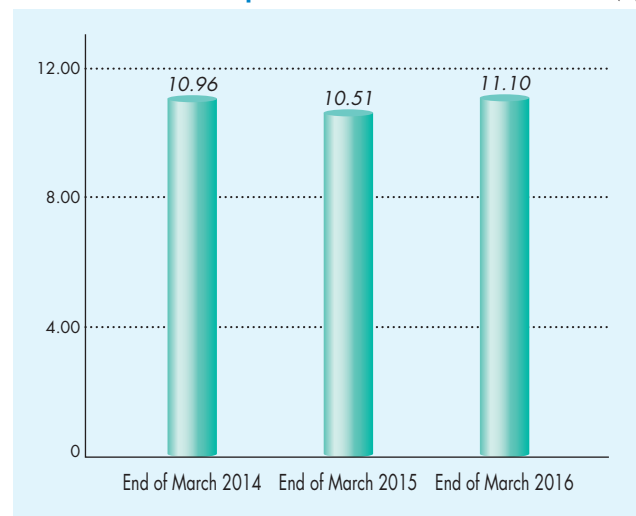
Business Overview of The Senshu Ikeda Bank

Consolidated

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

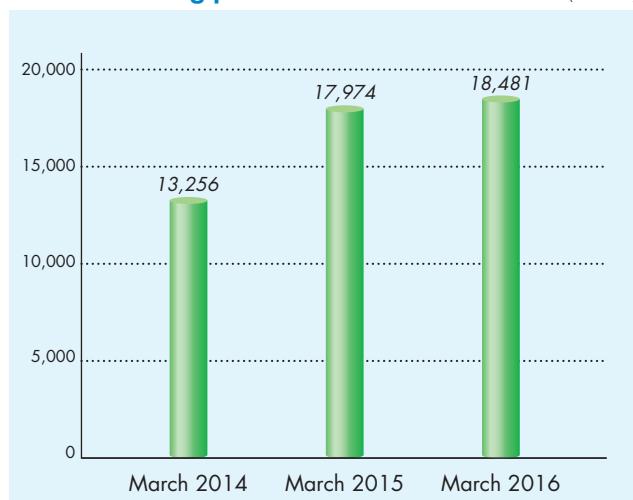


Consolidated capital ratio (domestic standard) (%)

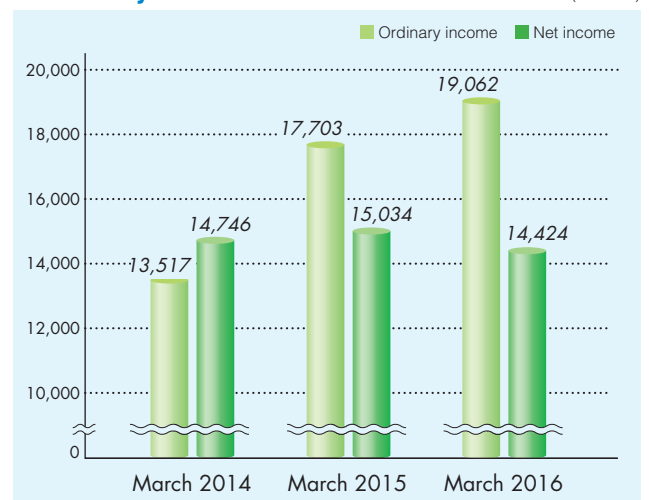


Non-consolidated

Core banking profit (¥ million)



Ordinary income / Net income (¥ million)



Business Performance (Consolidated)

With regard to the consolidated performance of Senshu Ikeda Bank Group in the fiscal year under review, consolidated ordinary revenue decreased ¥3,943 million from the previous fiscal year to ¥108,643 million. This was due to a decrease in interest income mainly as a result of the decline in interest on loans and bills discounted, a decrease in fees and commissions due to a decline in commission income on sales of assets under management and a decrease in other operating income due to decreased gains on sales of debt securities.

Consolidated ordinary expenses decreased ¥5,338 million from the previous fiscal year to ¥86,375 million. This was due to a decrease in interest expenses primarily because of a decline in the deposit rate, a decrease in other operating expenses due to decreased losses on sales of debt securities and a decrease

general and administrative expenses due to cost reductions.

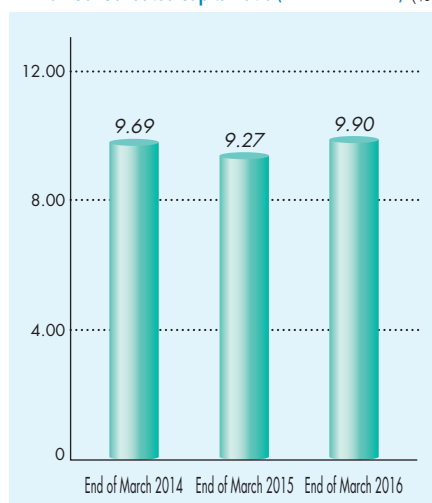
As a result, consolidated ordinary income increased ¥1,396 million from the previous fiscal year to ¥22,268 million. The “Act on Partial Revision of Income Tax Act, etc.” and other laws passed the Diet on March 29, 2016. As the corporate tax rate for fiscal years commencing on and after April 1, 2016 was lowered, it became necessary to reverse ¥4,690 million in deferred tax assets and total income taxes of ¥5,197 million were reported. As a result, profit attributable to owners of the parent decreased ¥860 million from the previous fiscal year to ¥16,677 million.

Senshu Ikeda Bank Group's consolidated capital ratio was 11.10%, which is well above the 4% level required of banks subject to domestic standards.

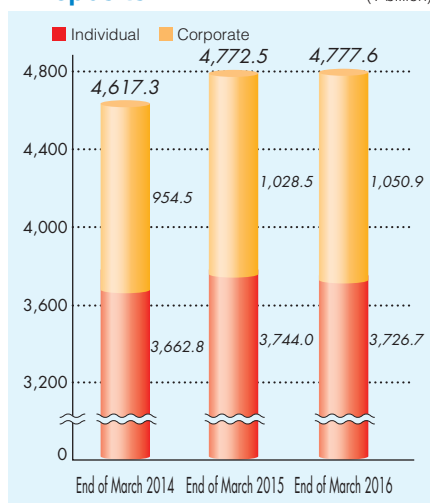
Business Overview of The Senshu Ikeda Bank and Senshu Ikeda Tokai Tokyo Securities

Non-consolidated

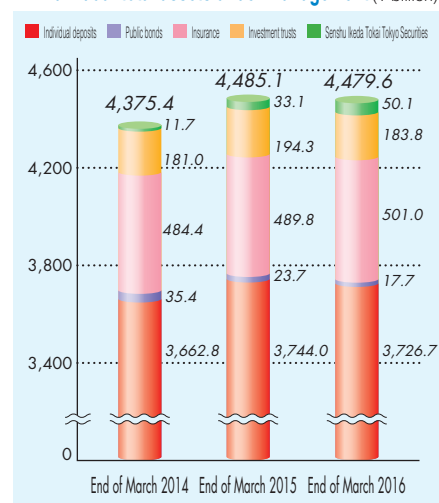
Non-consolidated capital ratio (domestic standard) (%)



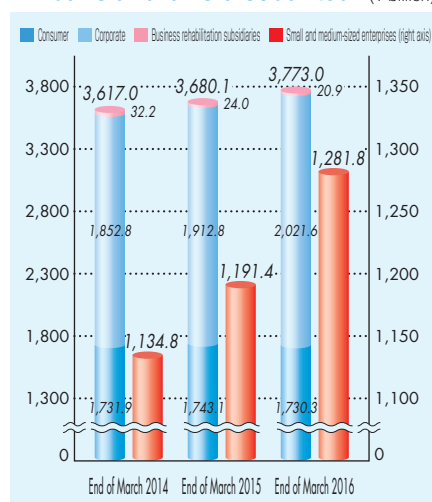
Deposits



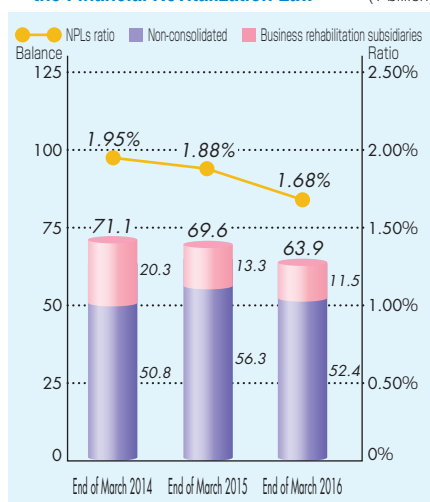
Individual total assets under management (¥ billion)



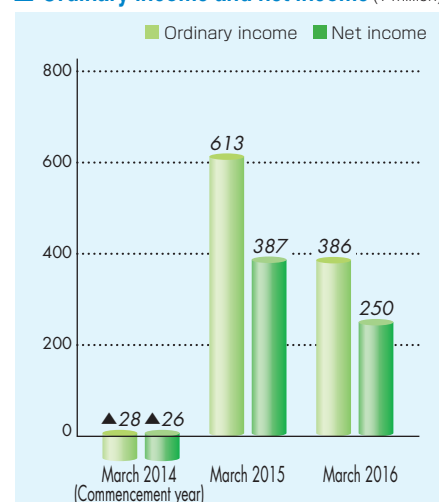
Loans and bills discounted



Balance and ratio of credits disclosed under the Financial Revitalization Law



Senshu Ikeda Tokai Tokyo Securities Ordinary income and net income (¥ million)



Business Performance (Non-consolidated)

With regard to the non-consolidated performance of the Senshu Ikeda Bank in the fiscal year under review, ordinary revenue decreased ¥3,808 million from the previous fiscal year to ¥95,931 million. This was due to a decrease in interest income mainly as a result of the decline in interest on loans and bills discounted, a decrease in fees and commissions due to a decline in commission income on sales of assets under management and a decrease in other operating income due to decreased gains on sales of debt securities.

Ordinary expenses decreased ¥5,167 million from the previous fiscal year to ¥76,869 million. This was due to a decrease in interest expenses primarily because of a decline in the deposit rate, a decrease in other operating expenses due to decreased losses on sales of debt securities and a decrease general and administrative expenses due to cost reductions.

As a result, core banking profit increased ¥507 million from the previous fiscal year to ¥18,481 million and ordinary income increased ¥1,359 million to ¥19,062 million. The "Act on Partial Revision of Income Tax Act, etc." and other laws passed the Diet on March 29, 2016.

As the corporate tax rate for fiscal years commencing on and after April 1, 2016 was lowered, it became necessary to reverse ¥4,491 million in deferred tax assets and total income taxes of ¥4,279 million were reported. As a result, net income decreased ¥610 million from the previous fiscal year to ¥14,424 million.

The balance of deposits at the end of March 2016 increased ¥5.1 billion from the end of March 2015 to ¥4,777.6 billion. Individual total assets under management, including those at Senshu Ikeda Tokai Tokyo Securities, at the end of March 2016, stood at ¥4,479.6 billion.

The balance of loans and bills discounted at the end of March 2016 increased ¥96.0 billion from the end of March 2015 to ¥3,752.0 billion, mainly for regional small and medium-sized enterprises.

The balance of credits disclosed under the Financial Revitalization Law at the end of March 2016, including two business rehabilitation subsidiaries, decreased ¥5.7 billion from the end of March 2015 to ¥63.9 billion. As a result, the non-performing loans (NPLs) ratio at the end of March 2016 declined 0.20% from the end of March 2015 to 1.68%.

Corporate Governance

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

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

Outline of Corporate Governance Structure

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

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

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 10 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.

● Personnel Committee

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

● Remuneration Committee

The Remuneration Committee has been established to deliberate matters including compensations for directors. The Committee comprises three directors including one internal director and two outside directors, one of whom is elected as chairman. The Committee, as a voluntary advisory body to the Board of Directors, accepts the involvement and advice of

independent outside directors, for the purpose of ensuring the objectivity and transparency of board functions and strengthening corporate governance.

● The Audit & Supervisory Board

The Company has adopted a audit & supervisory board member system. Under this system, the Company ensures transparency through appointing 2 outside audit & supervisory board members of the 4 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 11 certified public accountants and 10 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 semi-annual basis to bring said Plan into shape.

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

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

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

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

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

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

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

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

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

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

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

Moreover, to complement this arrangement, the Company and the Group companies have established a structure whereby audit & supervisory board members are permitted to attend important meetings such as those of the Board of Directors, the Management Committee, the Compliance Committee, the 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 Company's Internal Audit Division comprises eleven members of whom eight serve concurrently in the Internal Audit Division of the banking subsidiary (as of March 31, 2016). The Internal Audit Division conducts internal audits on each division of the Company based on the internal audit plan approved by the Board of Directors each year. The Internal Audit Division also conducts internal audits on each Group company, as necessary, on its own or by cooperating and coordinating with internal audit divisions of the subsidiaries, etc. and provides specific instructions and advice on the improvement of operations, in addition to managing and overseeing internal audit operations of the entire Group.

● Audits by audit & supervisory board members

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

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

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

Outside Directors and Outside Audit & Supervisory Board Members

The Company has 2 outside directors and 2 outside audit & supervisory board members. The Company has set forth the following standards for the independence of outside directors and outside audit & supervisory board members (hereinafter "outside officers") in order to objectively determine their independence and elects outside officers on the basis of these standards. All four outside officers, namely outside directors, Taro Ohashi and Kazuo Hiramatsu, and outside audit & supervisory board members, Toshiaki Imanaka and Toshiaki Sasaki, satisfy the standards for the independence. They have been designated and notified to the Tokyo Stock Exchange as independent officers, as they satisfy the requirements of independence stipulated by the relevant stock exchange and pose no potential conflict of interests with general shareholders.

<Standard for judging the independence>

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

1. A person who deems the Group to be a major² business partner, or in the case of a company, an executing person thereof.
2. A person who the Group deems to be a major business partner, or in the case of a company, an executing person thereof.
3. A business consultant, an accounting specialist or a legal specialist who has received a large sum³ of money and other properties other than Officers' remuneration from the Group (or a quasi-executing person who has belonged to the payee's group).
4. A person who the Company deems to be a major shareholder⁴ of the Company, or in the case of a company, an executing person thereof.
5. A payee of a large sum of donation from the Group, or a quasi-executing person of the payee's group, in the case where the receiver of the monies, etc., is an entity.
6. A former executing person of any of the Group companies in the past.⁵
7. A relative⁶ of a person (excluding those who are not significant) mentioned below:
 - A. A person who is mentioned in the aforesaid items 1 through 6.
 - B. Directors, Audit & Supervisory Board Members, Executive Officers and important employees of any of the Group companies.

Notes:

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

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 16,010 shares of common stock of the Company (as of March 31, 2016).

As he has experience in corporate management as a representative director of a listed company, he will sufficiently perform supervision duties over the business execution of directors.

Outside director Kazuo Hiramatsu serves as a standing 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.

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 29,560 shares of common stock of the Company (as of March 31, 2016).

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.

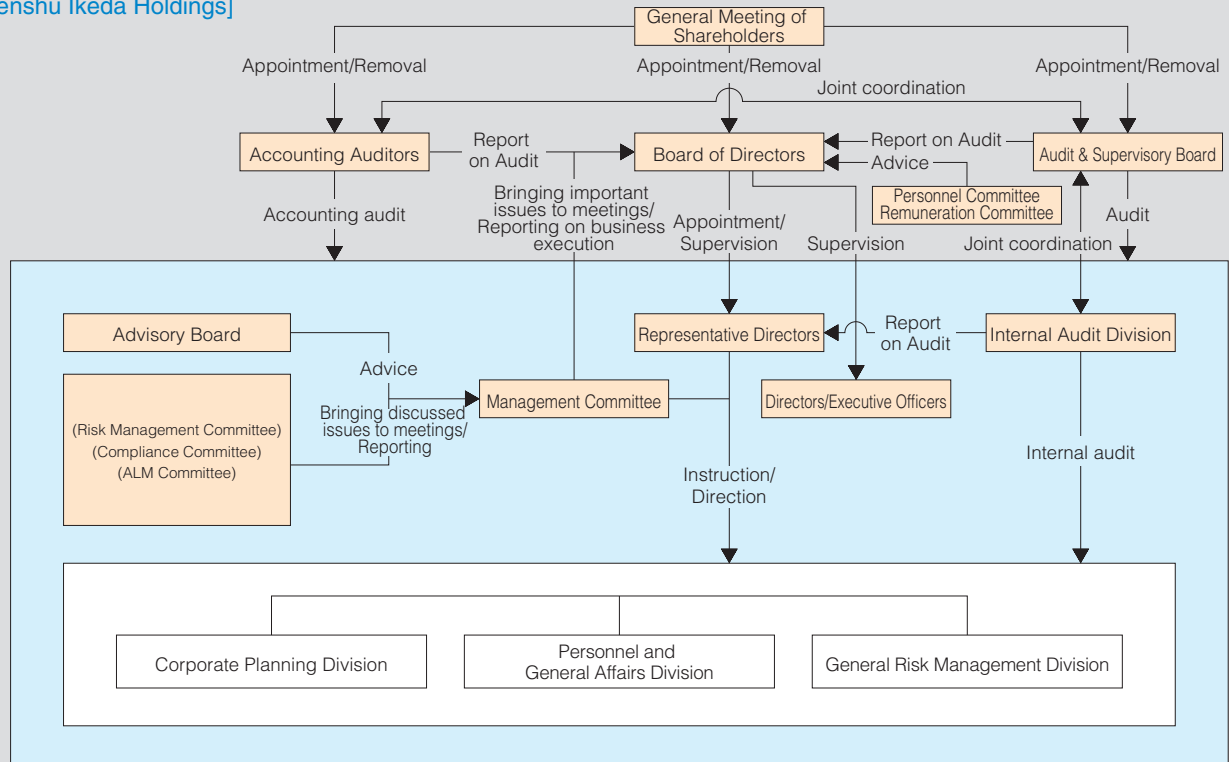
The Company has appointed 2 outside directors out of 10 directors while two outside audit & supervisory board members out of four. Thus the Company has developed a structure sufficient to continuously enhance its enterprise value through such appointment of outside directors and outside audit & supervisory 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.

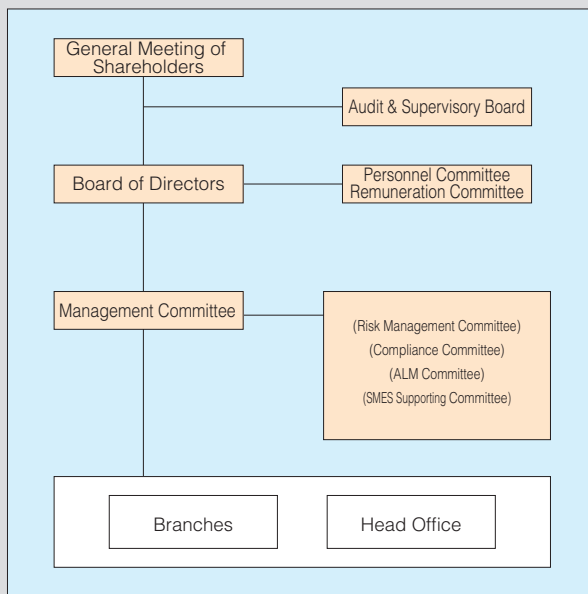
Corporate governance structure of the Group

(As of the end of June, 2016)

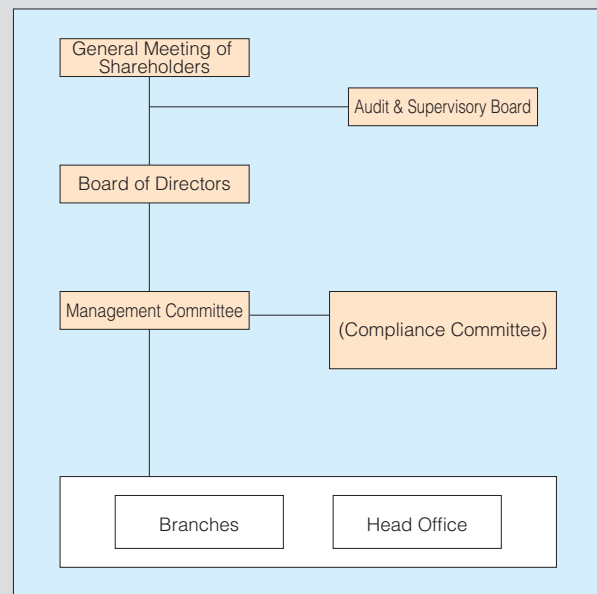
[Senshu Ikeda Holdings]



[The Senshu Ikeda Bank]



[Senshu Ikeda Tokai Tokyo Securities]



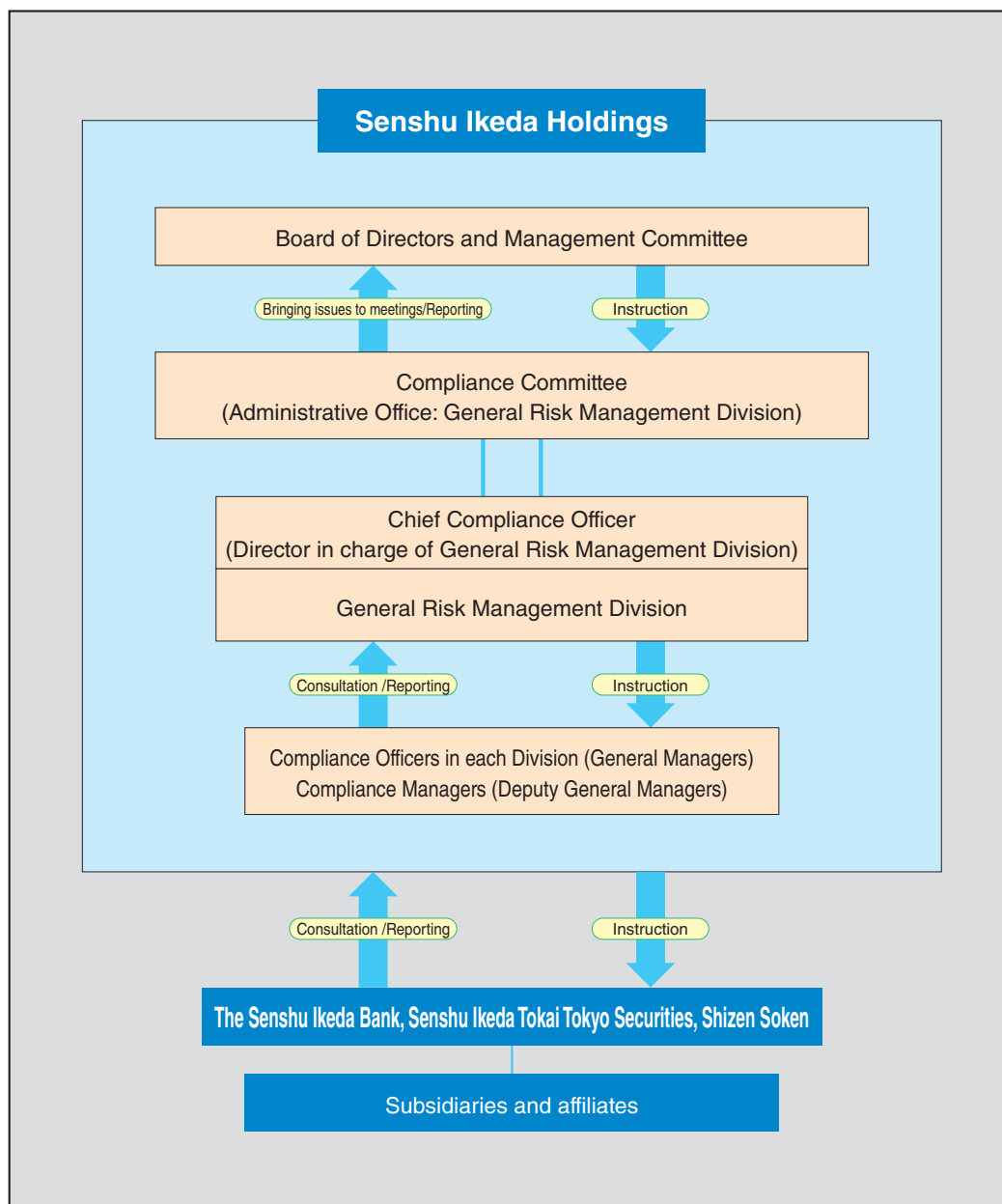
Compliance Structure

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

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

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

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



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

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

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

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

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

Code of Ethics

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

1. Winning the trust from our customers

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

2. Implementing “customer first policy”

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

3. Strict compliance

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

4. Respecting human rights and the environment

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

5. Eliminating anti-social forces

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

Risk Management Structure

■ Basic Approach to Risk Management

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

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

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

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

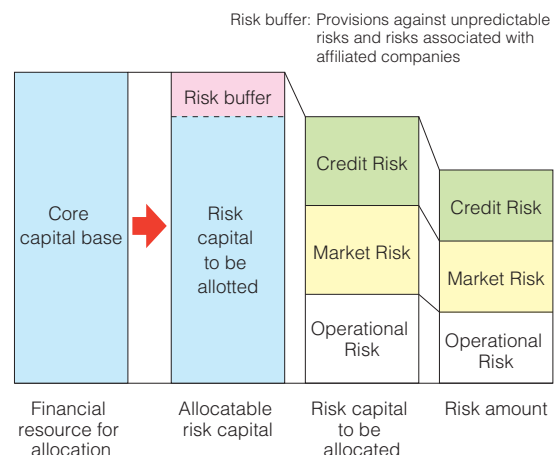
face. The Company evaluates the risks divided into categories of credit risk, credit concentration risk outside the calculation of capital ratio, interest rate risk in banking accounts, market risk and operational risk, and compares them with its management strength (capital ratio).

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.



■ Integrated Risk Management

● Integrated risk management

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

● 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.

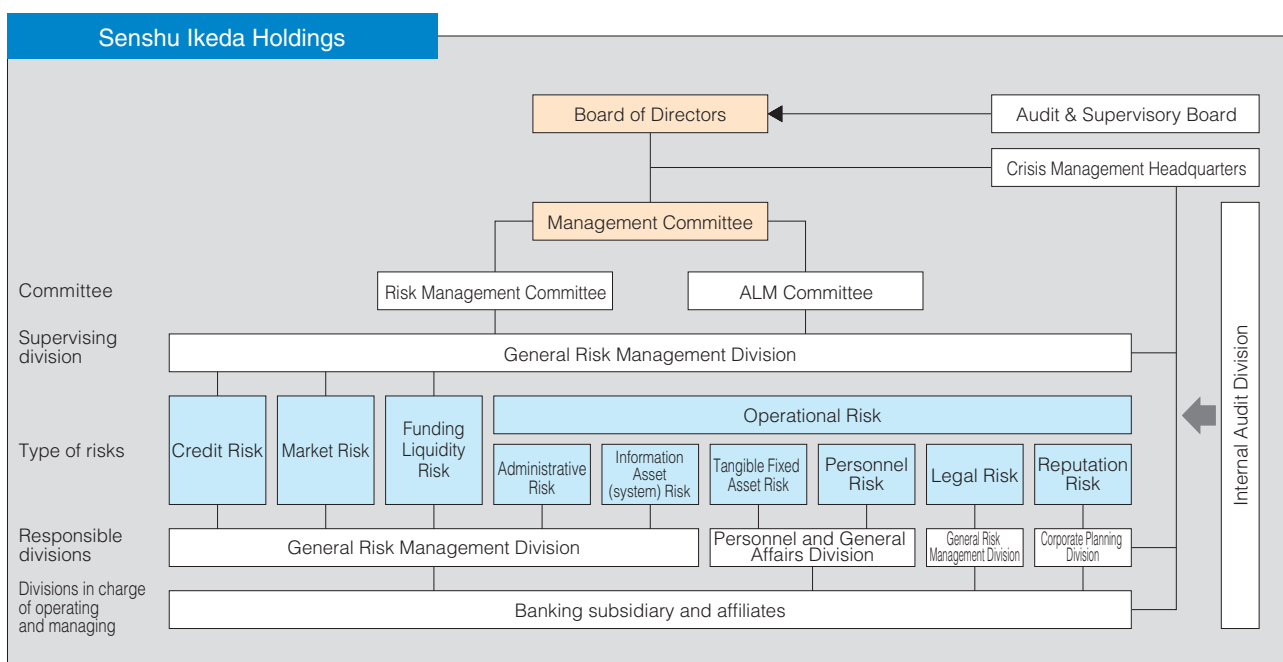
The Group works to avoid reputation risk by disclosing information proactively thorough increases the transparency of its management, taking into consideration the crucial influence on the management of the Group.

■ 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 June, 2016)

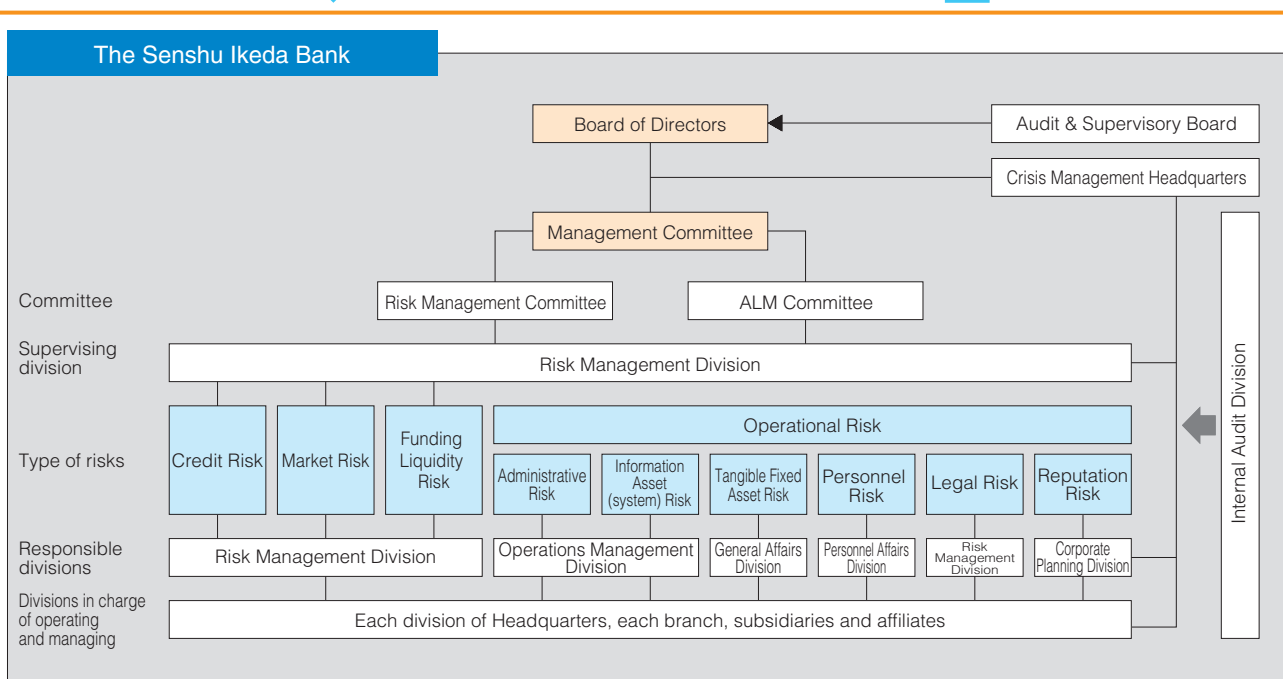


Direction of basic policies, etc.

Administration and management

Reporting on status of risk management

Consultation on risk management



Senshu Ikeda Tokai Tokyo Securities

Shizen Soken

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.

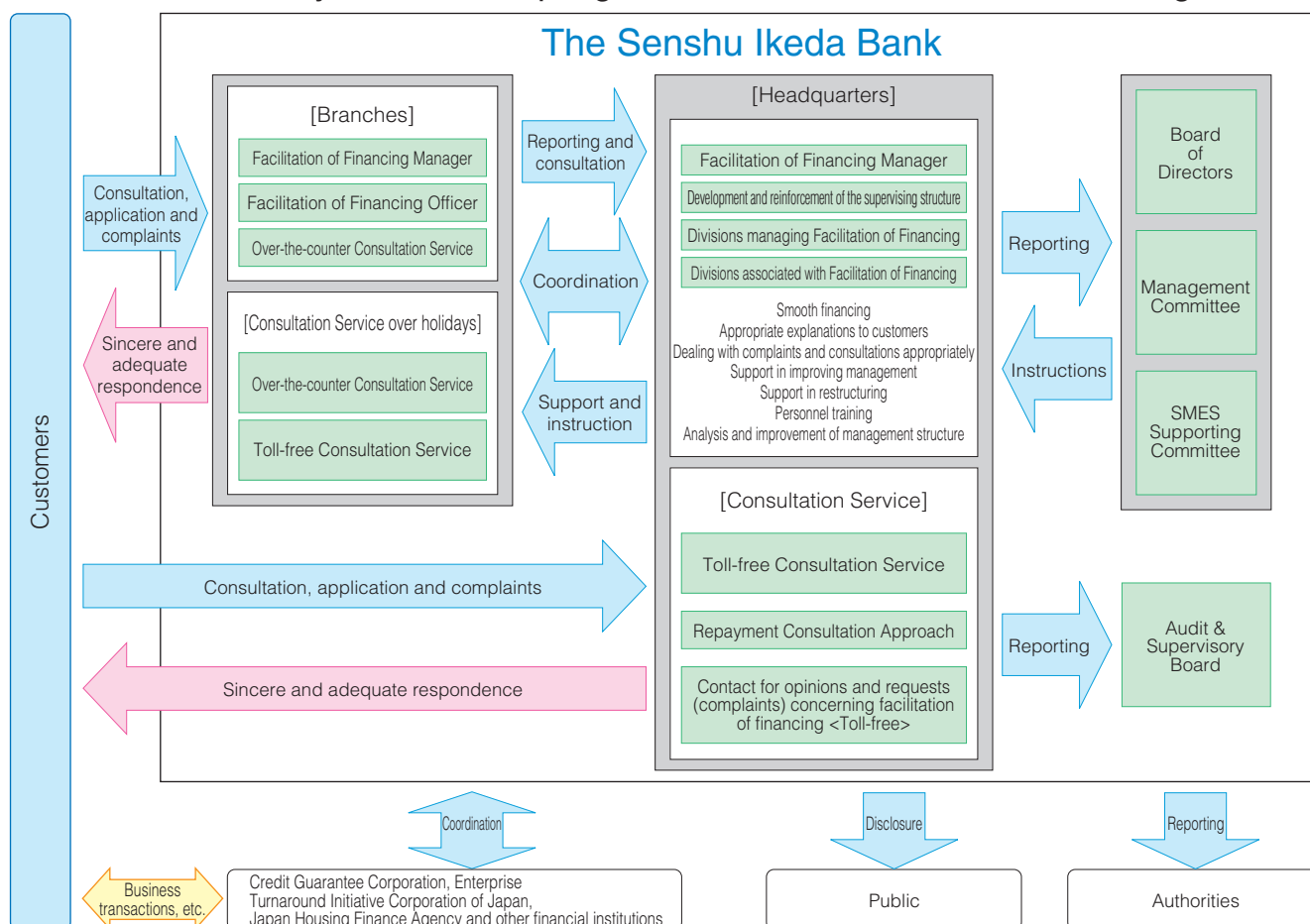
● Organizational structure

- (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 2016)

Senshu Ikeda Holdings, Inc.

Establishment: October 1, 2009
 Location: 18-14 Chayamachi, Kita-ku, Osaka-City, Osaka 530-0013, Japan
 Phone: 81-(0)6-4802-0181
 URL: <http://www.senshuikeda-hd.co.jp>
 Share Capital: ¥102.9 billion
 Business Activities: Management and other related operations of banks and affiliates whose shares can be held in accordance with the Banking Act and other related operations.
 Number of Employees: 97
 Stock Listing: Tokyo Stock Exchange

The Senshu Ikeda Bank, Ltd.

Establishment: September 1, 1951
 Location: 18-14 Chayamachi, Kita-ku, Osaka-City, Osaka 530-0013, Japan
 Phone: 81-(0)6-6375-1005
 URL: <http://www.sihd-bk.jp>
 Share Capital: ¥61.3 billion
 Deposits: ¥4.7776 trillion
 Loans: ¥3.7520 trillion
 Number of Branches: 139
 Number of Employees: 2,470

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: 81

Major Shareholders (As of March 31, 2016)

1. Common stock

Name	Number of Shares Owned (Thousands)	Proportion of Total Shares (%)
Japan Trustee Services Bank, Ltd. (Trust Account) *1	54,947	19.55
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	11,869	4.22
Japan Trustee Services Bank, Ltd.(Trust Account 4G)*1	7,712	2.74
The Master Trust Bank of Japan, Ltd. (Trust Account)*1	6,718	2.39
Japan Trustee Services Bank, Ltd.(Trust Account 9G)*1.	6,657	2.36
The Senshu Ikeda Bank Employees' Shareholders Association	6,012	2.13
The Nomura Trust and Banking Co., Ltd. (Trust Account of The Senshu Ikeda Bank Employees' Shareholders Association)	5,377	1.91
ITAMI SANGYO CO., LTD.	3,692	1.31
CBNY DFA INTL SMALL CAP VALUE PORTOFOLIO (Standing proxy: Citibank Japan)	3,542	1.26
OBAYASHI CORPORATION	3,318	1.18

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

2. Third-class preferred stock

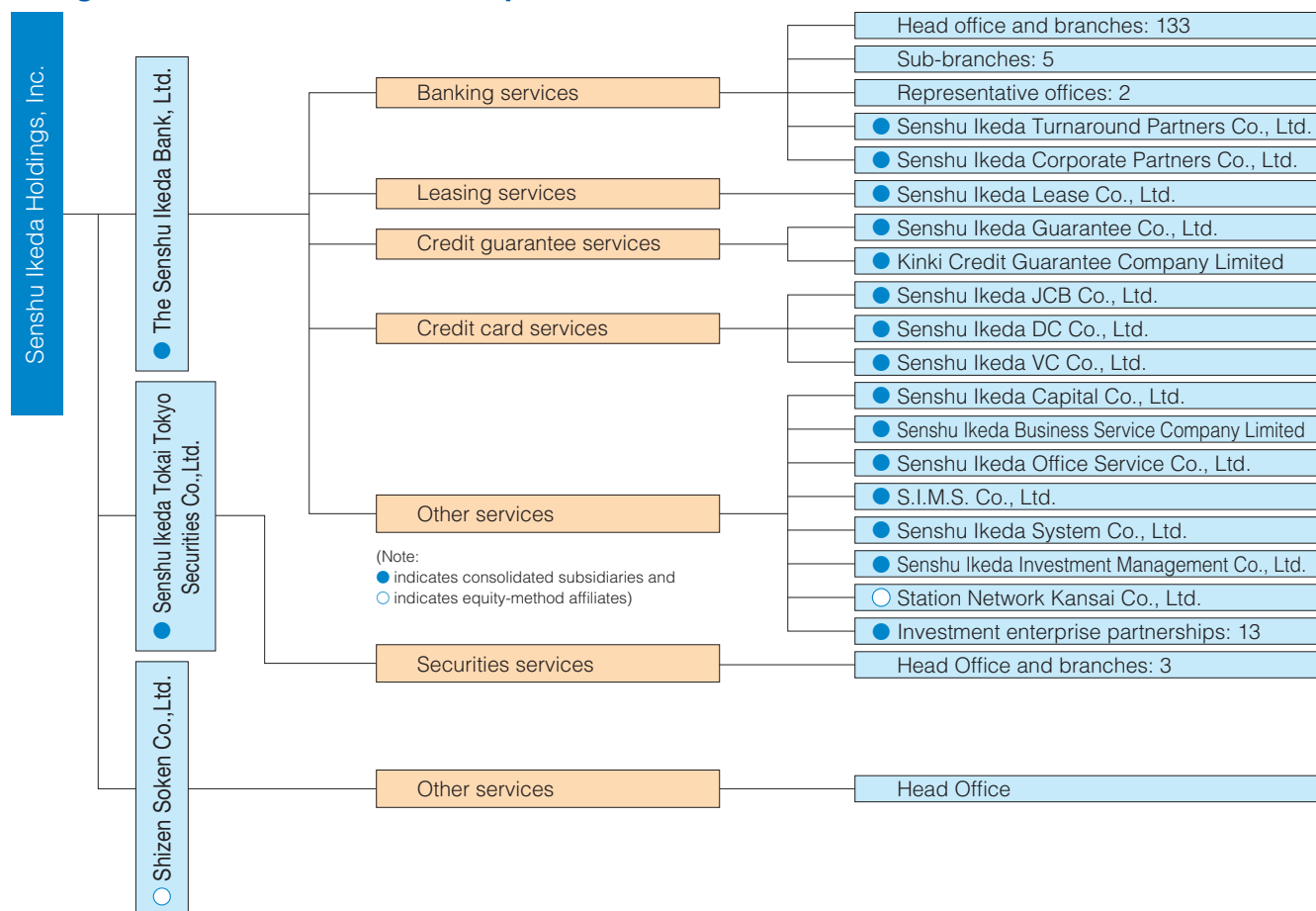
Name	Number of Shares Owned (Thousands)	Proportion of Total Shares (%)
Development Bank of Japan Inc.	1,500	20.00
Aozora Bank, Ltd.	1,500	20.00
DAIDO LIFE INSURANCE COMPANY	1,500	20.00
ITAMI SANGYO CO., LTD.	500	6.67
NEC Capital Solutions Limited	500	6.67
IBJ Leasing Company, Limited	500	6.67
SHIMA SEIKI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

3. First series of seventh-class preferred stock

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

Business Description of the Group

Organizational Chart of the Group (As of the end of June, 2016)



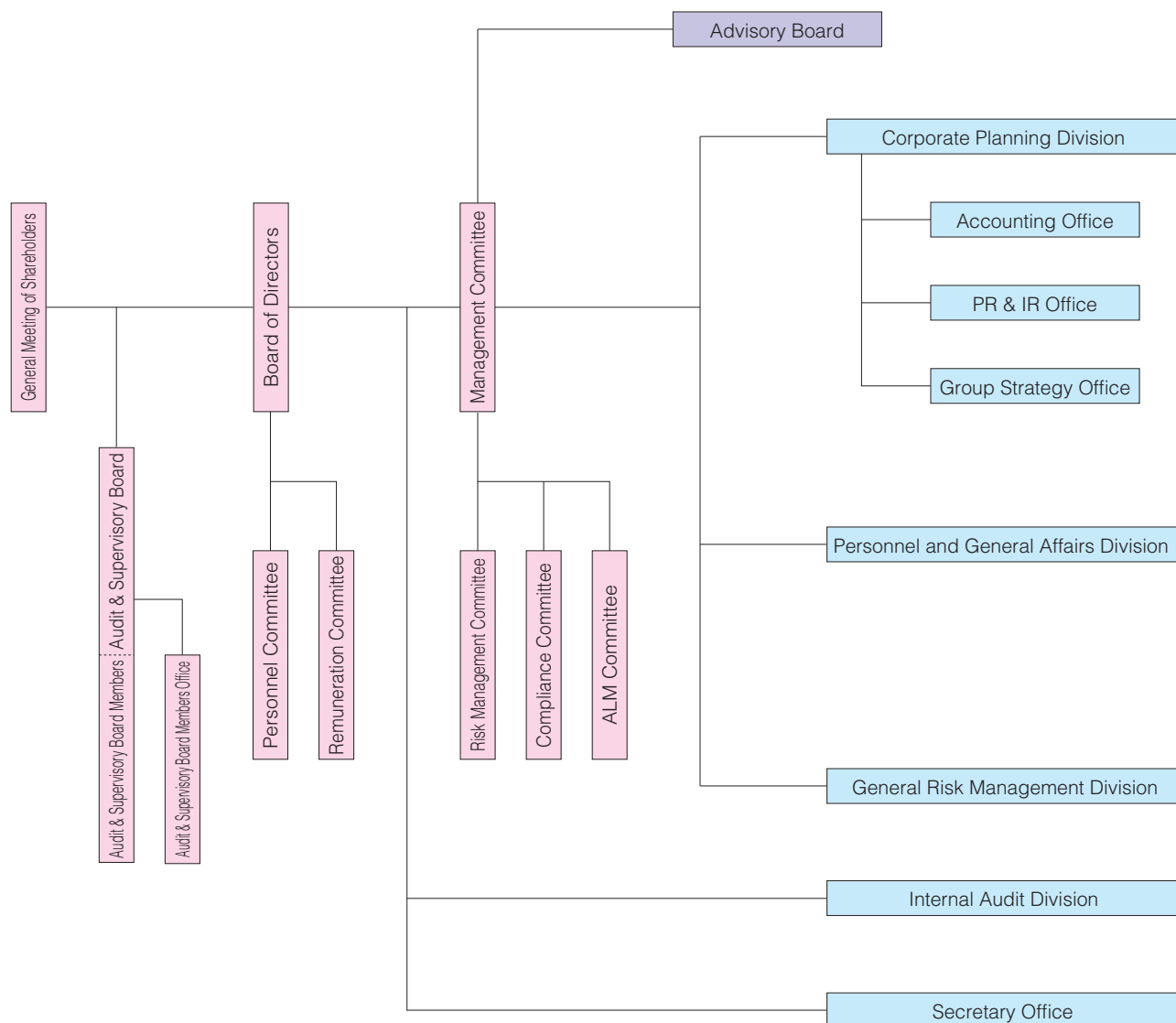
Subsidiaries and Affiliates (As of the end of June, 2016)

	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	—	96.92
	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	—
	Station Network Kansai Co., Ltd.	1-4-8, Shibata, Kita-ku, Osaka-city	Planning and operation of ATM at station	June 29, 2000	100	—	40.00

Organization and Board of Directors

Senshu Ikeda Holdings

■ Organization (As of the end of June, 2016)

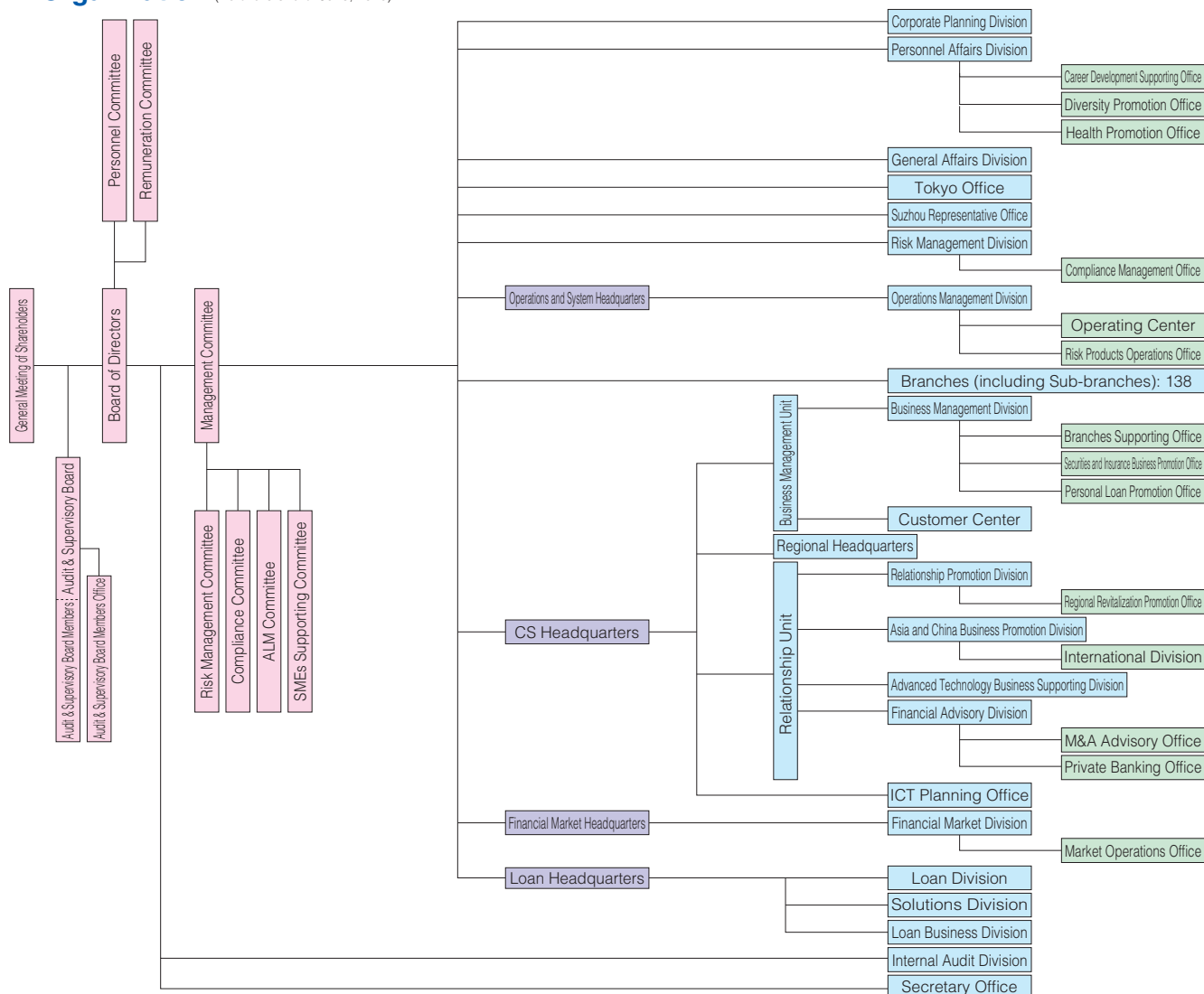


■ Board of Directors (As of June 28, 2016)

Representative Director and President	Hirohisa Fujita	Director	Atsushi Ukawa	Director	Hiro Maeno	Audit & Supervisory Board Member (Full-time)	Takashi Nishi
Representative Director and Chairman	Kazuyuki Kataoka	Director	Akira Tahara	Director	Yasuki Hosomi	Audit & Supervisory Board Member (Full-time)	Shigeru Aoyagi
		Director	Takayuki Ota	Director (Outside)	Taro Ohashi	Audit & Supervisory Board Member (Outside)	Toshiaki Imanaka
		Director	Motoshi Inoue	Director (Outside)	Kazuo Hiramatsu	Audit & Supervisory Board Member (Outside)	Toshiaki Sasaki

The Senshu Ikeda Bank

■ Organization (As of the end of June, 2016)



■ Board of Directors (As of June 28, 2016)

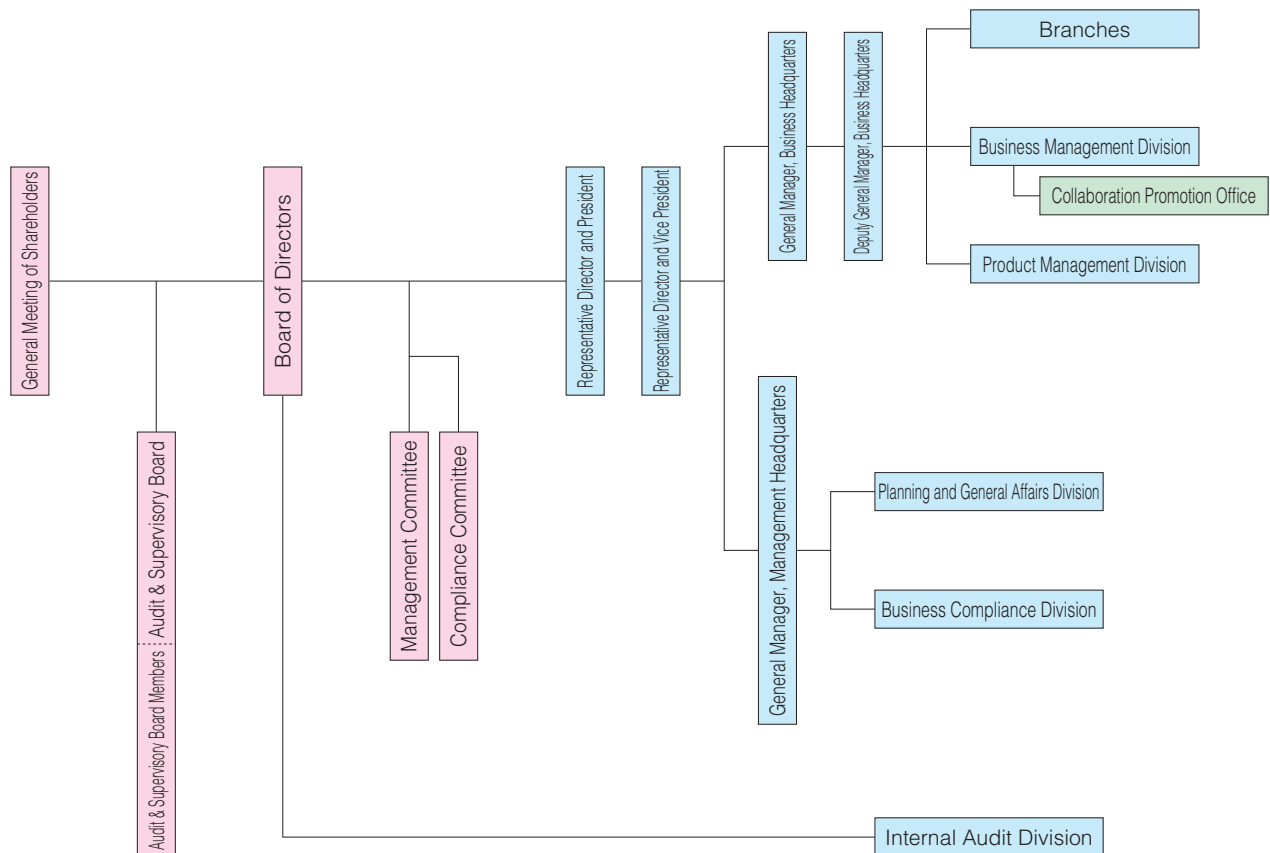
Representative Director and President	Hirohisa Fujita	Director & Senior Managing Executive Officer	Atsushi Ukawa	Director & Managing Executive Officer	Hiro Maeno	Audit & Supervisory Board Member (Full-time)	Hiroaki Kobayashi
Representative Director and Chairman	Kazuyuki Kataoka	Director & Senior Managing Executive Officer	Akira Tahara	Director & Managing Executive Officer	Yasuki Hosomi	Audit & Supervisory Board Member (Full-time)	Satoshi Kitagawa
		Director & Senior Managing Executive Officer	Takayuki Ota	Director (Outside)	Minoru Furukawa	Audit & Supervisory Board Member (Outside)	Tsuneo Yamada
		Director & Senior Managing Executive Officer	Motoshi Inoue	Director (Outside)	Takao Koyama	Audit & Supervisory Board Member (Outside)	Kenichi Yoshimoto

■ Executive Officers (As of June 28, 2016)

Senior Managing Executive Officer	Masahiro Saito	Managing Executive Officer	Koji Miyata	Executive Officer	Akihito Okumura	Executive Officer	Tsutomu Irie
Senior Managing Executive Officer	Takashi Noda	Managing Executive Officer	Shinji Inoue	Executive Officer	Kou Tanaka	Executive Officer	Susumu Yamagata
Senior Managing Executive Officer	Susumu Kawakami	Executive Officer	Osamu Horiuchi	Executive Officer	Tadashi Ichikawa		
Managing Executive Officer	Hirotsugu Maekawa	Executive Officer	Satoru Kusumoto	Executive Officer	Jun Matsumura		
Managing Executive Officer	Masahiro Horikawa	Executive Officer	Muneharu Kurita	Executive Officer	Hirohito Sakaguchi		

Senshu Ikeda Tokai Tokyo Securities

■ Organization (As of the end of June, 2016)



■ Board of Directors (As of June 28, 2016)

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

■ Executive Officers (As of June 28, 2016)

Executive Officer	Toshiyuki Inoue
Executive Officer	Wataru Kondo

Consolidated Financial Information of Senshu Ikeda Holdings

Consolidated Balance Sheets

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries
As of 31st March, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Assets			
Cash and due from banks (Notes 27 and 33)	¥ 460,293	¥ 544,513	\$ 4,084,957
Call loans and bills bought (Note 33)	885	616	7,854
Monetary claims bought (Note 33)	67	87	594
Trading account securities (Notes 4 and 33)	221	177	1,961
Money held in trust (Notes 6 and 33)	27,000	27,000	239,616
Securities (Notes 5, 7, 12, 20 and 33)	1,026,804	1,139,284	9,112,566
Loans and bills discounted (Notes 8, 12 and 33)	3,765,182	3,672,521	33,414,820
Foreign exchange assets (Notes 9 and 33)	6,451	6,321	57,250
Other assets (Notes 10 and 12)	63,765	65,835	565,894
Tangible fixed assets (Note 11)	38,714	37,276	343,574
Intangible fixed assets	6,123	7,470	54,339
Net defined benefit assets (Note 18)	13,018	16,014	115,530
Deferred tax assets (Note 29)	14,181	17,224	125,851
Customers' liabilities for acceptances and guarantees	14,399	17,098	127,786
Reserve for possible loan losses	(30,483)	(31,907)	(270,527)
Total assets	¥ 5,406,626	¥ 5,519,533	\$ 47,982,126
Liabilities and net assets			
Liabilities			
Deposits (Notes 12, 13 and 33)	¥ 4,730,075	¥ 4,737,122	\$ 41,977,946
Negotiable certificates of deposit (Note 33)	3,800	1,543	33,723
Payables under securities lending transactions (Notes 12 and 33)	211,509	251,176	1,877,076
Borrowed money (Notes 12, 14, 33, 34 and 36)	86,216	159,198	765,140
Foreign exchange liabilities (Notes 15 and 33)	429	538	3,807
Corporate bonds and notes (Notes 16 and 33)	55,000	70,000	488,107
Other liabilities (Notes 12 and 17)	43,488	45,123	385,942
Provision for employees' bonuses	1,787	1,682	15,859
Net defined benefit liability (Note 18)	741	137	6,576
Accrued retirement benefits for directors and corporate auditors	39	39	346
Reserve for reimbursement of deposits	456	409	4,046
Reserve for point services	223	199	1,979
Reserve for contingent losses	343	351	3,044
Reserve under special laws	0	1	0
Deferred tax liabilities (Note 29)	110	121	976
Acceptances and guarantees (Note 20)	14,399	17,098	127,786
Total liabilities	5,148,621	5,284,745	45,692,412
Net assets			
Shareholders' equity (Note 21):			
Capital stock	102,999	79,811	914,084
Capital surplus	57,361	59,197	509,061
Retained earnings	68,521	60,155	608,102
Treasury stock	(2,678)	(253)	(23,766)
Total shareholders' equity	226,203	198,910	2,007,481
Accumulated other comprehensive income:			
Net unrealized gain (loss) on available-for-sale securities (Note 7)	21,753	21,101	193,051
Net unrealized gain (loss) on deferred hedges (Note 34)	(144)	5	(1,277)
Remeasurements of defined benefit plans	1,927	6,214	17,101
Total accumulated other comprehensive income	23,536	27,321	208,874
Stock subscription rights (Note 21)	91	69	807
Non-controlling interests	8,172	8,485	72,523
Total net assets	258,005	234,788	2,289,714
Total liabilities and net assets	¥ 5,406,626	¥ 5,519,533	\$ 47,982,126

See accompanying notes to consolidated financial statements

Consolidated Statements of Operations

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries
For the years ended 31st March, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Income			
Interest income:			
Interest on loans and bills discounted (Note 32)	¥ 45,467	¥ 48,164	\$ 403,505
Interest and dividends on securities	15,211	15,058	134,992
Other interest income	686	459	6,088
Fees and commissions	20,281	21,514	179,987
Other operating income (Note 22)	8,532	11,036	75,718
Reversal of provision for possible loan losses	117	1,350	1,038
Recoveries of written-off claims	1,481	1,768	13,143
Gain on negative goodwill	—	1,596	—
Other income (Note 23)	18,567	15,054	164,776
Total income	110,347	116,002	979,295
Expenses			
Interest expenses:			
Interest on deposits	4,470	5,589	39,669
Interest on borrowings and rediscounts	676	734	5,999
Other interest expenses	2,475	1,886	21,964
Fees and commissions	5,835	5,706	51,783
Other operating expenses (Note 24)	11,631	14,350	103,221
General and administrative expenses	50,063	51,794	444,293
Loss on sales or disposal of fixed assets	118	93	1,047
Loss on impairment of fixed assets	291	36	2,582
Loss on change in ownership interest	—	0	—
Other expenses (Note 25)	12,858	12,920	114,110
Total expenses	88,422	93,112	784,717
Income before income taxes	21,925	22,890	194,577
Income taxes (Note 29)			
Current	632	1,869	5,608
Deferred	4,710	2,407	41,799
Total income taxes	5,343	4,277	47,417
Profit	16,582	18,613	147,160
Profit attributable to non-controlling interests	109	1,028	967
Profit attributable to owners of the parent	¥ 16,472	¥ 17,584	\$ 146,183

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, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Profit	¥ 16,582	¥ 18,613	\$ 147,160
Other comprehensive income (Note 30)			
Net unrealized gain (loss) on available-for-sale securities	652	21,258	5,786
Net unrealized gain (loss) on deferred hedges	(150)	4	(1,331)
Remeasurements of defined benefit plans	(4,286)	5,193	(38,036)
Total other comprehensive income	(3,784)	26,456	(33,581)
Comprehensive income	¥ 12,797	¥ 45,069	\$ 113,569
Total comprehensive income attributable to:			
Owners of the parent	12,687	44,030	112,593
Non-controlling interests	110	1,038	976

Consolidated Statement of Changes in Net Assets

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries
Year Ended March 31, 2016

	Millions of Yen										
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholder's equity	Accumulated other comprehensive income					Total net assets
						Net unrealized gain (loss) on available-for-sale securities	Net unrealized gain (loss) on deferred hedges	Remeasurements of defined benefit plans	Stock subscription rights	Non-controlling interests	
BALANCE, APRIL 1, 2014	79,811	59,251	46,949	(728)	185,284	(147)	1	1,020	68	10,168	196,397
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)
Profit attributable to owners of the parent			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
BALANCE, MARCH 31, 2015	79,811	59,197	60,155	(253)	198,910	21,101	5	6,214	69	8,485	234,788
Issuance of capital stock	23,187	23,187			46,375						46,375
Cash dividends			(8,106)		(8,106)						(8,106)
Profit attributable to owners of the parent			16,472		16,472						16,472
Acquisition of treasury stock				(27,621)	(27,621)						(27,621)
Disposal of treasury stock		(3)		175	172						172
Retirement of treasury stock		(25,020)		25,020	–						–
Net changes in items other than shareholders' equity						651	(150)	(4,286)	22	(312)	(4,076)
Total changes during the period	23,187	(1,836)	8,366	(2,424)	27,293	651	(150)	(4,286)	22	(312)	23,216
BALANCE, MARCH 31, 2016	102,999	57,361	68,521	(2,678)	226,203	21,753	(144)	1,927	91	8,172	258,005

	Thousands of U.S. Dollars (Note 1)										
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholder's equity	Accumulated other comprehensive income					Total net assets
						Net unrealized gain (loss) on available-for-sale securities	Net unrealized gain (loss) on deferred hedges	Remeasurements of defined benefit plans	Stock subscription rights	Non-controlling interests	
BALANCE, APRIL 1, 2015	708,297	525,354	533,856	(2,245)	1,765,264	187,264	44	55,147	612	75,301	2,083,670
Issuance of capital stock	205,777	205,777			411,563						411,563
Cash dividends			(71,938)		(71,938)						(71,938)
Profit attributable to owners of the parent			146,183		146,183						146,183
Acquisition of treasury stock				(245,127)	(245,127)						(245,127)
Disposal of treasury stock		(26)		1,553	1,526						1,526
Retirement of treasury stock		(222,044)		222,044	–						–
Net changes in items other than shareholders' equity						5,777	(1,331)	(38,036)	195	(2,768)	(36,173)
Total changes during the period	205,777	(16,293)	74,245	(21,512)	242,216	5,777	(1,331)	(38,036)	195	(2,768)	206,034
BALANCE, MARCH 31, 2016	914,084	509,061	608,102	(23,766)	2,007,481	193,051	(1,277)	17,101	807	72,523	2,289,714

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries
For the years ended 31st March, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Cash flows from operating activities			
Income before income taxes	¥ 21,925	¥ 22,890	\$ 194,577
Depreciation	5,050	4,833	44,817
Loss on impairment of fixed assets	291	36	2,582
Amortization of goodwill	190	208	1,686
Amortization of negative goodwill	—	(2)	—
Gains on negative goodwill incurred	—	(1,596)	—
(Earnings) losses from investments under the equity method	3	(40)	26
Increase (decrease) in reserve for possible loan losses	(1,424)	(7,015)	(12,637)
Increase (decrease) in accrued bonuses	104	3	922
Decrease (increase) in net defined benefit asset	(1,662)	(1,736)	(14,749)
Increase (decrease) in net defined benefit liability	1	16	8
Increase (decrease) in accrued retirement benefits for directors and corporate auditors	—	(22)	—
Increase (decrease) in reserve for reimbursement of deposits	46	80	408
Increase (decrease) in reserve for point services	24	29	212
Increase (decrease) in reserve for contingent losses	(7)	(28)	(62)
Interest income	(61,366)	(63,681)	(544,604)
Interest expenses	7,622	8,210	67,642
(Gain) loss on securities	(883)	(560)	(7,836)
(Gain) loss on money held in trust	(1,593)	(1,670)	(14,137)
(Gain) loss on foreign exchange	9,742	(35,988)	86,457
(Gain) loss on sales or disposal of fixed assets, net	89	(17)	789
Net (increase) decrease in loans and bills discounted	(92,660)	(70,192)	(822,328)
Net increase (decrease) in deposits	(7,047)	156,353	(62,539)
Net increase (decrease) in negotiable certificates of deposit	2,256	1,543	20,021
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	(72,981)	48,680	(647,683)
Net (increase) decrease in due from banks (excluding due from the Bank of Japan)	5,704	(2,687)	50,621
Net (increase) decrease in trading account securities	(43)	(54)	(381)
Net (increase) decrease in call loans and bills bought	(250)	1,200	(2,218)
Net increase (decrease) in payables under securities lending transactions	(39,667)	(64,514)	(352,032)
Net (increase) decrease in foreign exchange (assets)	(129)	(792)	(1,144)
Net increase (decrease) in foreign exchange (liabilities)	(109)	172	(967)
Interest received	62,015	65,823	550,363
Interest paid	(8,285)	(9,444)	(73,526)
Other	(1,700)	2,947	(15,086)
Subtotal	(174,744)	52,981	(1,550,798)
Income taxes paid	(1,414)	(1,342)	(12,548)
Net cash provided by (used in) operating activities	¥ (176,158)	¥ 51,639	\$ (1,563,347)

Consolidated Statements of Cash Flows

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries
For the years ended 31st March, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Cash flows from investing activities			
Purchases of securities	¥ (724,154)	¥ (841,250)	\$ (6,426,641)
Proceeds from sales of securities	547,418	818,433	4,858,164
Proceeds from maturity of securities	282,763	311,784	2,509,433
Increase in money held in trust	(289)	(38)	(2,564)
Decrease in money held in trust	1,860	1,691	16,506
Purchases of tangible fixed assets	(4,204)	(1,761)	(37,309)
Purchases of intangible fixed assets	(1,392)	(1,857)	(12,353)
Proceeds from sales of tangible fixed assets	—	565	—
Net cash provided by (used in) investing activities	102,002	287,566	905,236
Cash flows from financing activities			
Proceeds from issuance of capital stock	46,375	—	411,563
Decrease in subordinated borrowings	—	(8,000)	—
Decrease in subordinated bonds and bonds with stock subscription rights	(15,000)	—	(133,120)
Cash dividends paid	(8,106)	(4,832)	(71,938)
Cash dividends paid for non-controlling shareholders	(480)	(480)	(4,259)
Purchases of treasury stock	(27,621)	(118)	(245,127)
Proceeds from disposition of treasury stock	172	593	1,526
Net cash provided by (used in) financing activities	(4,660)	(12,839)	(41,356)
Effect of exchange rate changes on cash and cash equivalents	300	(199)	2,662
Net increase (decrease) in cash and cash equivalents	(78,515)	326,167	(696,796)
Cash and cash equivalents at beginning of period	532,484	206,317	4,725,630
Cash and cash equivalents at end of period (Note 27)	¥ 453,968	¥ 532,484	\$ 4,028,824

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, 2016 and 2015

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 ¥112.68 = U.S.\$1.00, the exchange rate prevailing on 31st March, 2016. 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 2015) significant subsidiaries which it controls directly or indirectly. Affiliates over which the Company exercises significant influence in terms of their operating and financial policies have been included in the accompanying consolidated financial statements on an equity basis.

Change in the scope of consolidation

Senshu Ikeda Finance Co., Ltd, JS Venture Capital Investment, L. P and Ikegin Capital Yumejikomi Fund D-I Investment Enterprise Partnership, all 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.

Senshu Ikeda Capital Business Succession Fund Kizuna No. 2 Investment Enterprise Limited Partnership, SI Regional Revitalization Fund Investment Enterprise Limited Partnership and SI Start-up Supporting Fund Investment Enterprise Limited Partnership have been included in the scope of consolidation from the fiscal year ended 31st March, 2016 as a result of contribution by the Company, respectively.

The company has applied the equity method to its investments in two and three affiliates for the years ended 31st March, 2016 and 2015, 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.

The balance sheet date of 12 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 ¥35,998 million (\$319,471 thousand) and ¥65,356 million for the years ended 31st March, 2016 and 2015, 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 ¥0 million (\$0 thousand) as of March 31, 2016, 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.

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

(15) Foreign currency transactions

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

(16) Leases

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

As lessee:

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

As lessor:

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

(17) Hedge accounting

Interest rate risk hedging

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

Foreign exchange rate risk hedging

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

(18) Cash flows

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

(19) Consumption taxes

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

(20) Consolidated tax payment system

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

(21) Change in accounting policy

(Application of "Revised Accounting Standard for Business Combinations" and other Standards)

Effective the fiscal year under review, the Company has applied the "Revised Accounting Standard for Business Combinations" (the Accounting Standards Board of Japan (hereinafter "ASBJ") Statement No. 21, 13th September, 2013; hereinafter "Business Combinations Accounting Standard"), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, 13th September, 2013; hereinafter "Consolidated Financial Statements Accounting Standard"), and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, 13th September, 2013; hereinafter "Business Divestitures Accounting Standard").

Accordingly, the Company's accounting method has been

changed; the difference arising from a change in the Company's ownership interest in a subsidiary over which the Company maintains control is recorded as capital surplus and expenses arising from acquisition of shares of subsidiaries are recorded in the fiscal year when they are incurred. For business combinations achieved on or after the beginning of the fiscal year under review, the accounting method has been changed to reflect adjustments to the allocation of acquisition cost arising from the finalization of the transitional accounting treatment in the consolidated financial statements for the consolidated fiscal year when the business combination date is recorded. In addition, the Company has changed the presentation of net income and other related items, and the presentation of minority interests to non-controlling interests. In order to reflect such changes in presentation, reclassifications have been made to the consolidated financial statements for the previous fiscal year.

In the consolidated statements of cash flows for the fiscal year under review, cash flows associated with investments in or sale of shares of subsidiaries not resulting in change in scope of consolidation are stated in "Cash flows from financing activities," while cash flows associated with expenses arising from investments in shares of subsidiaries resulting in change in scope of consolidation or expenses arising from investments in or sale of shares of subsidiaries not resulting in change in scope of consolidation are stated in "Cash flows from operating activities."

The Business Combinations Accounting Standard and other Standards have been applied in accordance with transitional treatments stipulated in Paragraph 58-2 (4) of the Business Combinations Accounting Standard, Paragraph 44-5 (4) of the Consolidated Financial Statements Accounting Standard and Paragraph 57-4 (4) of the Business Divestitures Accounting Standard, and they have been prospectively applied from the beginning of the fiscal year under review.

These changes have no impact on the consolidated financial statements and per share information for the fiscal year under review.

(22) Unapplied Accounting Standards

"Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, 28th March, 2016)

(1) Overview

While this Revised Implementation Guidance basically follows the contents of the policy for recoverability of deferred tax assets provided in the Japanese Institute of Certified Public Accountants (JICPA) Audit Committee Report No. 66 "Auditing treatment on determining the recoverability of deferred tax assets," certain revisions have been made to some parts of the policy.

(2) Scheduled date of adoption

The Company will apply the Revised Implementation Guidance from the fiscal year beginning on 1st April, 2016.

(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.

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

(1) Overview of the transaction

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

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

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

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

- (2) The Company's own shares held in trust
The Company's own shares held in trust are recorded as treasury stock under the category of Net assets at their book value in the trust (excluding the amount of ancillary expenses). The book value and number of shares of such treasury stock for the fiscal year ended 31st March, 2016 was ¥2,539 million (\$22,532 thousand) and 5,377 thousand shares, respectively.
- (3) Book value of borrowings recorded from application of the gross method
¥2,550 million (\$22,630 thousand) for the fiscal year ended 31st March, 2016

4. Trading account securities

Valuation gain or loss on trading account securities included in income before income taxes and non-controlling interests was ¥(0) million (\$ (0) thousand) and ¥(1) million for the years ended 31st March, 2016 and 2015, respectively.

5. Securities

Securities at 31st March, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Stocks	¥ 69,297	¥ 79,935	\$ 614,989
Bonds:			
Government bonds	76,259	164,153	676,774
Local government bonds	49,338	51,256	437,859
Corporate bonds	277,505	273,480	2,462,770
Other	554,402	570,458	4,920,145
Total	¥ 1,026,804	¥ 1,139,284	\$ 9,112,566

Stocks in the above table include investments in affiliates of ¥21 million (\$186 thousand) and ¥306 million at 31st March, 2016 and 2015, respectively.

Held-to-maturity debt securities with fair value at 31st March, 2016 and 2015 were as follows:

Millions of yen			
31st March, 2016	Carrying value	Fair value	
Government bonds	¥ 24,998	¥	25,143
Corporate bonds	23,704		23,741
Other	27,000		27,282
Total	¥ 75,702	¥	76,168

Millions of yen			
31st March, 2016	Difference	Unrealized gain	Unrealized loss
Government bonds	¥ 145	¥ 145	¥ -
Corporate bonds	37	37	-
Other	282	291	(8)
Total	¥ 465	¥ 474	¥ (8)

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	Unrealized loss
Government bonds	¥ 73	¥ 73	¥ -
Corporate bonds	83	83	-
Other	434	436	(2)
Total	¥ 590	¥ 592	¥ (2)

Thousands of U.S. dollars

31st March, 2016	Carrying value	Fair value
Government bonds	\$ 221,849	\$ 223,136
Corporate bonds	210,365	210,694
Other	239,616	242,119
Total	\$ 671,831	\$ 675,967

Thousands of U.S. dollars

31st March, 2016	Difference	Unrealized gain	Unrealized loss
Government bonds	\$ 1,286	\$ 1,286	\$ -
Corporate bonds	328	328	-
Other	2,502	2,582	(70)
Total	\$ 4,126	\$ 4,206	\$ (70)

There were no held-to-maturity debt securities sold during the years ended 31st March, 2016 and 2015.

Available-for-sale securities with fair value at 31st March, 2016 and 2015 were as follows:

Millions of yen

31st March, 2016	Carrying value	Acquisition cost
Equity securities	¥ 63,277	¥ 34,700
Bonds:		
Government bonds	51,260	51,151
Local government bonds	49,338	49,149
Corporate bonds	253,801	251,702
Subtotal	354,400	352,004
Other	525,558	527,466
Total	¥ 943,236	¥ 914,171

Millions of yen

31st March, 2016	Difference	Unrealized gain	Unrealized loss
Equity securities	¥ 28,576	¥ 30,218	¥ (1,642)
Bonds:			
Government bonds	109	109	-
Local government bonds	188	193	(4)
Corporate bonds	2,098	2,124	(25)
Subtotal	2,396	2,426	(30)
Other	(1,908)	7,197	(9,105)
Total	¥ 29,064	¥ 39,843	¥ (10,778)

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)

Thousands of U.S. dollars

31st March, 2016	Carrying value	Acquisition cost
Equity securities	\$ 561,563	\$ 307,951
Bonds:		
Government bonds	454,916	453,949
Local government bonds	437,859	436,182
Corporate bonds	2,252,405	2,233,777
Subtotal	3,145,189	3,123,926
Other	4,664,164	4,681,096
Total	\$ 8,370,926	\$ 8,112,983

Thousands of U.S. dollars

31st March, 2016	Difference	Unrealized gain	Unrealized loss
Equity securities	\$ 253,603	\$ 268,175	\$ (14,572)
Bonds:			
Government bonds	967	967	-
Local government bonds	1,668	1,712	(35)
Corporate bonds	18,619	18,849	(221)
Subtotal	21,263	21,529	(266)
Other	(16,932)	63,871	(80,804)
Total	\$ 257,933	\$ 353,594	\$ (95,651)

Available-for-sale securities sold during the years ended 31st March, 2016 and 2015 were as follows:

Millions of yen			
2016	Proceeds from sales	Gain	Loss
Equity securities	¥ 14,602	¥ 6,803	¥ -
Bonds:			
Government bonds	21,312	436	-
Local government bonds	-	-	-
Corporate bonds	23,859	421	(0)
Subtotal	45,171	858	(0)
Other	483,860	3,632	(10,164)
Total	¥ 543,634	¥ 11,294	¥ (10,164)

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)

Thousands of U.S. dollars			
2016	Proceeds from sales	Gain	Loss
Equity securities	\$ 129,588	\$ 60,374	\$ -
Bonds:			
Government bonds	189,137	3,869	-
Local government bonds	-	-	-
Corporate bonds	211,741	3,736	(0)
Subtotal	400,878	7,614	(0)
Other	4,294,107	32,232	(90,202)
Total	\$ 4,824,582	\$ 100,230	\$ (90,202)

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, 2016 and 2015 were ¥42 million (\$372 thousand) and ¥0 million, respectively, which consisted of ¥42 million (\$372 thousand) on equity securities for the year ended 31st March, 2016, and ¥0 million on equity securities for the year ended 31st March, 2015.

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, 2016 and 2015 consisted of the following:

Money held in trust for trading purposes

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Carrying value	¥ 27,000	¥ 27,000	\$ 239,616
Valuation gain (loss) included in consolidated statements of income	¥ (91)	¥ 97	\$ (807)

There were no money held in trust owned for other purposes at 31st March, 2016 and 2015.

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

Net unrealized gain (loss) on available-for-sale securities at 31st March, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Differences between acquisition cost and fair value:			
Available-for-sale securities	¥ 29,064	¥ 28,073	\$ 257,933
Deferred tax liabilities	(7,308)	(6,869)	(64,856)
Differences between acquisition cost and fair value, net of taxes	21,756	21,203	193,077
Amounts corresponding to non-controlling interests	(3)	(101)	(26)
Net unrealized gain (loss) on available-for-sale securities, net of taxes	¥ 21,753	¥ 21,101	\$ 193,051

8. Loans and Bills Discounted and Risk Monitored Loans

Loans and bills discounted:

Loans and bills discounted at 31st March, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Bills discounted	¥ 19,237	¥ 20,335	\$ 170,722
Loans on bills	72,212	78,562	640,859
Loans on deeds	3,437,566	3,334,749	30,507,330
Overdrafts	236,165	238,874	2,095,891
Total	¥ 3,765,182	¥ 3,672,521	\$33,414,820

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, 2016 and 2015 totaled ¥19,469 million (\$172,781 thousand) and ¥20,833 million, respectively. At 31st March, 2016 and 2015, loans and bills discounted included the portion of loans extended to original borrowers based on loan participation agreements, as permitted by the JICPA Accounting Committee Report No. 3, 28th November, 2014, in the amount of ¥19,990 million (\$177,405 thousand) and ¥15,590 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 ¥708,987 million (\$6,292,039 thousand) and ¥689,418 million at 31st March, 2016 and 2015, respectively, including the contracts whose contractual periods were either less than one year or revocable at any time, in the amount of ¥697,784 million (\$6,192,616 thousand) and ¥678,399 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, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Loans to bankrupt borrowers	¥ 2,628	¥ 3,522	\$ 23,322
Delinquent loans	50,252	54,195	445,970
Loans past due for 3 months or more	5	–	44
Restructured loans	12,834	13,538	113,897
Total	¥ 65,721	¥ 71,255	\$ 583,253

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, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Due from foreign correspondent banks	¥ 5,663	¥ 5,151	\$ 50,257
Foreign bills of exchange bought	215	429	1,908
Foreign bills of exchange receivable	572	740	5,076
Total	¥ 6,451	¥ 6,321	\$ 57,250

10. Other Assets

Other assets at 31st March, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Investment in leased assets	¥ 14,658	¥ 15,085	\$ 130,085
Other receivables	25,563	26,082	226,863
Accrued income	6,130	6,934	54,401
Prepaid expenses	499	302	4,428
Other	16,914	17,429	150,106
Total	¥ 63,765	¥ 65,835	\$ 565,894

11. Tangible Fixed Assets

At 31st March, 2016 and 2015, accumulated depreciation of tangible fixed assets was ¥44,075 million (\$391,151 thousand) and ¥45,130 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, 2016 and 2015 was ¥376 million (\$3,336 thousand) and ¥377 million, respectively.

12. Assets Pledged

Assets pledged as collateral at 31st March, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Securities	¥ 348,435	¥ 379,009	\$ 3,092,252
Loans and bills discounted	45,231	47,477	401,411
Other assets	1,136	1,277	10,081

The liabilities secured by the above pledged assets at 31st March, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Deposits	¥ 6,828	¥ 7,718	\$ 60,596
Payables under securities lending transactions	211,509	251,176	1,877,076
Borrowed money	25,188	99,094	223,535
Other liabilities	343	86	3,044

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 ¥28,004 million (\$248,526 thousand) and ¥29,003 million at 31st March, 2016 and 2015, respectively. At 31st March, 2016 and 2015, margins on futures contracts in the amounts of ¥3,575 million (\$31,727 thousand) and ¥2,532 million, guarantee deposits of ¥4,749 million (\$42,145 thousand) and ¥5,190 million, deposits for futures transactions of ¥503 million (\$4,463 thousand) and ¥503 million and collateral money deposited for financial instruments of ¥– million (\$– thousand) and ¥1,000 million were included in “Other assets”, respectively.

13. Deposits

Deposits at 31st March, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Current deposits	¥ 171,423	¥ 165,353	\$ 1,521,325
Ordinary deposits	2,010,283	1,958,234	17,840,637
Savings deposits	24,612	25,626	218,423
Deposits at notice	11,110	28,996	98,597
Time deposits	2,472,242	2,491,375	21,940,379
Other deposits	40,403	67,536	358,564
Total	¥ 4,730,075	¥ 4,737,122	\$ 41,977,946

14. Borrowed Money

Borrowed money at 31st March, 2016 and 2015 consisted of borrowings from the Bank of Japan and certain other financial institutions.

Subordinated borrowings of ¥17,000 million (\$150,869 thousand) and ¥17,000 million were included in borrowed money at 31st March, 2016 and 2015, respectively.

The average interest rate applicable to borrowed money at 31st March, 2016 and 2015 was 0.84% and 0.42%, respectively.

The aggregate annual maturities of borrowed money subsequent to 31st March, 2016 were summarized as follows:

Year ending 31st March,	Millions of yen	Thousands of U.S. dollars
2017	¥ 49,174	\$ 436,403
2018	2,290	20,323
2019	1,556	13,809
2020	13,407	118,982
2021	2,752	24,423
2022 and thereafter	17,036	151,189
Total	¥ 86,216	\$ 765,140

15. Foreign Exchange Liabilities

Foreign exchange liabilities at 31st March, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Foreign bills sold	¥ 423	¥ 518	\$ 3,753
Foreign bills of exchange payable	6	20	53
Total	¥ 429	¥ 538	\$ 3,807

16. Corporate Bonds and Notes

Short-term and long-term bonds payable at 31st March, 2016 and 2015 consisted of the following:

Issuer	Description	Issued	Millions of yen
			2016
The Senshu Ikeda Bank, Ltd.	1st subordinated bonds	17th Dec., 2010	¥ –
	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			¥ 55,000

Issuer	Millions of yen	Thousands of U.S. dollars	Interest rates (%)	Secured/unsecured	Due
	2015	2016			
The Senshu Ikeda Bank, Ltd.	¥ 15,000	\$ –	–	–	–
	10,000	88,746	2.01	Unsecured	21st Sep., 2021
	5,000	44,373	2.06	Unsecured	16th Dec., 2021
	20,000	177,493	2.23	Unsecured	23rd Mar., 2022
	10,000	88,746	1.40	Unsecured	25th Sep., 2023
	10,000	88,746	1.35	Unsecured	27th Dec., 2023
Total	¥ 70,000	\$ 488,107			

The aggregate annual maturities of short-term and long-term bonds payable subsequent to 31st March, 2016 were summarized as follows:

Year ending 31st March,	Millions of yen	Thousands of U.S. dollars
2017	¥ –	\$ –
2018	–	–
2019	–	–
2020	–	–
2021	–	–
2022 and thereafter	55,000	488,107
Total	¥ 55,000	\$ 488,107

17. Other Liabilities

Other liabilities at 31st March, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Accrued expenses	¥ 3,788	¥ 4,370	\$ 33,617
Unearned income	16,032	16,223	142,279
Accrued income taxes	386	1,182	3,425
Other	23,280	23,347	206,602
Total	¥ 43,486	¥ 45,123	\$ 385,942

The amounts of lease obligations included in "Other" were ¥17 million (\$150 thousand) and ¥21 million at 31st March, 2016 and 2015, respectively. The average interest rates on lease obligations at 31st March, 2016 with maturity dates on or before and subsequent to 31st March, 2017 were 2.11% and 2.53%, 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 aggregate annual maturities of lease obligations subsequent to 31st March, 2016 were summarized as follows:

Year ending 31st March,	Millions of yen	Thousands of U.S. dollars
2017	¥ 8	\$ 70
2018	4	35
2019	2	17
2020	1	8
2021	1	8
2022 and thereafter	–	–
Total	¥ 17	\$ 150

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
	2016	2015	2016
Retirement benefit obligation at beginning of the year	¥ 30,625	¥ 31,304	\$ 271,787
Cumulative effect of change in accounting policy	—	(723)	—
Balance at the beginning of current period which reflects the change in accounting policy	30,625	30,581	271,787
Service cost	795	793	7,055
Interest cost	410	395	3,638
Actuarial gain or loss incurred during the year	4,150	433	36,829
Payment of retirement benefits	(1,478)	(1,592)	(13,116)
Other	13	13	115
Retirement benefit obligation at end of the year	¥ 34,517	¥ 30,625	\$ 306,327

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Pension plan assets at beginning of the year	¥ 46,502	¥ 37,680	\$ 412,690
Expected return on plan assets	867	735	7,694
Actuarial gain or loss incurred during the year	(1,109)	7,490	(9,842)
Contributions from employer	1,730	1,750	15,353
Payment of retirement benefits	(1,195)	(1,154)	(10,605)
Pension plan assets at end of the year	¥ 46,795	¥ 46,502	\$ 415,291

(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
	2016	2015	2016
Funded retirement benefit obligation	¥ 34,378	¥ 30,488	\$ 305,094
Pension plan assets	(46,795)	(46,502)	(415,291)
	(12,416)	(16,014)	(110,188)
Unfunded retirement benefit obligation	138	137	1,224
Net amount of liability and asset on consolidated balance sheets	¥ (12,277)	¥ (15,877)	\$ (108,954)

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Net defined benefit liability	¥ 741	¥ 137	\$ 6,576
Net defined benefit asset	(13,018)	(16,014)	(115,530)
Net amount of liability and asset on consolidated balance sheets	¥ (12,277)	¥ (15,877)	\$ (108,954)

(4) Retirement benefit expenses consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Service cost	¥ 795	¥ 793	\$ 7,055
Interest cost	410	395	3,638
Expected return on plan assets	(867)	(735)	(7,694)
Amortization of actuarial loss	(793)	201	(7,037)
Amortization of prior service cost	(336)	(336)	(2,981)
Amortization of transitional obligation	—	659	—
Net periodic retirement benefit expenses for defined benefit pension plans	¥ (790)	¥ 978	\$ (7,011)

(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
	2016	2015	2016
Prior service cost	¥ (336)	¥ (336)	\$ (2,981)
Actuarial gain or loss	(6,053)	7,258	(53,718)
Net retirement benefit obligation at transition	-	659	-
Total	¥ (6,389)	¥ 7,581	\$ (56,700)

(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
	2016	2015	2016
Unrecognized prior service cost	¥ (1,777)	¥ (2,113)	\$ (15,770)
Unrecognized actuarial gain or loss	(999)	(7,052)	(8,865)
Total	¥ (2,776)	¥ (9,166)	\$ (24,636)

(7) Matters related to pension plan assets

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

	2016	2015
Bonds	11%	10%
Stocks	60%	61%
Short-term investment fund including cash and deposits	14%	14%
Life insurance company general accounts	4%	4%
Others	11%	11%
Total	100%	100%

Note:

Total pension plan assets include retirement benefit trust of which securities are contributed for the pension plan, which accounts for 36% and 34% of the total at 31st March, 2016 and 2015, respectively.

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

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

(8) The assumptions used for actuarial calculations

	2016	2015
Discount rate	0.01%-0.65%	0.08%-1.91%
Expected rate of return on plan assets	2.5%	2.5%
Expected rate of salary increase	1.72%-3.80%	1.66%-3.45%

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 ¥3,429 million (\$30,431 thousand) and ¥4,247 million at 31st March, 2016 and 2015, 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, second-class preferred stock, third-class preferred stock, first series of seventh-class preferred stock and treasury stock during the years ended 31st March, 2016 and 2015 were summarized as follows:

Number of shares (in thousands)					
Year ended 31st March, 2016	1st April, 2015	Increase	Decrease	31st March, 2016	Note
Outstanding shares:					
Common stock	238,458	42,550	-	281,008	1
Second-class preferred stock	23,125	-	23,125	-	2
Third-class preferred stock	7,500	-	-	7,500	
first series of seventh-class preferred stock	-	25,000	-	25,000	3
Total	269,083	67,550	23,125	313,508	
Treasury stock:					
Common stock	438	5,507	328	5,616	4,5 and 6
Second-class preferred stock	-	23,125	23,125	-	7 and 8
Total	438	28,632	23,453	5,616	

Notes:

1. Increase in outstanding shares of common stock (42,550 thousand shares) was due to issuance of new shares through a public offering (37,000 thousand shares) and through a third-party allotment (5,550 thousand shares).
2. Decrease in outstanding shares of second-class preferred stock (23,125 thousand shares) was due to retirement of treasury stock.
3. Increase in outstanding shares of the first series of seventh-class preferred stock (25,000 thousand shares) was due to issuance of new shares through a third-party allotment.
4. The number of treasury stock as of 1st April, 2015 and as of 31st March, 2016 includes the Company's shares owned by the trust of 196 thousand shares and 5,377 thousand shares, respectively.
5. Increase in treasury stock of common stock (5,507 thousand shares) was due to acquisition of shares from the shareholders who owned fractional shares less than one unit (3 thousand shares) and acquisition of shares from the Senshu Ikeda Bank Employees' Shareholders Association Exclusive Trust Account (5,503 thousand shares).
6. Decrease in treasury stock of common stock (328 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 (6 thousand shares) and transfer to the Senshu Ikeda Bank Employees' Shareholders Association (322 thousand shares).
7. Increase in treasury stock of second-class preferred stock (23,125 thousand shares) was due to purchase of treasury stock based on resolution of the Board of Directors.
8. Decrease in treasury stock of second-class preferred stock (23,125 thousand shares) was due to retirement of treasury stock based on resolution of the Board of Directors.

Number of shares (in thousands)					
Year ended 31st March, 2015	1st April, 2014	Increase	Decrease	31st March, 2015	Note
Outstanding shares:					
Common stock	238,458	-	-	238,458	
Second-class preferred stock	23,125	-	-	23,125	
Third-class preferred stock	7,500	-	-	7,500	
Total	269,083	-	-	269,083	
Treasury stock:					
Common stock	1,269	203	1,034	438	1,2 and 3
Total	1,269	203	1,034	438	

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).

(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, 29th July, 2015, 30th July, 2014, 31st July, 2013, 31st August, 2012, 28th July, 2011 and 24th February, 2011. The balance of stock subscription rights granted for stock option program are ¥91 million (\$807 thousand) and ¥69 million at 31st March, 2016 and 2015, respectively. Stock option related expenses for the years ended 31st March, 2016 and 2015 amounted to ¥25 million (\$221 thousand) and ¥26 million, respectively.

The stock option outstanding at 31st March, 2016 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	29th July, 2015
Persons granted	Directors of the subsidiaries: 10 Executive officers of the subsidiaries: 15	Directors of the subsidiaries: 10 Executive officers of the subsidiaries: 14
Number of stock option by type of shares (*)	Common stock: 55,900	Common stock: 51,800
Date of grant	28th August, 2014	1st September, 2015
Vesting conditions	To exercise within 10 days after retirement	To exercise within 10 days after retirement
Applicable service period	From 28th August, 2014 to the date of retirement	From 1st September, 2015 to the date of retirement
Exercise period	From 29th August, 2014 to 31st July, 2044	From 2nd September, 2015 to 31st July, 2045

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

The stock option activity is as follows:

Date of resolution	24th February, 2011	28th July, 2011	31st August, 2012	31st July, 2013	30th July, 2014	29th July, 2015
Non-vested:						
31st March, 2015-Outstanding	17,120	18,700	34,000	39,200	54,400	-
Granted	-	-	-	-	-	51,800
Forfeited	-	-	-	-	-	-
Vested	1,100	1,060	1,400	1,200	1,300	-
31st March, 2016-Outstanding	16,020	17,640	32,600	38,000	53,100	51,800
Vested:						
31st March, 2015-Outstanding	-	-	-	-	-	-
Vested	1,100	1,060	1,400	1,200	1,300	-
Exercised	1,100	1,060	1,400	1,200	1,300	-
Forfeited	-	-	-	-	-	-
31st March, 2016-Outstanding	-	-	-	-	-	-

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

Price information is as follows:

Date of resolution	24th February, 2011	28th July, 2011	31st August, 2012	31st July, 2013	30th July, 2014	29th July, 2015
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average stock price at exercise	554	554	554	554	554	-
Fair value price at grant date	¥ 490	¥ 535	¥ 449	¥ 430	¥ 497	¥ 474
Date of resolution	24th February, 2011	28th July, 2011	31st August, 2012	31st July, 2013	30th July, 2014	29th July, 2015
Exercise price	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Average stock price at exercise	4.91	4.91	4.91	4.91	4.91	-
Fair value price at grant date	\$ 4.34	\$ 4.74	\$ 3.98	\$ 3.81	\$ 4.41	\$ 4.20

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 2015 stock option granted in the year ended 31st March, 2016 was as follows:

Measurement method: Black-Scholes model

Major fundamental factors and assumptions used to measure fair value

Date of resolution	29th July, 2015
Volatility of stock price *1	24.58%
Estimated remaining outstanding period *2	3.146years
Estimated dividend *3	2.885%
Interest rate with risk free *4	0.015%

*1 Actual stock price during the period (from 9th July, 2012 to 1st September, 2015) 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 (\$0.13) of latest annual dividend (including the effect of reverse stock split) /¥520 (\$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, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Gain on sales of securities and trading account securities	¥ 5,834	¥ 10,074	\$ 51,774
Other	2,698	962	23,943
Total	¥ 8,532	¥ 11,036	\$ 75,718

23. Other Income

Other income for the years ended 31st March, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Gain on sales of equity securities	¥ 7,773	¥ 3,907	\$ 68,982
Gain on money held in trust	1,869	1,707	16,586
Other	8,923	9,439	79,188
Total	¥ 18,567	¥ 15,054	\$ 164,776

24. Other Operating Expenses

Other operating expenses for the years ended 31st March, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Loss on sales of debt securities	¥ 11,631	¥ 12,323	\$ 103,221
Other	–	2,027	–
Total	¥ 11,631	¥ 14,350	\$ 103,221

25. Other Expenses

Other expenses for the years ended 31st March, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Write-offs of loans and bills discounted	¥ 4,137	¥ 4,720	\$ 36,714
Loss on sales of equity securities	367	511	3,257
Loss on devaluation of equity securities	204	95	1,810
Loss on money held in trust	276	37	2,449
Other	7,872	7,555	69,861
Total	¥ 12,858	¥ 12,920	\$ 114,110

26. Dividends

Cash dividends paid during the fiscal year ended 31st March, 2016

Resolution by annual shareholders' meeting on 26th June, 2015

Type of stock	Record date	Effective date	Dividend amount		Dividends per share	
			Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars
Common stock	31st March, 2015	29th June, 2015	¥ 3,573	\$ 31,709	¥ 15	\$ 0.13
Second-class preferred stock	31st March, 2015	29th June, 2015	¥ 1,275	\$ 11,315	¥ 1,020 divided by 18.5	\$ 9.05
Third-class preferred stock	31st March, 2015	29th June, 2015	¥ 530	\$ 4,703	¥ 70.7	\$ 0.62

Note:

The amount of cash dividends on common stock by resolution of annual shareholders' meeting on 26th June, 2015 includes the ¥2 million (\$17 thousand) in cash dividends on the Company's shares owned by the trust.

Resolution by Board of Directors on 11th November, 2015

Type of stock	Record date	Effective date	Dividend amount		Dividends per share	
			Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars
Common stock	30th September, 2015	7th December, 2015	¥ 2,105	\$ 18,681	¥ 7.50	\$ 0.06
Third-class preferred stock	30th September, 2015	7th December, 2015	¥ 262	\$ 2,325	¥ 35.00	\$ 0.31
First series of seventh-class preferred stock	30th September, 2015	7th December, 2015	¥ 362	\$ 3,212	¥ 14.51	\$ 0.12

Cash dividends with record dates falling in the fiscal year ended 31st March, 2016 and effective dates coming after the end of the fiscal year

Types of stock	Source of dividends	Record date	Effective date
Common stock	Retained earnings	31st March, 2016	29th June, 2016
Third-class preferred stock	Retained earnings	31st March, 2016	29th June, 2016
First series of seventh-class preferred stock	Retained earnings	31st March, 2016	29th June, 2016

Types of stock	Dividend amount		Dividends per share	
	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars
Common stock	¥ 2,105	\$ 18,681	¥ 7.50	\$ 0.06
Third-class preferred stock	¥ 262	\$ 2,325	¥ 35.00	\$ 0.31
First series of seventh-class preferred stock	¥ 375	\$ 3,328	¥ 15.00	\$ 0.13

Note:

The amount of cash dividends on common stock by resolution of annual shareholders' meeting on 28th June, 2016 includes the ¥40 million (\$354 thousand) in cash dividends on the Company's shares owned by the trust.

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

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

Type of stock	Record date	Effective date	Dividend amount		Dividends per share	
			Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars
Common stock	31st March, 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

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
Common stock	Retained earnings	31st March, 2015	29th June, 2015
Second-class preferred stock	Retained earnings	31st March, 2015	29th June, 2015
Third-class preferred stock	Retained earnings	31st March, 2015	29th June, 2015

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, 2016 and 2015 was summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Cash and due from banks	¥ 460,293	¥ 544,513	\$ 4,084,957
Deposits other than deposits with the Bank of Japan	(6,324)	(12,028)	(56,123)
Cash and cash equivalents	¥ 453,968	¥ 532,484	\$ 4,028,824

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, 2016 were as follows:

Year ending 31st March	Millions of yen	Thousands of U.S. dollars
2017	¥ 752	\$ 6,673
2018 and thereafter	4,368	38,764
Total	¥ 5,120	\$ 45,438

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 33.0% and 35.5% for the years ended 31st March, 2016 and 2015, respectively.

The tax effect of temporary differences which gave rise to significant portions of the deferred tax assets and liabilities at 31st March, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Deferred tax assets:			
Reserve for possible loan losses	¥ 16,377	¥ 28,533	\$ 145,340
Provision for employees' bonuses	555	558	4,925
Net defined benefit liability	229	47	2,032
Loss on devaluation of securities	4,174	4,765	37,042
Tax loss carryforwards	13,803	8,220	122,497
Depreciation	665	689	5,901
Net unrealized loss on available-for-sale securities	110	1	976
Other	2,759	3,352	24,485
Gross deferred tax assets	38,676	46,167	343,237
Valuation allowance	(16,650)	(20,430)	(147,763)
Total deferred tax assets	22,025	25,737	195,465
Deferred tax liabilities:			
Non-taxable accrued dividend income	(222)	(264)	(1,970)
Net unrealized gain on available-for-sale securities	(7,358)	(6,922)	(65,299)
Net defined benefit asset	(240)	(1,419)	(2,129)
Other	(133)	(27)	(1,180)
Total deferred tax liabilities	(7,954)	(8,634)	(70,589)
Net deferred tax assets	¥ 14,070	¥ 17,103	\$ 124,866

A reconciliation of the statutory tax rate to the effective tax rate for the years ended 31st March, 2016 and 2015 was as follows:

	2016	2015
Statutory tax rate	33.0%	35.5%
Permanently non-taxable income	(0.5)	(1.3)
Permanently non-deductible expenses	0.2	0.3
Valuation allowance	(13.1)	(50.2)
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	0.3	6.1
Decrease in deferred tax assets due to changes in tax rate	4.7	12.0
Other	(0.7)	(2.5)
Effective tax rate	24.4%	18.7%

The "Act for Partial Amendment of the Income Tax Act" (Act No. 15, 2016) and "Act for Partial Amendment of the Local Tax Act" (Act No. 13, 2016) were enacted in the Diet session on 29th March, 2016, and the corporate tax rates, etc. were lowered from the year beginning on or after 1st April, 2016. Accordingly, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities was changed from 32.21% to 30.81% with respect to the temporary differences expected to be eliminated in the year beginning on 1st April, 2016 and the year beginning on 1st April, 2017 or 30.58% with respect to the temporary differences expected to be eliminated in the year beginning on or after 1st April, 2018. Due to such change in tax rate, deferred tax assets decreased by ¥709 million (\$6,292 thousand), deferred tax liabilities decreased by ¥9 million (\$79 thousand), net unrealized gain (loss) on available-for-sale securities increased by ¥393 million (\$3,487 thousand), net unrealized gain (loss) on deferred hedges decreased by ¥3 million (\$26 thousand), and income taxes-deferred increased by ¥1,090 million (\$9,673 thousand). From the year beginning on or after 1st April, 2016, the amount of deductible losses carried forward is limited up to the amount corresponding to 60/100 of income before deduction of losses carried forward. The limitation will be changed to the amount corresponding to 55/100 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 ¥60 million (\$532 thousand) and income taxes-deferred increased by ¥60 million (\$532 thousand).

30. Comprehensive Income

Reclassification adjustments and tax effect amounts of other comprehensive income for the year ended 31st March, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unrealized gain (loss) on available-for-sale securities:			
Amount for the year	¥ 2,806	¥ 25,911	\$ 24,902
Reclassification adjustment	(1,661)	(595)	(14,740)
Amount before tax effect	1,144	25,315	10,152
Tax effect amount	(491)	(4,056)	(4,357)
Net unrealized gain (loss) on available-for-sale securities	652	21,258	5,786
Unrealized gain (loss) on deferred hedges:			
Amount for the year	(628)	96	(5,573)
Reclassification adjustment	412	(91)	3,656
Amount before tax effect	(215)	4	(1,908)
Tax effect amount	65	(0)	576
Net unrealized gain on deferred hedges	(150)	4	(1,331)
Remeasurements of defined benefit plans	(5,260)	7,057	(46,680)
Amount for the year			
Reclassification adjustment	(1,129)	524	(10,019)
Amount before tax effect	(6,389)	7,581	(56,700)
Tax effect amount	2,103	(2,388)	18,663
Remeasurements of defined benefit plans	(4,286)	5,193	(38,036)
Total other comprehensive income	¥ (3,784)	¥ (26,456)	\$ (33,581)

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, 2016 and 2015.

(1) Related information

a. Information about services

For the year ended 31st March, 2016

	Millions of yen			
	Lending	Securities trading and investment	Other	Total
Income from external customers	¥ 45,467	¥ 31,957	¥ 32,921	¥ 110,347

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

Note:

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

For the year ended 31st March, 2016

	Thousands of U.S. dollars			
	Lending	Securities trading and investment	Other	Total
Income from external customers	\$ 403,505	\$ 283,608	\$ 292,163	\$ 979,295

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, 2016 and 2015.

(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, 2016 and 2015.

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, 2016 and 2015.

(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, 2016 and 2015.

32. Related Party Transactions

There were no transactions between a consolidated subsidiary and related parties for the years ended 31st March, 2016 and 2015.

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 ¥39.9 billion (\$354.1 million) for interest rate and ¥31.0 billion (\$275.1 million) for stocks at 31st March, 2016. The value of market risk as a whole with correlation in consideration was ¥66.0 billion (\$585.7 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 exceeded the model-calculating VaR two times for the year ended 31st March, 2016, 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, 2016 and 2015 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, 2016	Carrying value	Fair value	Difference
Cash and due from banks	¥ 460,293	¥ 460,293	¥ –
Call loans and bills bought	885	885	–
Monetary claims bought (*1)	67	67	–
Trading account securities:			
Trading securities	221	221	–
Money held in trust	27,000	27,000	–
Securities:			
Held-to-maturity debt securities	75,702	76,168	465
Available-for-sale securities	943,236	943,236	–
Loans and bills discounted	3,765,182		
Reserve for possible loan losses (*1)	(29,131)		
	3,736,050	3,751,477	15,427
Foreign exchange assets (*1)	6,450	6,451	0
Total assets	¥ 5,249,908	¥ 5,265,802	¥ 15,893
Deposits	¥ 4,730,075	¥ 4,730,284	¥ 208
Negotiable certificates of deposit	3,800	3,800	–
Payables under securities lending transactions	211,509	211,509	–
Borrowed money	86,216	86,425	209
Foreign exchange liabilities	429	429	–
Corporate bonds and notes	55,000	55,805	805
Total liabilities	¥ 5,087,030	¥ 5,088,254	¥ 1,223
Derivative transactions (*2)			
To which hedge accounting is not applied	¥ 391	¥ 391	¥ –
To which hedge accounting is applied	1,639	1,639	–
Total derivative transactions	¥ 2,030	¥ 2,030	¥ –

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
Total assets	¥ 5,352,637	¥ 5,366,065	¥ 13,428
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
Total liabilities	¥ 5,219,580	¥ 5,221,570	¥ 1,989
Derivative transactions (*2)			
To which hedge accounting is not applied	¥ (1,121)	¥ (1,121)	¥ -
To which hedge accounting is applied	1,098	1,098	-
Total derivative transactions	¥ (22)	¥ (22)	¥ -

Thousands of U.S. dollars			
31st March, 2016	Carrying value	Fair value	Difference
Cash and due from banks	\$ 4,084,957	\$ 4,084,957	\$ -
Call loans and bills bought	7,854	7,854	-
Monetary claims bought (*1)	594	594	-
Trading account securities:			
Trading securities	1,961	1,961	-
Money held in trust	239,616	239,616	-
Securities:			
Held-to-maturity debt securities	671,831	675,967	4,126
Available-for-sale securities	8,370,926	8,370,926	-
Loans and bills discounted	33,414,820		
Reserve for possible loan losses (*1)	(258,528)		
	33,156,283	33,293,193	136,909
Foreign exchange assets (*1)	57,241	57,250	-
Total assets	\$ 46,591,302	\$ 46,732,357	\$ 141,045
Deposits	\$ 41,977,946	\$ 41,979,801	\$ 1,845
Negotiable certificates of deposit	33,723	33,723	-
Payables under securities lending transactions	1,877,076	1,877,076	-
Borrowed money	765,140	766,995	1,854
Foreign exchange liabilities	3,807	3,807	-
Corporate bonds and notes	488,107	495,252	7,144
Total liabilities	\$ 45,145,811	\$ 45,156,673	\$ 10,853
Derivative transactions (*2)			
To which hedge accounting is not applied	\$ 3,470	\$ 3,470	\$ -
To which hedge accounting is applied	14,545	14,545	-
Total derivative transactions	\$ 18,015	\$ 18,015	\$ -

(*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, 2016 and 2015 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
	2016	2015	2016
Unlisted equity securities (*1) (*2)	¥ 5,999	¥ 5,759	\$ 53,239
Investments in partnerships (*3)	1,838	1,316	16,311
Other	5	6	44
Total	¥ 7,844	¥ 7,082	\$ 69,613

(*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 ¥161 million (\$1,428 thousand) and ¥94 million for the years ended 31st March, 2016 and 2015, 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, 2016	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	¥ 409,830	¥ -	¥ -
Call loans and bills bought	885	-	-
Monetary claims bought (*1)	67	-	-
Securities:	136,266	237,030	53,205
Held-to maturity debt securities:	25,900	48,800	1,000
Government bonds	-	25,000	-
Corporate bonds	20,900	2,800	-
Other	5,000	21,000	1,000
Available-for-sale securities with maturities:	110,366	188,230	52,205
Government bonds	14,100	35,000	2,000
Local government bonds	24,866	18,432	3,150
Corporate bonds	69,816	118,539	9,483
Other	1,583	16,259	37,571
Loans and bills discounted (*1, 2)	768,088	638,999	476,428
Foreign exchanges assets	6,451	-	-
Total	¥ 1,321,589	¥ 876,030	¥ 529,633

31st March, 2016	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:	29,051	172,781	146,040
Held-to maturity debt securities:	-	-	-
Government bonds	-	-	-
Corporate bonds	-	-	-
Other	-	-	-
Available-for-sale securities with maturities:	29,051	172,781	146,040
Government bonds	-	-	-
Local government bonds	2,580	-	-
Corporate bonds	65	2,804	50,820
Other	26,405	169,977	95,219
Loans and bills discounted (*1, 2)	303,860	329,761	1,191,655
Foreign exchanges assets	-	-	-
Total	¥ 332,911	¥ 502,543	¥ 1,337,696

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	
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	

Millions of yen				
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:	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	

Thousands of U.S. dollars				
31st March, 2016	Due in one year or less	Due after one year through three years	Due after three years through five years	
Due from banks	\$3,637,113	\$ -	\$ -	
Call loans and bills bought	7,854	-	-	
Monetary claims bought (*1)	594	-	-	
Securities:	1,209,318	2,103,567	472,177	
Held-to maturity debt securities:	229,854	433,084	8,874	
Government bonds	-	221,867	-	
Corporate bonds	185,481	24,849	-	
Other	44,373	186,368	8,874	
Available-for-sale securities with maturities:	979,463	1,670,482	463,303	
Government bonds	125,133	310,614	17,749	
Local government bonds	220,678	163,578	27,955	
Corporate bonds	619,595	1,051,996	84,158	
Other	14,048	144,293	333,430	
Loans and bills discounted (*1, 2)	6,816,542	5,670,917	4,228,150	
Foreign exchanges assets	57,250	-	-	
Total	\$11,728,691	\$ 7,774,494	\$ 4,700,328	

Thousands of U.S. dollars				
31st March, 2016	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:	257,818	1,533,377	1,296,059	
Held-to maturity debt securities:	-	-	-	
Government bonds	-	-	-	
Corporate bonds	-	-	-	
Other	-	-	-	
Available-for-sale securities with maturities:	257,818	1,533,377	1,296,059	
Government bonds	-	-	-	
Local government bonds	22,896	-	-	
Corporate bonds	576	24,884	451,011	
Other	234,336	1,508,493	845,039	
Loans and bills discounted (*1, 2)	2,696,663	2,926,526	10,575,567	
Foreign exchanges assets	-	-	-	
Total	\$ 2,954,481	\$ 4,459,913	\$11,871,636	

(*1) Loans and bills discounted and monetary claims bought do not include ¥56,388 million (\$500,425 thousand) and ¥61,324 million of receivables such as those due from bankrupt, effectively bankrupt or likely to become bankrupt borrowers at 31st March, 2016 and 2015, 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, 2016	Due in one year or less	Due after one year through three years	Due after three years through five years
Deposits (*1)	¥ 4,441,205	¥ 237,345	¥ 23,701
Negotiable certificates of deposit	3,800	-	-
Payables under securities lending transactions	211,509	-	-
Borrowed money	49,174	3,846	16,160
Corporate bonds	-	-	-
Total	¥ 4,705,688	¥ 241,191	¥ 39,861

Millions of yen			
31st March, 2016	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*1)	¥ 443	¥ 882	¥ -
Negotiable certificates of deposit	-	-	-
Payables under securities lending transactions	-	-	-
Borrowed money	17,036	-	-
Corporate bonds	35,000	20,000	-
Total	¥ 52,479	¥ 20,882	¥ -

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(*2)	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(*2)	10,072	7,000	-
Corporate bonds	50,000	20,000	-
Total	¥ 60,793	¥ 27,963	¥ -

Thousands of U.S. dollars			
31st March, 2016	Due in one year or less	Due after one year through three years	Due after three years through five years
Deposits (*1)	\$39,414,314	\$ 2,106,363	\$ 210,339
Negotiable certificates of deposit	33,723	-	-
Payables under securities lending transactions	1,877,076	-	-
Borrowed money	436,403	34,132	143,414
Corporate bonds	-	-	-
Total	\$41,761,519	\$ 2,140,495	\$ 353,753

Thousands of U.S. dollars			
31st March, 2016	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*1)	\$ 3,931	\$ 7,827	\$ -
Negotiable certificates of deposit	-	-	-
Payables under securities lending transactions	-	-	-
Borrowed money	151,189	-	-
Corporate bonds	310,614	177,493	-
Total	\$ 465,734	\$ 185,321	\$ -

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

Deposits do not include ¥26,496 million (\$235,143 thousand) and ¥28,112 million of time deposits beyond maturity.

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, 2016 and 2015

Millions of yen				
	Contract amount /notional principal			
31st March, 2016	Total	Over one year	Fair value	Valuation gain (loss)
Over-the-counter transactions:				
Currency swaps	¥ 55,319	¥ 51,853	¥ 337	¥ 337
Forward foreign exchange contracts:				
Selling	¥ 12,500	-	242	242
Buying	¥ 6,450	-	(236)	(236)
Currency options:				
Selling	¥ 34,998	¥ 23,929	(1,403)	192
Buying	¥ 34,998	¥ 23,929	1,403	126
Total	-	-	¥ 343	¥ 661

Millions of yen				
	Contract amount /notional principal			
31st March, 2015	Total	Over one year	Fair value	Valuation gain (loss)
Over-the-counter transactions:				
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)

Thousands of U.S. dollars				
	Contract amount /notional principal			
31st March, 2016	Total	Over one year	Fair value	Valuation gain (loss)
Over-the-counter transactions:				
Currency swaps	\$490,938	\$460,179	\$ 2,990	\$ 2,990
Forward foreign exchange contracts:				
Selling	\$110,933	-	2,147	2,147
Buying	\$ 57,241	-	(2,094)	(2,094)
Currency options:				
Selling	\$310,596	\$212,362	(12,451)	1,703
Buying	\$310,596	\$212,362	12,451	1,118
Total	-	-	\$ 3,044	\$ 5,866

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, 2016 and 2015

Millions of yen				
	Contract amount /notional principal			
31st March, 2016	Total	Over one year	Fair value	Valuation gain (loss)
Financial instruments exchanges:				
Bond futures:				
Selling	-	-	-	-
Buying	-	-	-	-
Bond futures options:				
Selling	-	-	-	-
Buying	¥ 30,000	-	¥ 48	¥ 5
Total	-	-	¥ 48	¥ 5

Millions of yen				
	Contract amount /notional principal			
31st March, 2015	Total	Over one year	Fair value	Valuation gain (loss)
Financial instruments exchanges:				
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, 2016	Total	Over one year	Fair value	Valuation gain (loss)
Financial instruments exchanges:				
Bond futures:				
Selling	-	-	-	-
Buying	-	-	-	-
Bond futures options:				
Selling	-	-	-	-
Buying	\$266,240	-	\$ 425	\$ 44
Total	-	-	\$ 425	\$ 44

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.

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, 2016 and 2015

31st March, 2016			Millions of yen		
			Contract amount /notional principal		
Hedge accounting method	Transaction type	Major hedged item	Total	Over one year	Fair value
Deferral hedge accounting	Currency swaps	Loans denominated in foreign currencies	¥ 26,592	¥ 19,493	¥ 1,639
	Forward foreign exchange contracts	-	-	-	-
Total					¥ 1,639

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, 2016			Thousands of U.S. dollars		
			Contract amount /notional principal		
Hedge accounting method	Transaction type	Major hedged item	Total	Over one year	Fair value
Deferral hedge accounting	Currency swaps	Loans denominated in foreign currencies	\$235,995	\$172,994	\$ 14,545
	Forward foreign exchange contracts	-	-	-	-
Total					\$ 14,545

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

35. Amounts per Share

Amounts per share at 31st March, 2016 and 2015 and for the years then ended were summarized as follows:

	Yen		U.S. dollars
	2016	2015	2016
Net assets	¥ 759.29	¥ 774.83	\$ 6.73
Net income:			
Basic	55.07	66.38	0.48
Diluted	47.49	66.34	0.42
Cash dividends			
Common stock	¥ 15	¥ 15	\$ 0.13
Second-class preferred stock	¥ -	¥ 1,020 divided by 18.5	\$ -
Third-class preferred stock	¥ 70	¥ 70.7	\$ 0.62
First series of seventh-class preferred stock	¥ 29.51	-	\$ 0.26

Net assets per share as of 31st March, 2016 and 2015 were computed based on the following information:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Total net assets	¥ 258,005	¥ 234,788	\$ 2,289,714
Payment for second-class preferred stock	-	(25,000)	-
Dividends for second-class preferred stock	-	(1,275)	-
payment for third-class preferred stock	(15,000)	(15,000)	(133,120)
Dividends for third-class preferred stock	(262)	(530)	(2,325)
payment for first series of seventh-class preferred stock	(25,000)	-	(221,867)
Dividends for first series of seventh-class preferred stock	(375)	-	(3,328)
Stock subscription rights	(91)	(69)	(807)
Non-controlling interests	(8,172)	(8,485)	(72,523)
Amounts to be deducted from total net assets	(48,902)	(50,360)	(433,990)
Net assets attributable to common stock as of 31st March, 2016 and 2015	¥ 209,102	¥ 184,427	\$ 1,855,715
Number of shares of common stock as of 31st March, 2016 and 2015 used to compute net asset per share (Unit: thousand shares)	275,391	238,020	2,444,009

Net income per share for the years ended 31st March, 2016 and 2015 are computed based on the following information:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Net income attributable to owners of the parent for the year	¥ 16,472	¥ 17,584	\$ 146,183
Dividends for second-class preferred stock based on the resolution at the regular general shareholders' meeting	–	(1,275)	–
Dividends for third-class preferred stock based on the resolution by Board of Directors	(262)	–	(2,325)
Dividends for third-class preferred stock based on the resolution at the regular general shareholders' meeting	(262)	(530)	(2,325)
Dividends for first series of seventh-class preferred stock based on the resolution by Board of Directors	(362)	–	3,212
Dividends for first series of seventh-class preferred stock based on the resolution at the regular general shareholders' meeting	(375)	–	3,328
Amounts not attributed to common stock shareholders	(1,262)	(1,805)	(11,199)
Net income attributable to owners of the parent attributable to common stock	¥ 15,210	¥ 15,778	\$ 134,984
Average outstanding number of shares of common stock (Unit: thousand shares)	276,174	237,686	
Diluted net income per share after adjusting potential shares			
Adjustment to net income attributable to owners of the parent	¥ –	¥ –	\$ –
Number of increased common stock (Unit: thousand shares)	44,090	146	
Of which, stock subscription rights	179	146	
Of which, for first series of seventh-class preferred stock	43,911	–	

Note:

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

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

The average outstanding number of shares of treasury stock subtracted for the calculation of net income per share and diluted net income per share after adjusting potential shares is 644 thousand shares for the year ended 31st March, 2015 and 1,031 thousand shares for the year ended 31st March, 2016. The number of treasury stock at the end of the fiscal year subtracted for the

calculation of net assets per share is 196 thousand shares for the year ended 31st March, 2015 and 5,377 thousand shares for the year ended 31st March, 2016.

4. As described in "Change in accounting policy," the Company has applied the "Revised Accounting Standard for Business Combinations" and other Standards in accordance with transitional treatments stipulated in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures.

These changes have no impact on per share information pertaining to the fiscal year under review.

36. Subsequent events

Significant acquisition of treasury stock

1. Senshu Ikeda Turnaround Partners Co., Ltd., the Company's consolidated subsidiary, purchased treasury stock pursuant to the resolution at the Board of Directors' meeting, etc. held on 25th February, 2016.

The above stocks were retired on 1st April, 2016.

(1) Class of shares subject to Acquisition	Senshu Ikeda Turnaround Partners Co., Ltd. A-class preferred stock
(2) Total number of shares subject to Acquisition	4,800
(3) Amount of Acquisition	¥500,000 per A-class preferred stock
(4) Total amount of Acquisition	¥2,400,000,000
(5) Entities from which the Company acquired the shares	ORIX Corporation
(6) Acquisition date	Friday, 1st April, 2016

2. Senshu Ikeda Corporate Partners Co., Ltd., the Company's consolidated subsidiary, purchased treasury stock pursuant to the resolution at the Board of Directors' meeting, etc. held on 26th February, 2016.

The above stocks were retired on 1st April, 2016.

(1) Class of shares subject to Acquisition	Senshu Ikeda Corporate Partners Co., Ltd. A-class preferred stock
(2) Total number of shares subject to Acquisition	4,800
(3) Amount of Acquisition	¥520,000 per A-class preferred stock
(4) Total amount of Acquisition	¥2,496,000,000
(5) Entities from which the Company acquired the shares	JFH Limited Liability Company
(6) Acquisition date	Friday, 1st April, 2016

Report of Independent Auditor

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, 2016, 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, 2016, 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 27, 2016
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, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Assets			
Cash and due from banks	¥ 458,409	¥ 540,935	\$ 4,068,237
Call loans and bills bought	885	616	7,854
Monetary claims bought	67	80	594
Trading account securities	221	177	1,961
Money held in trust	27,000	27,000	239,616
Securities	1,051,825	1,163,549	9,334,620
Loans and bills discounted	3,752,067	3,656,051	33,298,429
Foreign exchange assets	6,451	6,321	57,250
Other assets	33,803	36,954	299,991
Tangible fixed assets	38,039	36,581	337,584
Intangible fixed assets	6,145	7,386	54,534
Prepaid pension cost	10,741	8,421	95,323
Deferred tax assets	14,053	18,947	124,716
Customers' liabilities for acceptances and guarantees	14,127	16,078	125,372
Reserve for possible loan losses	(16,232)	(16,198)	(144,053)
Reserve for possible investment losses	(2,310)	(1,830)	(20,500)
Total assets	¥ 5,395,297	¥ 5,501,072	\$ 47,881,585
Liabilities and net assets			
Liabilities			
Deposits	¥ 4,777,696	¥ 4,772,536	\$ 42,400,567
Negotiable certificates of deposit	3,800	12,443	33,723
Payables under securities lending transactions	211,509	251,176	1,877,076
Borrowed money	73,181	147,469	649,458
Foreign exchange liabilities	429	538	3,807
Corporate bonds and notes	55,000	70,000	488,107
Other liabilities	21,448	22,677	190,344
Provision for employees' bonuses	1,554	1,455	13,791
Accrued retirement benefits for employees	1,101	1,574	9,771
Accrued retirement benefits for directors and corporate auditors	35	35	310
Reserve for reimbursement of deposits	456	409	4,046
Reserve for point services	138	112	1,224
Reserve for contingent losses	334	351	2,964
Acceptances and guarantees	14,127	16,078	125,372
Total liabilities	5,160,814	5,296,860	45,800,621
Net assets			
Shareholders' equity:			
Capital stock	61,385	50,710	544,772
Capital surplus	104,185	93,932	924,609
Retained earnings	47,532	38,608	421,831
Total shareholders' equity	213,103	183,252	1,891,222
Net unrealized gain (loss) on available-for-sale securities	21,524	20,955	191,018
Net unrealized gain (loss) on deferred hedges	(144)	3	(1,277)
Total valuation and translation adjustments	21,380	20,959	189,740
Total net assets	234,483	204,212	2,080,963
Total liabilities and net assets	¥ 5,395,297	¥ 5,501,072	\$ 47,881,585

Non-consolidated Statements of Operations (Unaudited)

The Senshu Ikeda Bank, Ltd.
For the years ended 31st March, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Income			
Interest income:			
Interest on loans and bills discounted	¥ 45,035	¥ 47,605	\$ 399,671
Interest and dividends on securities	15,867	16,949	140,814
Other interest income	650	421	5,768
Fees and commissions	15,322	16,460	135,977
Other operating income	8,031	10,574	71,272
Recoveries of written-off claims	515	477	4,570
Other income	10,533	7,357	93,477
Total income	95,956	99,847	851,579
Expenses			
Interest expenses:			
Interest on deposits	4,505	5,629	39,980
Interest on borrowings and rediscounts	596	620	5,289
Other interest expenses	2,479	1,897	22,000
Fees and commissions	8,291	8,710	73,580
Other operating expenses	11,631	14,350	103,221
General and administrative expenses	45,721	47,799	405,759
Loss on sales or disposal of fixed assets	91	87	807
Loss on impairment of fixed assets	291	36	2,582
Other expenses	3,644	3,028	32,339
Total expenses	77,252	82,159	685,587
Income before income taxes	18,704	17,687	165,992
Income taxes			
Current	(212)	451	(1,881)
Deferred	4,491	2,201	39,856
Total income taxes	4,279	2,652	37,974
Net income	¥ 14,424	¥ 15,034	\$ 128,008



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